Survey: Are Filers Satisfied With DIY Software or Their Tax Pro?

The debate as to whether you should file your tax return with a professional or utilize do-it-yourself online software (DIY) continues. The trend though indicates that more taxpayers are shifting toward DIY software as per the latest IRS figures. To dig deeper into this trend, we are sharing our results from customer surveys we conducted throughout the 2013 tax year to shed additional light on this apparent market shift in the consumer tax space. In addition, data collected from the respondents indicates ways in which both DIY software providers and professionals can improve upon their service offerings.

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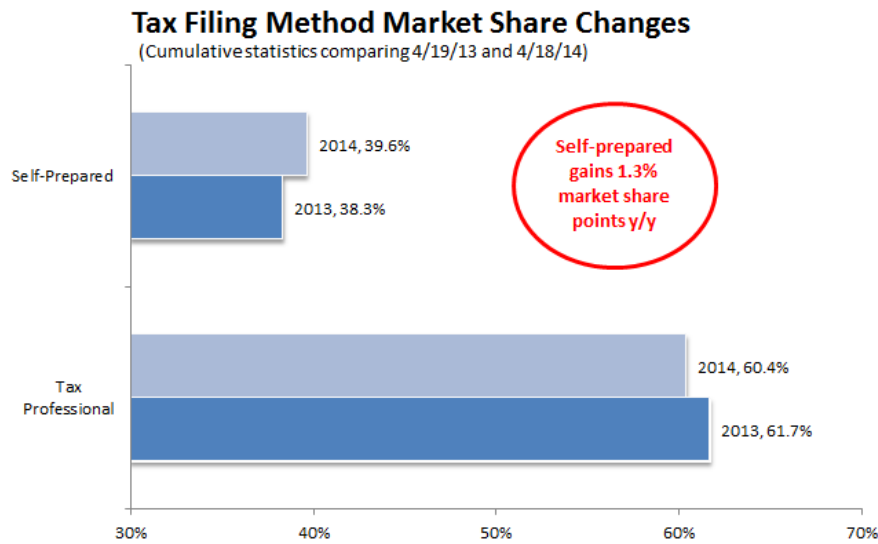
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The latest IRS tax season filing results

The latest figures provided by the IRS indicate that of the almost 116 million e-filers as of April 18, 2014, 70 million returns were prepared by a tax professional and the remaining 46 million were self-prepared (i.e. DIY software). This compares to 112.7 million in the year ago period, when 69.5 million returns were prepared by professionals and 43.2 million were self-prepared. This translates to a 1.3% market share shift toward DIY software as professionally prepared returns dropped from 61.7% of the overall e-file market in 2013 to 60.4% in 2014 (Table 1 – Tax Filing Method Market Share Changes). While the data indicates that DIY software providers are taking share from professionals, it's important to note that professionally prepared returns still grew in aggregate by 518,000 for the season. In addition, we believe that much of the market share shift relates to the taxpayers that were previously using the tax preparation franchises such as H&R Block (in-person), Jackson Hewitt, Liberty Tax and have opted to use DIY software instead. Our conclusion is based on both the quantitative and qualitative data that we've captured from our survey as detailed below.

Table 1

Tax Filing Method Market Share Changes
(Cumulative statistics comparing 4/19/13 and 4/18/14)

Self-Prepared: 2014, 39.6%; 2013, 38.3%

Self-prepared gains 1.3% market share points y/y

Tax Professional: 2014, 60.4%; 2013, 61.7%

The survey

During the 2013 tax season, we surveyed over 3,500 users throughout the country that visited BIDaWIZ for tax help and/or to find a preparer to file their personal tax return. The respondents that were chosen at random, varied by income level, profession, age, geography, ethnicity and other demographic data. Thus, we believe that the survey results are representative of the general population that falls within the consumer tax category.

Which filers are searching for online tax help?

At the forefront of the survey, we gathered information to identify the method that the visitor uses to file their return. The respondents that worked with a professional used either a CPA or Enrolled Agent at a traditional CPA firm or a preparer at one of the tax preparation franchises (H&R Block in-person, Jackson Hewitt, Liberty Tax). There were also some respondents that prepare their returns themselves using pen and paper. However, the results indicate that the majority of the respondents utilize DIY software (Table 2 – User Survey: Tax Preparation Method). Of which, TurboTax, H&R Block and to a lesser extent TaxACT represent the software programs that were used by most filers.

Table 2

User Survey: Tax Preparation Method

Paper 11%
Professional 25%
Software 64%

FreeTaxUSA 3%
TaxACT 8%
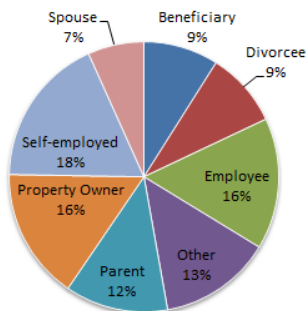Taxslayer 3%
Other 3%
H&R Block 18%
TurboTax 65%
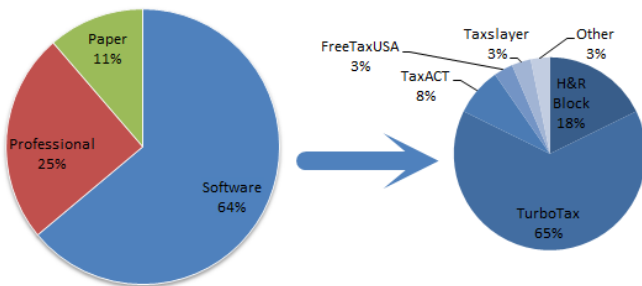
The data also tells us that many DIY filers are searching for online tax help. During the survey period, nearly 80% of our website traffic was generated through online user search activities. Specifically, a majority of our visits were sourced through the popular organic search engine terms related to "tax questions" and derivations thereof. In addition, many of the filers searching for tax help were using professionals from the tax preparation franchises. This data-point would substantiate the conclusion that the market share shift can largely be attributed to the filers using tax prep franchises.

In addition, we were also able to identify the respondents' background based on the nature of the inquiries (Table 3 – Survey: User Tax Based on Inquiry). The majority of these users were self-employed, owned property (rentals), or had employment related inquiries. These results illustrate that DIY filers are frequently searching online to get answers to their tax questions because they need assistance with inquiries relevant to those key user types.

Table 3

Survey: User Type Based on Inquiry

Spouse 7%
Beneficiary 9%
Divorcee 9%
Self-employed 18%
Employee 16%
Property Owner 16%
Other 13%
Parent 12%

What are the issues causing filers to search online?

We reviewed further into the key issues that are causing both DIY software filers and those that use a paid preparer to visit our site.
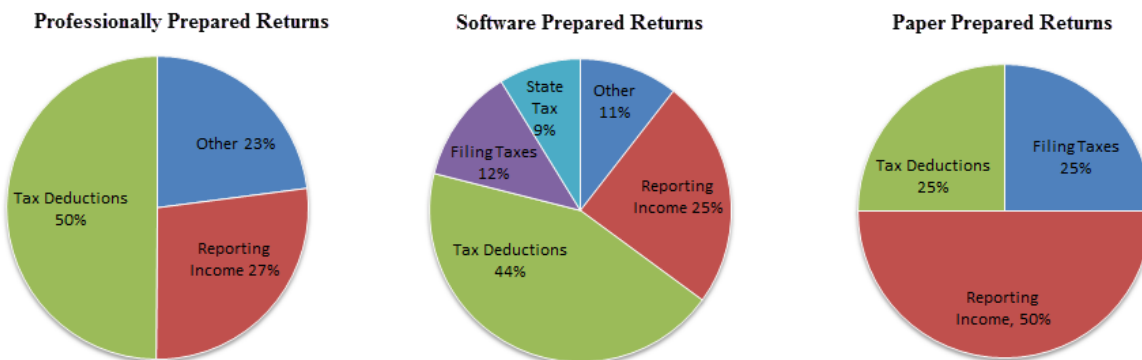
To better understand the data, we curated and categorized the user inquiries by type as it relates to the personal tax filing process. The different types of inquiries related to the following categories and sub-categories:

- Tax Deductions
  - IRAs/401(k)s
  - Rental/Business Expenses
  - Charitable Donations
  - Medical expenses
- Reporting Income
  - 1099/W-2 Form Reporting
  - Rental/Business Income
  - Estate/Gift Tax
  - Capital Gains Reporting

- Filing Taxes
  - Marital Status
  - Dependents
  - Schedule C Reporting
  - Amending Returns
- State Tax
  - Withholding Tax
  - Amending Returns
  - Tax Credits
  - Tax Deductions

The data tells us that both "reporting income" and "tax deduction" related inquiries are not being addressed well for both filers that utilize professionals or DIY software (Table 4 – User Survey: Tax Prep Method By Inquiry Type). While the figures are similar for these two filing methods at 50% & 44%, we believe there are key differences as to the context of these inquiries. Specifically, many of the DIY software "reporting income" inquiries relate to actually entering in certain information from 1099s, W-2 & K-1 forms whereas professionally prepared return inquiries for this category are more in the context of tax advice. For instance, filers that utilize tax professionals are wondering about strategies to implement for the timing of recognizing income/expenses. Another key observation to note is that DIY software filers are having many filing and state tax related inquiries that are not being addressed by the software programs or the services available to them.

Table 4

User Survey: Tax Prep Method By Inquiry Type

Professionally Prepared Returns

Other 23%
Tax Deductions 50%
Reporting Income 27%

Software Prepared Returns

State Tax 9%
Other 11%
Filing Taxes 12%
Reporting Income 25%
Tax Deductions 44%

Paper Prepared Returns

Filing Taxes 25%
Tax Deductions 25%
Reporting Income, 50%

Are the respondents satisfied with their current filing method?

The majority of respondents indicated that they would explore changing filing methods or providers. Specifically, there were TurboTax & HR Blocks users that articulated dissatisfaction with the level of support and access to relevant knowledge base data. Additionally, while the cost for using a professional was a concern when we asked, many of these respondents commented that they would consider using a professional due to the inability for DIY software programs to provide adequate support. In addition, they would also consider a DIY solution provider that had a more robust offering than their current method.

What should DIY software programs do to better cater to their clients?

These providers are executing well in converting many individuals filers to DIY software. However, they are not addressing all of the key issues that filers are facing when using their programs. Self-employed individuals, investors, property owners, employees working in multiple states remain at risk when using a DIY software program to file their return. State tax advice/assistance is perhaps a significant opportunity for DIY software providers to focus on in the future to further gain share from professionals and amongst themselves.

What do we recommend for professionals?

Professionals remain the most reliable source for a taxpayer to file their return. However, the cost for using a preparer as well as the access to one may appear to be prohibitive. We recommend that professionals work on improving their internal efficiencies to better cater to their existing clients as well as build upon their online reputations. There are many opportunities for professionals to share their knowledge with new and existing clients online.