



Digital Acceleration Research – Phase 2

Executive Summary

Prepared for the Canada Revenue Agency

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Prepared for the Canada Revenue Agency
Supplier name: Phoenix Strategic Perspectives Inc.
September 2022

This public opinion research report presents the findings from 24 virtual focus groups conducted with individual (T1) taxpayers and representatives of registered charities. The focus groups were held with participants residing in the following regions of the country: Atlantic Canada, Quebec (French), Ontario, the Prairies, and the Pacific. In total, 20 groups were held with taxpayers, including those who file their tax returns by paper, low-income seniors, individuals who have experienced precariousness in their housing situation, and low-income single parents. Four groups were conducted with representatives of charities who file their organization's charitable returns by paper. The fieldwork took place between May 25 and June 14, 2022.

Cette publication est aussi disponible en français sous le titre : Recherche sur l'accélération numérique – phase 2

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POR Registration Number: 122-21
Contract Award Date: 2022-02-11
Contracted Cost: \$185,130.77 (including applicable taxes)

The Canada Revenue Agency (CRA) commissioned Phoenix Strategic Perspectives (Phoenix SPI) to conduct qualitative public opinion research (POR) with individual (T1) taxpayers and representatives of registered charities to explore channel preferences for tax filing and interacting with the Agency.

1. Research Purpose and Objectives

As more Canadians make use of online services, the CRA has been exploring Canadians' channel preferences for tax filing and interacting with the Agency. The purpose of this qualitative research was to explore channel preferences among individual taxpayers involving their personal income taxes and representatives of registered charities involving the T3010 Registered Charity Information Return to help the CRA better understand the barriers, if any, to using various online services; which processes different groups of Canadians are most willing to conduct online; and how and where support, outreach and education would be most beneficial. The target audiences were taxpayers, specifically individuals who file their tax returns by paper, vulnerable segments of Canadian society¹, and representatives of registered charities who file their organization's charitable returns by paper.

2. Methodology

To meet the objectives, a set of 24 virtual focus groups were conducted with taxpayers and representatives of registered charities. For the taxpayers, 20 groups were conducted, with four groups in each of the following regions: Atlantic Canada (English), Quebec (French), Ontario (English), Prairies (English), and the Pacific (English). One group in each location was held with those who file their tax returns by paper, low-income seniors, individuals who have experienced precariousness in their housing situation, and low-income single parents. For the registered charities, one group was held with charities based in of the following regions: Atlantic Canada (English), Quebec (French), the Prairies (English), and the Pacific (English). The fieldwork took place between May 25 and June 14, 2022.

¹ This included low-income seniors, individuals who have experienced precariousness in their housing situation, and low-income single parents.

3. Highlights

A: Taxpayers

Most participants had contacted or dealt with the CRA, often reporting mixed experiences dealing with the Agency.

Most research participants said they have had to contact the Canada Revenue Agency, typically to seek information or to deal with an issue. The main service channel used was telephone, although some participants did contact the CRA online/*My Account*, by mail, and in-person at an office. Those who contacted the CRA typically described their experience as mixed, observing that they ultimately got what they needed but not without difficulties. The two issues most often identified were the amount of time spent on hold while waiting to speak to a service agent, and the amount of time and effort it took to resolve a specific issue with a service agent.

Telephone is the preferred way to interact with the CRA for most participants, but many participants from vulnerable segments of Canadian society would do as much as they could online with CRA.

Not surprisingly given that telephone was the method used by most to contact the CRA, phone was also identified as the preferred way to interact with the CRA. Reasons why included the impression that it allows for a conversational approach in dealing with an issue, that it is an effective way to address issues that require details about personal circumstances, the habit of communicating with government agencies by phone, more comfort talking to a real person about tax-related issues, lack of familiarity using computers or communicating by email, and fear of security breaches if providing information electronically. Despite a preference for phone, there was a relatively widespread openness among participants from vulnerable segments of Canadian society to do as much as they could online with the CRA. That said, participants routinely provided caveats to this including that the CRA should make it easier to interact with the Agency online and provide a real-time online chat function.

Virtually all participants from vulnerable segments of Canadian society reported filing a personal income tax return on a yearly basis and could readily identify benefits of doing so.

All participants from vulnerable segments of Canadian society said they have filed a personal income tax return. Moreover, all but a few participants said they filed their last personal income tax return online. The two benefits or advantages to filing personal income taxes routinely mentioned were the impression that doing so is an obligation and that doing so allows one to receive federal benefits and tax refunds. These same participants collectively identified a variety of disadvantages to paying taxes, though many said there were no disadvantages or none they could think of. Perceived disadvantages included owing money to the CRA, difficulty finding an accountant and the cost of an accountant, collecting tax-related documents, the time and effort involved in completing the return, the time it takes to access an agent when calling the CRA, and difficulties that arise due to a change in one's personal situation, among others.

Accountants are the main reason why paper filers have filed online.

At least a few paper filers in every group with members of this audience have, on occasion, filed their return electronically even though they typically file their tax return by mail. The most common

reason for having filed electronically, despite the habit of filing by mail, was the use of an accountant whose habit is to file electronically. Reasons for returning to habitual filing by mail after having filed electronically included no longer using the services of an accountant, technical problems encountered when filing electronically, mistakes made because of filing electronically, the perception that filing by mail is simpler, and greater comfort filing by mail.

Online services/internet normally accessed from home, with participants' own devices. Nearly everyone had heard of 'My Account' for Individuals.

Participants normally access the internet or online services from their home or residence on devices of their own. Nearly everyone knew of *My Account*, and most are registered users. Things done through *My Account* most often included viewing the status of tax returns, notices of assessment, benefits and credits information, payments/payment dates, tax information slips, and mail/email notifications. Users of *My Account* routinely described the service as useful or very useful. The only suggestions made with any frequency for improving the service were providing a real-time online chat service and including a call-back service for those who need/want to speak to a service agent. Participants aware of *My Account* but not registered for the service were most likely to say they have not registered for the service due to a perceived lack of need.

Paper filers identified more perceived advantages of filing one's income tax return by mail and more perceived disadvantages of doing so electronically. Habit is the main reason for submitting personal income tax returns by mail.

Paper filers collectively identified a number of advantages to filing their tax return by mail, including the following: the process works well, ease keeping track of receipts/documents, greater attention to detail when completing the form manually, no need to scan documents, saving money by not having to pay for tax software or an accountant, and no possibility of hacking/fraud. The most frequently identified disadvantage of submitting a personal income tax return by mail was that it takes longer to process the return.

Perceived disadvantages or drawbacks of digitally filing income tax returns included the need to scan documents, the cost of tax software, potential hacking/security risks, the inconvenience of having to switch accountants (because their accountant files by mail), software compatibility issues, potential technical problems, and perceived lack of technical competence. Paper filers most often identified the speed of processing of returns as the main advantage of submitting a personal income tax return to the CRA electronically.

Asked why they submit their personal income tax return by mail rather than electronically, paper filers most often pointed to habit/custom/familiarity with the process. Other reasons identified with some frequency included the impression that they are less likely to make mistakes when filling out a return manually and filing by mail, the fact that their return is simple/uncomplicated, an unwillingness/refusal to pay for tax software, potential problems with electronic filing, and because their accountant files by mail.

Many perceived advantages and disadvantages of keeping records in paper and electronic formats were mentioned participants from vulnerable segments of society. Among all participants, many expressed a preference for receiving CRA correspondence in paper format or in both paper and digital.

Participants from vulnerable segments of Canadian society associated the following advantages with retaining tax-related documents in paper format: they are easily accessible/at hand, the CRA might require and request original paper copies, documents are easily kept in one place, paper-based correspondence is easy to organize/follow, paper copies can be faxed, and paper copies can easily be kept safe/secure/private. Perceived disadvantages associated with paper copies were that they take up room, may be destroyed by fire or water, and may get lost in a move.

Advantages associated with electronic records included the impression that they are a good back-up to paper copies, easy to send to the CRA if necessary, easy to store, can be accessed when one is away from home, and do not deteriorate. Disadvantages associated with electronic copies included the need to scan any paper documents, potential loss of documents because of technical problems, potential threat of hacking, electronic copies may not be considered originals, forgetting one's password or where one has stored documents, and generally not being technologically competent.

Most participants identified paper or a combination of paper and electronic versions as their preference regarding documentation sent by the CRA. Reasons for preferring paper format included the following: correspondence coming by mail from the CRA is more likely to be legitimate, less likely to be overlooked, more likely to be recalled/top-of-mind, and more easily accessible, among others. Reasons for preferring to receive documentation from the CRA electronically included the following: it is fast, it can be printed, it will not get lost in the mail, stolen, or delayed, there is proof/a record of it being sent, it is environmentally friendly, and it is more convenient if one is moving/transient.

Relatively few paper filers contemplating filing electronically, but many pointed to various inducements to file taxes electronically.

Only a small number of paper filers identified themselves as contemplating switching from filing their tax return by mail to doing so electronically, though many feel they currently have the technology needed to file electronically if they wanted to. The only inhibiting factors identified in this regard were inertia and lack of confidence regarding their own technical skills.

Paper filers most often identified the following as things that would assist or facilitate their move to digital tax-filing or increase their willingness to switch to online filing: evidence that the process is user-friendly, pre-filled returns based on information already on record, the availability of assistance from the CRA (e.g., videos/tutorials/workshops, access to a live online chat service and/or a call-back service when filing electronically), and free tax software.

Most do not experience challenges completing and filing their tax return. Participants identified various kinds of services and resources that would be useful to them in terms of assisting them with their tax-related matters.

Participants provided different assessments of the relative ease or difficulty of completing their tax return and filing their taxes, though they were more likely to describe their experience as easy or relatively easy than difficult. Specific challenges encountered included the form being long and complicated, lack of understanding, limited financial literacy, fear/apprehension about making mistakes, keeping track of all required documents, understanding which benefits one is entitled to, and dealing with the tax implications of changes in one's life circumstances.

Services and resources that would assist them with their tax-related matters included the following: making it easier for people to learn about the benefits they might qualify for, access to free tax software, a shorter/simpler tax form or a simplified version for people whose tax situation does not change from year to year, simplifying the process by automatically filling in information that the CRA/Government of Canada has on file, more CRA call centre agents in order to improve phone service by reducing wait times, a call back service, and an online chat service/function.

B: Registered Charities

Nearly everyone described the Registered Charities Information Return (T3010) as easy or relatively easy to complete, although a variety of challenges were identified.

Challenges associated with completing the T3010 form included gathering all the information/documents required to complete the submission, the amount of information required/requested by CRA, difficult/unclear terminology for non-experts in tax issues or accounting, tax receipting donations, coordinating expense categories in the general ledger with categories in the T3010 form, making sure numbers/figures on different pages of form match-up/correspond, difficulty using the fillable/saveable version of form, software/interface compatibility issues, and keeping track of/completing other forms needed.

Most participants said they complete the T3010 form on their own, without assistance. Only a few participants indicated that their charity has looked for information or assistance to help them understand what is required for completing and/or filing their T3010 form.

Participants who receive assistance completing the T3010 form tended to have taken on responsibility for completing the form relatively recently and needed assistance with the following types of things: statements of income, the arms-length directors form, and financial statements. Sources most often used for such assistance included the Charities Directorate and the CRA. Those looking for information said they found what they were looking for. It was observed that on occasion it took time to find or obtain the information sought, but that the process was not difficult. Asked specifically how they would contact the Charities Directorate of the Canada Revenue Agency if their charity had questions or needed more information, participants most often said they would do so by phone.

Most participants said their organization currently maintains/stores its books and records using a combination of paper and electronic formats. Email or combined email and paper are the preferred ways to receive information from the CRA.

Reasons commonly given for maintaining both paper and electronic formats included the fact that documents sent to the charity can come in both forms, and in order to have a back-up/duplicate version in another format. Participants most often identified email or a combination of email and paper as the way(s) their organization would prefer to receive general information from the CRA about such things as their organization meeting its obligations/programs/services available.

Only a few organizations are registered for the CRA's My Business Account online portal.

Most of those whose organizations are not registered to use *My Business Account* are aware that the CRA had a secure online portal for charities. With one exception, at least a few participants in each group said they are registered for *My Account* for their personal taxes, but only a few of them knew they could use the same log-in credentials for *My Business Account*.

Among participants aware of *My Business Account* but whose organization is not registered, a few indicated that they or their organization have tried unsuccessfully to register for the service. Steps taken to try to resolve the issue involved some unsuccessful back and forth with the CRA. Lack of success in resolving the issue was attributed either to non-responsiveness on the part of the CRA or lack of technical competence to resolve the issue on their part.

Just over half the participants were aware that the T3010 return can be filed through My Business Account, but no one had tried filing their charity's information return through the service. Nearly everyone would prefer to file their T3010 to the CRA electronically.

The most frequently identified advantages of filing the T3010 return using digital services were quicker receipt and treatment by the CRA and immediate confirmation of receipt. Many participants could not identify any advantages of filing the T3010 return by mail beyond custom/habit and lack of problems filing it this way. Asked if anything is inhibiting or preventing them from filing digitally, participants routinely said no, often identifying inertia as the only obstacle.

4. Limitations and use of the findings

The results from the virtual focus groups are qualitative in nature, therefore are not statistically projectable, but they offer detailed opinions about the issues explored through this research. As such, the results will be used by the CRA to inform decision-making in the design and implementation of the Agency's Digital Strategy initiatives—specifically to better understand the barriers to using online services that exist within different population segments and what can be done to assist them with digital tax filing.

5. Contract Value

The contract value was \$185,130.87 (including applicable taxes).

6. Statement of Political Neutrality

I hereby certify as a Senior Officer of Phoenix Strategic Perspectives that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the *Communications Policy* of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not contain any reference to electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leader.



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