

TAX BRANCH CUSTOMER SURVEY METHODOLOGY

A. Survey Population / Sampling Plan

The survey target population includes California employers (with an active EDD payroll tax account and with a complete mailing address) who either (a) have never signed up for the EDD's e-Services for Business, or (b) used e-Services for Business from July 14, 2017 through June 15, 2018.¹ Third-party preparers were initially excluded from the population because the research objectives aim primarily at employer perspectives.² The total target population of these employers, called throughout the report "California employers" or "Tax Customers," is 396,161. Of these, 226,823 (57.2%) had never used e-Services for Business and 169,387 (42.8%) had used it between July 14, 2017 and June 15, 2018. A portion of the whole employer population is not included in the target population: "non-recent users" of e-Services (those who have used e-Services, but not in the past 12 months). This subpopulation is excluded deliberately, and has been for all three years of this annual survey because of the desire to hear from users of e-Services about recent experiences.

The researchers drew a random sample of 2,000 employers from each of the two subpopulations (2,000 from the non-users, 2,000 from the recent e-Services users), producing a total sample of 4,000.

B. Survey Questionnaire

In partnership with several aforementioned Tax Branch staff, the SAR Section developed the questionnaire, which consists of both closed-ended and open-ended questions. The researchers created the electronic questionnaire using IBM SPSS Data Collection software (an online data collection system). Print versions of the questionnaire appear in the Appendix.

C. Procedures

The EDD's Tax Support Division extracted from the Accounting and Compliance Enterprise System (ACES) and provided the SAR Section with a data file containing the unique Taxpayer Identification Number, contact information, and other demographic information for all employers with an active EDD payroll tax account. After eliminating duplicate cases and third-party agents, the SAR Section selected random samples of 2,000 California Employers who had never signed up for the EDD's e-Services for Business (non-users), and 2,000 California employers who used e-Services for Business from July 14, 2017 through June 15, 2018 to participate in the survey.

¹ Target population refers to the entire set of individuals of interest.

² We anticipated and accepted responses from third party preparers answering on behalf of employers.

The survey period for this questionnaire was from July 3, 2018 through August 10, 2018. Users of e-Services for Business were sent email notifications, and non-users were mailed paper notifications.

On July 3, 2018, EDD's Mail Operations and Distribution Section (MODS) sent an invitation letter containing the participant access code and directions to take the online questionnaire to the non-user sample members. This non-user sample also received a post card thank you/reminder notice in the mail, sent July 10, 2018. To those participants who still had not completed the online questionnaire, the MODS sent a second reminder letter on July 18, 2018, and a final reminder on July 25, 2018.

SAR section researchers emailed e-Services sample members each of the above notifications one day following the release of the paper notifications. The email notifications contained personalized links with embedded access codes allowing direct entry to the survey.

All letters and emails contained the SAR Section's email address for employers with questions about accessing the survey. The final contact contained telephone numbers for participants without online access to take the survey over the phone.

D. Data Entry and Analysis

The use of IBM SPSS Data Collection software eliminated any data entry requirements. Researchers analyzed all responses using IBM SPSS Statistics. Open-ended comments appearing in this report were masked to protect respondents' identities and, in some cases, minimally edited to correct major spelling or grammatical errors. Responses with sufficient similarity were paraphrased and grouped together.

All participants were provided with this confidentiality guarantee:

Your participation is voluntary and your responses are strictly CONFIDENTIAL and will not be linked to your business' name. Your answers will be used to improve the EDD's payroll tax services.

E. Outcome Rate Statistics

Table 1
Response Rate Calculation

Description	Total Sample	e-Services Users (e-Mail)	Non-users (Mail)
Sample size	4,000	2,000	2,000
Completed Surveys <i>(80-100% complete)</i>	18.4%	19.3%	17.6%
Partially completed <i>(50-80% complete)</i>	0.4%	0.5%	0.4%
Break-offs <i>(At least one question but less than 50% complete)</i>	0.6%	0.6%	0.6%
Returned <i>(Undeliverable)</i>	2.5%	2.3%	2.7%
Refused	0.1%	0.1%	0.1%
No response	78.0%	77.3%	78.8%
Response Rate*	18.8%	19.8%	17.9%

*The response rate was calculated using the American Association for Public Opinion Research (AAPOR) Response Rate 4, which counts partial and completed surveys. For details on the different formulas used to calculate response rates see the Standard Definitions Report 2016 at www.aapor.org. Standard Definitions: Final Dispositions of Case Codes and Outcome Rates for Surveys. 9th edition. Lenexa, Kansas: AAPOR.

The overall response rate to the survey is 18.8%, yielding 753 complete or partially complete responses. The e-Services Users sample yielded a response rate about 2 percentage points higher than the non-users sample.

F. Efforts to Reduce Potential Error

- **Coverage Error:** Coverage error occurs when the sampling frame does not accurately reflect the target population.³ The presence of coverage error results in either noncoverage or overcoverage. Noncoverage, or undercoverage, occurs when units of the target population are not included in the sampling frame. Overcoverage, on the other hand, happens when either (1) there are units in the sampling frame that do not belong to the target population, or (2) the sampling frame contains duplicative records.

³ Sampling frame refers to the accessible list of the target population from which the random sample is drawn.

EDD's Tax Support Division provided the SAR Section with a current and complete list of the population of California Employers with an active EDD employer payroll tax account from the Accounting and Compliance Enterprise System (ACES). Since this administrative data is highly accurate, the sampling frame should include all employers from the target population, thus significantly reducing the likelihood of noncoverage and overcoverage due to ineligible members of the sampling frame. The researchers carefully removed duplicative cases from the sample frame, further reducing the likelihood of overcoverage.

- **Measurement Error:** Measurement error can occur when the data collection instruments are constructed in ways that influence respondents' answers. The result of such error can lead to answers that do not accurately or reliably reflect the true answer of respondents. In the present study, the researchers carefully exercised survey research industry best practices and questionnaire development standards to reduce the possibility for measurement error. Many questions were identical or very similar to questions asked on previous surveys. All questions were reviewed and tested internally to ensure reliability and validity and minimize measurement error.
- **Sampling Error:** Sampling error occurs any time researchers use a random sample rather than observing each element of the target population. This type of error can only be reduced by increasing the sample size. The target population for this survey includes all California employers with an active EDD employer payroll tax account number who have either (1) logged into e-Services at some point during the 12 months (prior to June 15, 2018), or (2) never registered for e-Services. Of the entire sample of 4,000, the survey yielded 753 completed or partially completed surveys, resulting in a ± 3.6 percent overall sampling error, based on a 95 percent confidence interval.⁴ Sampling error for each question will vary because of skip logic and survey drop-off.
- **Non-response Error:** Non-response error occurs when respondents differ significantly from non-respondents in key measures or demographics. In this survey, the researchers compared the response proportions among subgroups using the demographic variables available in the participant data: employer type, industry sector, number of employees in business, geographic region, whether they have an enrolled agent, and whether the sample member registered with e-Services for Business.

Non-response analyses indicate no statistically significant associations between response proportions and whether or not the business has an enrolled agent or whether or not the sample member registered with e-Services. Analyses also

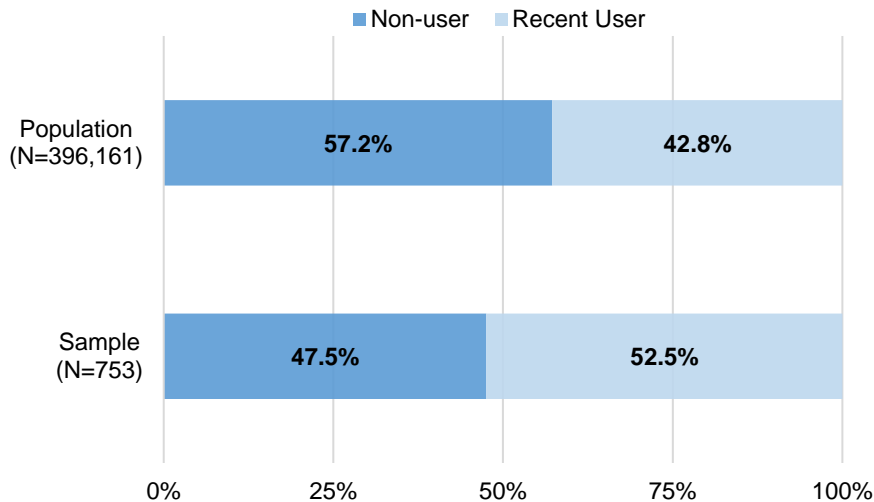
⁴ This sampling error means that 19 out of 20 times that a random sample of 753 from this population were surveyed, the true population value on the main survey question (e.g., did you receive X service [yes or no]) will be contained within 3.6 percentage points above or below the results for this sample. For example, if 70 percent of our sample indicated that they received X service, the true population value is between 66.4 and 73.6 percent.

indicate statistically significant, but negligible associations between response proportions and employer type, industry codes and the number of employees in the business. Lastly, statistical tests show a significant association between response proportion and geographic region (employers from some regions were more or less likely to respond than others). However, the relationship is weak, and therefore no adjustments or weights need to be assigned.

G. Sample Representativeness

- Representative Sample:** By comparing the known demographic characteristics of the employer target population to those of the sample respondents, the researchers concluded that the sample is generally representative of the employer target population.
- e-Services Users:** Like in previous Tax Enterprise Surveys, the 2018 survey sampling methodology included some oversampling of e-Services users, who make up just 43 percent of the target population. The proportion of e-Services users observed in the sample is almost 53 percent (see Figure 1), which is outside the margin of sampling error ($\pm 3.6\%$). Therefore, analyses of the whole sample have weights applied so that the results better represent the target population.⁵

Figure 1
e-Services Use (ACES Data)

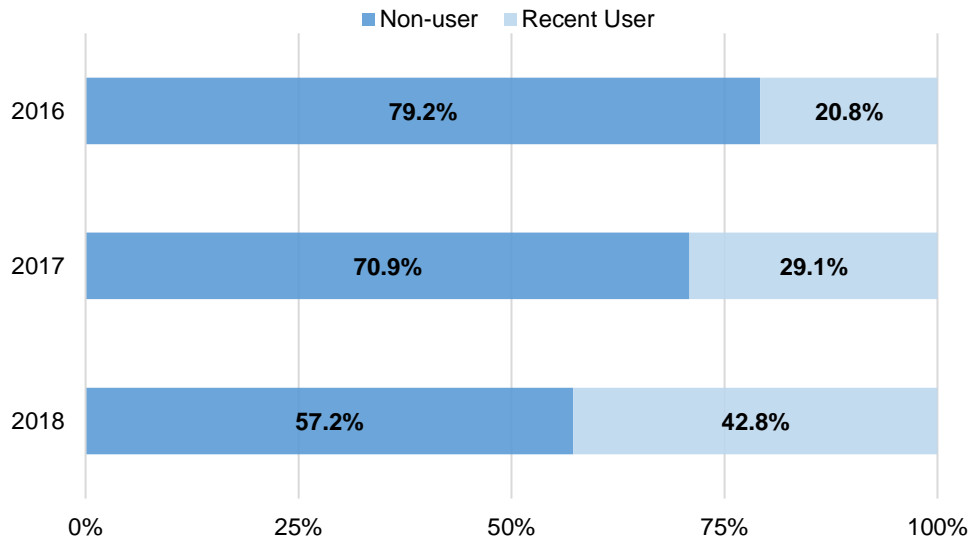


Notes: Sampling error $\pm 3.6\%$.

⁵ Weighting data is an adjustment technique researchers use to ensure analyses best reflect the population of interest. Since the e-Services subgroup is overrepresented in the sample, they receive a weight of 0.81 ($42.8\% / 52.5\% = 0.81$). The underrepresented non-users of e-Services subgroup receive a weight of 1.21 ($57.2\% / 47.5\% = 1.21$).

- **Shift in e-Services Use:** A large increase in the proportion of the recent e-Services user subgroup of the target population is likely driven by the e-pay and e-file mandate (AB 1245). Per AB 1245, employers with 10 or more employees were required to electronically submit employment tax returns, wage reports, and payroll tax deposits as of January 2017, and all employers (regardless of the number of employees) were required to e-submit as of January 2018. Each of these rollout dates appear to correspond with the shifts in e-Services use (see Figure 2). This suggests an association between the observed shift in recent e-Services use and the implementation of the mandate. Since the 2018 survey period only encompasses six months of the mandate for employers with less than 10 employees, one could expect the data in the 2019 survey to show an even greater shift (since the mandate will have been fully instated).

Figure 2
Yearly Population Breakdown by e-Services Use
(ACES Data)



G. Question Text and Sampling Error for Published Results

Satisfaction with EDD for Managing Payroll Tax Account

Sampling error: $\pm 4.1\%$. Data weighted to better represent CA employers.

In general, how satisfied are you with the services offered by the EDD for managing your employer payroll tax account?

- Completely satisfied
- Mostly satisfied
- Moderately satisfied
- Only a little satisfied
- Not at all satisfied
- I have not personally used any payroll tax services offered by the EDD in the last 12 months.

Satisfaction with e-Services to Make a Payment

Sampling error: $\pm 5.1\%$

In general, how satisfied are you with using e-Services for Business to make a payment?

- Completely satisfied
- Mostly satisfied
- Moderately satisfied
- Only a little satisfied
- Not at all satisfied

Satisfaction with e-Services to Submit Wage Reports

Sampling error: $\pm 5.8\%$

In general, how satisfied are you with using e-Services for Business to submit wage reports?

- Completely satisfied
- Mostly satisfied
- Moderately satisfied
- Only a little satisfied
- Not at all satisfied