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The Affordable Care Act and Its Impact on the Professional Tax Preparation Market in Kingsport, Tennessee

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The Affordable Care Act

And Its Impact on the Professional Tax
Preparation Industry in Kingsport, Tennessee

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EXECUTIVE SUMMARY

The objective of this study is to test whether the Affordable Care Act will have an effect on the professional tax preparation industry of Kingsport, Tennessee. To accomplish this objective, the researcher collected surveys concerning taxpayers' initial reaction to the realization that the law affects their 1040. A two proportion test for equality was performed and failed to reject the idea that the ACA will have an effect on the tax preparation industry of Kingsport. Because this study failed to prove that the change in legislation causes a jump in clientele for the professional tax preparation market, the fight for market share falls to marketers. They will decide who will benefit from this landmark piece of legislation.

CHAPTER 1: LITERATURE REVIEW

Introduction

“As president, I will sign a universal healthcare plan into law by the end of my first term.” (BarackObamadotcom, 2008). Senator Barrack Obama promised on the 2008 presidential campaign trail. Universal healthcare was his major platform when he faced Senator John McCain. On November 4th, 2008, the American people elected the senator from Illinois as the 44th president of the United States. The 2008 election season placed the Democrats in a supermajority in both the United States House of Representatives and United States Senate. This was an ideal scenario for President Obama to get the Affordable Care Act (herein ACA) passed.

Law offices and non-profit organizations have performed research into what the ACA says and how it might be applied in future years. This study seeks to find the effect of this new piece of legislation on the tax preparation community of Kingsport, Tennessee. Specific methodology is discussed in Chapter 2 of this publication.

Passage of the Affordable Care Act

House of Representative bill (Herein HR) 3590 was introduced into the 111th Congress in the United States House of Representatives on September 17, 2009. After much deliberation, a preliminary version of the bill unanimously passed the House and moved to the United States Senate. The Senate passed an amended version of the bill on December 24, 2009, with a vote of 60-39 with only Senator Bunning, a Republican from Kentucky, abstaining (U.S. Senate, 2009). The amended bill went back to the House for approval following the Senate vote. It took until March 21, 2010 for the House to pass the

amended version with a 219-212 with only Nancy Pelosi, a Democrat from California, abstaining. The bill was cleared for the White House the same day, and HR 3590 became Public Law No: 111-148, “The Patient Protection and Affordable Care Act” the following day when President Obama signs it into law (Library of Congress, 2010). President Obama had kept his promise to create a universal healthcare plan into law during his first term.

The ACA was taken to the United States Supreme Court over the individual mandate portion of the Act in 2012. The specific provisions of the individual mandate are discussed later in this chapter. Republican Tennessee Congressman, Dr. Phil Roe was able to sit in on the proceedings. “The federal government has the right to control interstate commerce, but never in the history of this country has the court said that you, as an individual, had to buy a product, whether it’s good for you or not,” Congressman Roe commented, “I think that Judge Roberts made a faulty ruling,” (P. Roe, personal communication, October 16, 2013). There are 9 Justices in the United States Supreme Court. When the first 8 Justices split on the decision, the Chief Justice casts the winning vote. The ruling the Congressman was referencing, was when Justice Roberts broke the 4-4 tie, and ruled that the penalty associated with not having an insurance plan is a constitutional tax by the federal government. The overall constitutionality of the fine was the main focus of this visit to the United States Supreme Court. The specifics of this tax will be discussed later in this chapter.

Implementation Timeline

The first part of the healthcare bill went into effect only months after President Obama signed it into law. A provision to tax indoor tanning services for 10% on the amount paid for indoor tanning services was implemented on June 15, 2010. The first due date for the tax was November 1, 2010.

A second provision of the ACA was implemented January 1, 2011 and involved changes to tax-free savings accounts. It excluded the costs for over-the-counter drugs not prescribed by a doctor from being reimbursed on a tax-free basis through a tax free health accounting plan. It increased the tax on distributions from a tax free health accounting plan that were not used for qualified medical expenses rose to 20% of the amount unused.

On January 1, 2013, several new tax-related regulations started. The first regulation increased the threshold for the itemized deduction for unreimbursed medical expenses from 7.5% of adjusted gross income to 10% of adjusted gross income with a limited waiver for taxpayers 65 and older until 2016. The second regulation pertains to tax free health accounting plans. It limits the amount of contributions to \$2,500 per year, increased annually by the cost of living adjustment. The third regulation increases Medicare Part A (hospital insurance) tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings over \$200,000 for individual taxpayers and \$250,000 for married couples filing jointly and imposes a 3.8% tax assessment on unearned income for higher-income taxpayers (i.e. interest or dividends). The fourth regulation eliminates the tax deduction for employers who receive Medicare Part D retiree drug subsidy payments. The last regulation that began January 1, 2013 imposes an excise tax of 2.3% on the sale of any taxable medical device (The Henry J. Kaiser Family Foundation).

Two additional provisions were set to start at the beginning of 2014. The first was the employer mandate. It assesses a fee of \$2,000 per full-time employee, excluding the first 30 employees, on employers with more than 50 employees that do not offer coverage and have at least 1 full-time employee who receives a premium tax credit. Employers with more than 50 employees that offer coverage, but have at least 1 full time employee receiving a premium tax credit, will pay the lesser of \$3,000 for each employee receiving a premium

credit or \$2,000 for each full-time employee, excluding the first 30 employees. The second imposes new fees on the health insurance sector (The Henry J. Kaiser Family Foundation). The employer mandate provision has been delayed until 2016 for employers with 50-99 employees. Employers with 100+ employees are receiving a different extension. The Washington Post reports, “Instead of being required in 2015 to offer coverage to 95 percent of full-time workers, these bigger employers can avoid a fine by offering insurance to 70 percent of them next year” (The Washington Post).

The individual mandate was also due to take effect on January 1, 2014. This provision requires every United States citizen to purchase a qualified health insurance plan. It is explained in more detail later in Chapter 1.

ACA Benefits

With all the talk about new taxes being levied, it is tough to realize that there is a positive side of the ACA. They were outlined by Liberty Tax Service’s marketing division which are listed below:

- “Adults with pre-existing conditions are eligible to enter a high risk pool of coverage that has a maximum of \$6,000 annual out-of-pocket payment after meeting the “no insurance coverage for 6 months” requirement
- New insurance plans must cover preventive care and medical screenings and are prohibited from charging copays, co-insurance or deductible for those screens
- Insurers cannot impose a dollar limit on essential benefits like hospital stays, etc.
- Dependents can stay on their parents’ health insurance plans until age 26, regardless of status (married, non-student, or not claimed on their parents’ tax return).

- Chain restaurants with 20+ locations [must] provide the caloric content of food products once the FDA sets the regulations” (Liberty Tax Service, 2013)

Exchanges

The ACA has developed the idea of setting up The Health Care Marketplace to sell low cost insurance. The states are allowed to set up these marketplaces either using a governmental organization or by using a nonprofit organization to manage them. Individuals and small businesses (less than 100 employees) will be able to purchase affordable insurance plans for themselves. The use of these marketplaces is restricted to United States Citizens and legal residents that are not incarcerated. There are different levels of coverage offered through these exchanges and they are outlined below:

- Bronze plan represents minimum creditable coverage and provides the essential health benefits and covers 60% of the benefit costs of the plan, with an out-of-pocket limit equal to the tax free accounting plan current law limit (\$5,950 for individuals and \$11,900 for families);
- Silver plan provides the essential health benefits and covers 70% of the benefit costs of the plan with the out-of-pocket limits;
- Gold plan provides the essential health benefits and covers 80% of the benefit costs of the plan, with the out-of-pocket limits;
- Platinum plan provides the essential health benefits and covers 90% of the benefit costs of the plan, with the out-of-pocket limits;
- A catastrophic plan is available to those up to age 30 or to those who are exempt from the mandate to purchase coverage and provides catastrophic coverage only

with the coverage level set at the HSA current law levels except that prevention benefits and coverage for three primary care visits would be exempt from the deductible. This plan is only available in the individual market (The Henry J. Kaiser Family Foundation).

Individual Mandate Demystified

Tax Side

The typical American is asking, “Who is required to have insurance by 2014?” Generally speaking, if an individual doesn’t have health insurance, the individual is required to purchase a health insurance plan. But with every great law, there are great exceptions.

The first question is, do any of these apply? †

- An individual is part of a religion opposed to the acceptance of benefits from a health insurance policy;
- An individual is an undocumented immigrant;
- An individual is incarcerated;
- An individual suffered a great financial hardship;
- An individual is a member of a Native American tribe;
- A family’s income is below the threshold for filing a tax return (\$10,000 for an individual, \$20,000 for a family);
- An individual must pay more than 8% of your income for health insurance, after taking into account any employer contributions or tax credits;

If any of these apply to an individual, there is no tax penalty for not possessing insurance.

If none of the above applies to an individual, the next question is this: Is the taxpayer insured for the whole year through a combination of any of the following sources?

- Medicare
- Medicaid or the Children's Health Insurance Program
- TRICARE (for service members, retirees, and their families)
- The veteran's health program
- A plan offered by an employer
- Insurance bought on your own that is at least at the Bronze Level
- A grandfathered health plan in existence before the health reform law was enacted

If a taxpayer is covered by any of the above, the requirement for possessing insurance is satisfied and no tax will be applied.

If a taxpayer is without insurance and does not fit the exception, there will be a tax penalty for that individual. Speaking in terms of tax years (instead of fiscal years): in 2014 the tax penalty will be \$95 per adult and \$47.50 per child (up to \$285 for a family) or 1.0% of family income in , whichever is greater; in 2015, the tax penalty will be \$325 per adult and \$162.50 per child (up to \$975 for a family) or 2.0% of family income, whichever is greater; in and after 2016, the tax penalty will be \$695 per adult and \$347.5 per child (up to \$2,085 for a family) or 2.5% of family income whichever is greater. Income is defined as total income in excess of the thresholds stated above. No tax penalty will be levied for a gap in coverage shorter than 3 months (The Henry J. Kaiser Family Foundation).

Credit side

Individuals may also be eligible for a premium or cost sharing subsidy. If an individual falls between 100-400% of the federal poverty line, they are eligible for these subsidies.

The first credit available is a refundable and advanceable credit, the premium credit. This limits the amount of health insurance premium individuals need to pay. Premiums are limited by the amount of income a household receives in relation to the federal poverty level (FPL). These limits are based off of the second lowest cost silver plan in the Exchange for the area the taxpayer lives. Below shows the limits to the premiums:

- Up to 133% FPL: 2% of income
- 133-150% FPL: 3-4% of income
- 150-200% FPL: 4-6.3% of income
- 200-250% FPL: 6.3-8.05% of income
- 250-400% FPL: 9.5% of income

The second credit available to low income individuals is a cost-sharing subsidy. This too is related to income versus the federal poverty line. The subsidies reduce the cost-sharing amounts and annual cost-sharing limits and have the effect of increasing the actuarial value of the basic benefit plan by the following percentages:

- 100-150% FPL: 94%
- 150-200% FPL: 87%
- 200-250% FPL: 73%
- 250-400% FPL: 70%

The Hyde Amendment ensures that these credits may not be used to purchase plans that cover abortions performed for reasons other than saving the mother's life or in cases involving rape or incest. If an individual wants to purchase one of these plans, they are free to do so as long as they show proof that they did not use moneys obtained through either the federal premium or the cost-sharing credits (The Henry J. Kaiser Family Foundation).

Projections of Revenue

Researchers at Liberty Tax Service made projections about the effect of the new tax laws that are being imposed by the ACA. Their research projections for the next 10 years are:

- Increased Medicare tax rate on high-income taxpayers: \$210.2 billion.
- Annual fee on health insurance providers: \$60 billion.
- 40% excise tax on health insurance annual premiums in excess of \$10,200 for an individual or \$27,500 for a family: \$32 billion.
- Annual fee on manufacturers and importers of branded drugs: \$27 billion.
- Increase in the 7.5% adjusted gross income floor on medical expense deductions to 10%: \$15.2 billion.
- Limit annual contributions to flexible spending arrangements in cafeteria plans to \$2,500: \$13 billion.
- 2.3% excise tax on manufacturers on importers of certain medical devices: \$20 billion.

Projections have also been made by Liberty Tax Service about the spending cuts that will be put into effect. These, too, are 10 year projections:

- Reduce funding for Medicare Advantage policies: \$132 billion.
- Reduce Medicare home health care payments: \$40 billion.
- Reduce certain Medicare hospital payments: \$22 billion. (Liberty Tax Service, 2013)

Contribution to Literature

Many organizations like the CATO Institute and the Kaiser Family Foundation are looking into how the individual mandate of the ACA will affect the individual. A study performed by Liberty Tax Service goes so far as to estimate the effect of the law on the United States Budget and possible effects on the American debt problem.

This study seeks to find the effect of this law on the tax preparation industry in Kingsport, Tennessee. A survey will be distributed to taxpayers that will show how likely they are to move from the self-preparation tax market (herein Self-Prep Market) (TurboTax, Tax Slayer, Tax Act, etc.) into the professional tax preparation market (H&R Block, Liberty Tax Service, etc.). This study will help managers of the above named companies budget future earnings in 2015 due to the passage of this landmark piece of legislation.

CHAPTER 2: METHODOLOGY

Introduction

This study seeks to examine the change in the percentage of taxpayers held by the professional tax preparation market between filing year 2013 and filing year 2015 due to the uncertainty of the Affordable Care Act (hereinafter ACA). A statistical test will be performed from information collected through a survey of taxpayers. Percentages for the Professional Tax Preparation Market (herein Pro-Tax Market) will be determined for 2013 and 2015. The test will examine these percentages.

Hypotheses

A null and alternative hypothesis is formed to test the professional tax preparation's equivalence from 2013 to 2015:

$$H_0: \Pi_{2013} = \Pi_{2015}$$

$$H_a: \Pi_{2013} \neq \Pi_{2015}$$

Where:

Π_{2013} = Percentage held by the Pro-Tax Market in 2013

Π_{2015} = Percentage held by the Pro-Tax Market in 2015

The reason that we are testing to see if the ratio in 2013 equals the ratio in 2015 is found later in the following section.

Research Design

This study seeks to find the effect of the ACA on the Pro-Tax Market in Kingsport, Tennessee, specifically in relation to TY 2012.

First, a benchmark of growth is established. Historical data is found on Table 22, published by the IRS, regarding the raw number of individual returns submitted by a paid tax preparer since 2000. Table 1, published by the IRS, shows the raw numbers of how many total returns were received. Taking data from Tables 22 and 1, percentages are found by year of how individual returns were prepared. These percentages are plotted on a graph. The percentages and graph can be found in Appendix B. This information reveals that over the past decade, tax preparation has stayed within the same range.

To be sure about this conclusion, this study runs a simple regression line over the past decade of data and finds a computer generated equation, reflecting what is expected to be an overall growth curve. This equation is $y=0.00137x-2.17$, with percentages between 0 and 1. The problem with this curve is that $r^2=6.73\%$. The r^2 of a regression line reflects how much of x explains y . This means that passage of time only accounts for 6.73% of the percentage of the total tax preparation market held by tax preparers. This is not a valid enough basis to assume that with the passage of time, the percent held by the Pro-Tax Market will increase at .14% annually. So, this study concludes that the Pro-Tax percentage is unaffected by the passage of time, and this study assumes that the percentage found in 2013 will be the same that we will find in 2015.

A survey is created to measure the likelihood of the population will choose a professional tax preparer versus preparing their taxes themselves. The consent form

and the exact questions can be found under Appendix A. If study participants inquired as to the content of the new health care law, a brief description was given, highlighting some of the major parts of the law, found in Chapter 1 of this text. If no inquiry was made, no information was given. This technique was chosen to simulate how the decision comes to fruition in the participants' minds. The researcher thinks that if too much information is provided up front, it might skew the participants to use a professional in the subsequent year, due to lack of exposure to technical terminology. Computer software designers are able to make simple enough questions to cover the complexity of this law.

Next, partnerships are established with local grocery stores in the Kingsport Area because the population of this study is the Kingsport tax market. The two study locations are Food City, located at 1911 Moreland Drive, Kingsport, Tennessee, 37663 and Kroger, located at 1664 East Stone Drive, Kingsport, Tennessee, 37660. These locations were chosen because of the type of business and where these locations are in relation to the population. Rich, poor, young, and old all go shopping at grocery stores. These two stores were far enough away to each other that shoppers at one wouldn't shop at the other. This helps diversify the selection of the sample.

A sign was designed to help recruit volunteers to the fill out a survey. On a white board, "Fill Out a Survey and Enter to Win Up To \$100" was written to create an advertisement. The survey participants were asked to fill out the survey, and upon completion, had the opportunity to place their name and a phone number on a card and be entered to win one of 14 prizes. The researcher facilitated the surveys on a Saturday and on a Wednesday at the two locations. At Kroger, 104 surveys were

collected and 91 were entered into the study. The other 13 did not file or do not anticipate filing in 2013 or 2015. At Food City, 105 surveys were collected and 95 were entered into the study. The 10 not entered were not entered for the same reason as above. It was intentional of this study to find an equal amount at each location to best represent the population in the samples collected. After the field days concluded, winners of the prizes were notified via phone. The prizes were distributed via postal mail.

Definitions

For the purposes of this study, a taxpayer who uses a tax preparer, such as Liberty Tax Service, H&R Block, or a CPA, for the initial filing or for an amendment is defined as a customer of the professional tax preparation community. A taxpayer who uses software such as Turbo Tax, Tax Slayer, and H&R Block's "at home" product or the like, or pencil and paper for the initial filing is defined as a customer of the self-preparation community.

If a taxpayer initially files a return with the self-preparation community and then files an amended return with a member from the professional tax preparation community, the professional community member is credited with the preparation of the entire return. If the initial return is filed with a tax professional and then the taxpayer files an amendment without the tax professional, the self-preparation market earns credit for the entire return.

If a couple with a filing status of Married Filing Jointly walked up to the study area, and both consented to participate in the study, only one survey is filled out, to

better reflect total return volume. If a person with a filing status of Single, Married Filing Separately, Head of Household, or Qualified Widower, a single survey is filled out for that person. If any of the above filers had dependents over the age of 18 that consented to participate in this study, an additional survey is filled out in addition to the person claiming such dependent.

Statistical Tests

A two proportion test for the equality of proportions will be performed. The two proportions that are used are (1) the percentage of individuals that used the Pro-Tax Market in 2013, and (2) the percentage of individuals that anticipate using the Pro-Tax Market in 2015. If this study fails to reject the null, this study cannot conclude that there is a difference in the Pro-Tax market in fiscal year 2015 compared to fiscal year 2013, and management in both communities can continue to use their current budget process to forecast sales for fiscal year 2015. If this study rejects the null in favor of the alternative, the ACA has a significant effect and will make the Pro-Tax Market grow. This study will not consider that the ACA will shrink the Pro-Tax Market because it is not logical that a more complex tax code will drive taxpayers away from professionals.

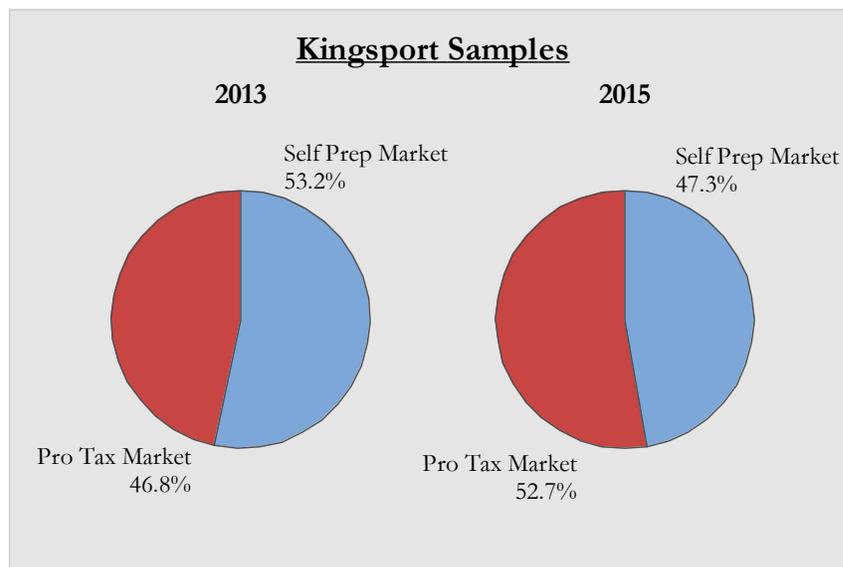
The survey results were entered into Minitab 17, a statistical software. If in 2013, the participant prepared their taxes themselves, “0” was entered into Minitab. If in 2013, the participant paid someone to prepare their taxes, “1” was entered into Minitab. If in 2015, the participant was “very unlikely” or “unlikely” to use a professional tax preparer, “0” was entered into Minitab. If in 2015, the participant

was “likely” or “very likely” to use a professional tax preparer, “1” was entered into Minitab. A significance value of $\alpha=0.05$ was established, with critical $p=3.841$, due to one degree of freedom at 95% confidence. Minitab was used to perform a 2 proportion test for the equality. The results of the test will be found in the Chapter 3 of this paper.

CHAPTER 3: RESULTS

The final sample contained 91 samples from Kroger and 95 samples from Food City. They were selected from the total 211 surveys collected because 25 of the surveys reflected that the individual did not either file taxes in 2013 or do not anticipate to file in 2015. Because of how the researcher obtained information from the IRS, he cannot accept a potential subject into this study if the individual did not file in both 2013 and anticipate 2015.

From the Kroger survey group, in 2013, 47 individuals used a tax preparer and 44 prepared it themselves. In 2015, 52 individuals anticipate using a tax preparer and 39 plan to prepare it themselves. From the Food City Group, in 2013, 40 individuals used a tax preparer and 55 prepared it themselves. In 2015, 46 anticipate using a professional tax preparer and 49 plan on preparing it themselves. Thus, from the entire sample, in 2013, 87 individuals used a tax preparer and 99 prepared it themselves. In 2015, 98 individuals anticipate using a tax preparer, while 88 plan on preparing it themselves.



The overall pie graphs from the samples are shown above.

This information was entered into Minitab 17, and a two proportions test for equality was performed. The results are shown below:

Test and CI for Two Proportions: 2013, 2015

Event = 1

Variable	X	N	Sample p
2013	87	186	0.467742
2015	98	186	0.526882

Difference = $p(2013) - p(2015)$

Estimate for difference: -0.0591398

95% CI for difference: (-0.160580, 0.0423003)

Test for difference = 0 (vs \neq 0): $Z = -1.14$ P-Value = 0.253

As discussed at the end of Chapter 2, my selected level of significance was $\alpha=0.05$. There is one degree of freedom with this test, which makes the critical P-Value = 3.841. The sample P-Value=0.253. So, the results indicate that the correct decision is to fail to reject the null hypothesis. It cannot be proven with 95% confidence that the percentage of the Pro-Tax Market will change from 2013 to 2015.

CHAPTER 4: CONCLUSIONS, IMPLICATIONS, LIMITATIONS, AND FURTHER RESEARCH

Conclusions

Based on the results of the statistical test in the previous chapter, this study is unable to conclude that the ACA, by itself, will cause a jump in clientele for the professional tax preparation market in Kingsport, Tennessee. However, this does not inherently mean that the pro-tax market will stay the same from fiscal year 2013 and 2015. There is a possibility for growth, as well as a decline in market share.

The groups that have the best chance to make a difference in market share and to use the law to their advantage are marketers from each industry. This study, because of the chosen methodology, measured taxpayers' initial reaction to the realization that the ACA affects their return, not the realization and then reaction to marketers. H&R Block's marketing in 2014 has been "Get your billion back, America!" In this researcher's opinion, this marketing technique has affected people's filing decisions for fiscal year 2014. Liberty Tax Service has started certifying their franchise owners and managers of the different branches on the ACA. This could be the beginning of selling their expertise on the new law. This is not what this study has measured.

Implications to Interested Parties

This conclusion contains several implications and ramifications for this study's interested parties: the self- prep market, the pro-tax market, marketers. Specifically, it will inform these parties on how to approach their fiscal year 2015 operations.

The Pro-Tax Market

Based on the results of this study, the members of the Pro-Tax Market may not need to modify their annual budgeted earnings in 2015 because of the ACA. Budgeters should, however, allot more of the annual budget for specialized training in the area of the ACA for their preparers. Questions will arise in the future about this law.

This law to the pro- tax industry is what Michael Jordan was to General Mills. The law will only work in their advantage if they use it in their promotions. It is a great opportunity for professional preparers to start gaining market share in Kingsport. In 2011, the national market share held by the pro-tax community is 55.81%. In my sample, I found that the pro-tax market held 46.8% of my samples. A 95% confidence interval on the 2013 data reveals that the pro-tax industry could be holding anywhere between 39.4% and 54.2% market share (the Minitab 17 printout is in Appendix C). This means that in this region, the pro-tax market is losing its footing. This is easily fixed. They have easy marketing material coming next year: “Will you trust a person, or a computer?” could be a good start for one of the major players. Pro-tax marketers, it’s up to you.

The Self-Prep Market

Based on the results of this study, the members of the Self Preparation Market may not need to modify their annual budgeted earnings in 2015 because of the ACA. Although, budgeters may wish to allot more to the specific research involved with accumulating the knowledge of the law so they can better incorporate it into the software.

Marketers in the self-prep industry need to be more creative in their techniques for next year than they have been in previous years, because the confused and disoriented will be likely to flock to the nearest CPA to be sure they won’t get an armed agent at their front

door because they owe \$95 to the feds for not having insurance. Intuit was using in 2014 the tagline, “Look at what you’re capable of?” If the marketers can continue to push that line, they might be able to retain most of their clientele in 2015. If marketers don’t empower the consumer to believe that the consumers can make it through the ACA, this market could decline.

Limitations

This study’s major limitation is relevance of the study after marketers take this new regulation and create ads about the services offered by the two communities. This is an intended limitation. Mr. John Hewitt, CEO of Liberty Tax Service, met with the researcher in 2013 and asked him to figure out how much growth of market share his company should expect based on the ACA. The first question the researcher asked himself was, “*Will* there be a change in the market?” This is why he structured the study the way he did. This limitation was intentional.

Another limitation that is put into place is the scope of generalization. Because the researcher used two distinct, but not all inclusive, research areas, there is a degree of uncertainty that is used in the generalization of the data. The individuals that live closer to Eastman, a major chemical corporation, may have different motivations for using or not using a professional tax preparer. The researcher was unable to find a sample location closer to Eastman to reflect the views and motivations of this segment of the population. It is, though, possible that the sample contained members of this portion of the population because of how the city is designed, with major chain restaurants and shopping centers near one of the research sites, but it is not guaranteed that this portion of the population is

reflected in the sample. No personal data, other than a name and a phone number, was gathered from subjects.

Further Research

This study presents numerous opportunities for further research in this field.

With the conclusion that this study is unable to prove that the percentage of market share held by the pro-tax community will change because of the ACA, a study could look to see if people change in the Self-Prep Industry will change from preparing them on paper to using a self-prep software. This might show a jump in clientele into the self-prep software submarket.

Another study could look at the software programs members in the pro-tax market use and see if the ACA has an effect on which they prefer to use. Does Drake (a popular tax software) have what it takes to survive the ACA and all of its new rules, or will more CPA firms start using another software because of the “old feel” that Drake 2013 has? This would be an interesting study.

A retrospective study that will be possible once the IRS publishes numbers for 2014 is to see if there was a statistically significant jump in clientele in the pro-tax market. This study would be able to shed light on just how important marketing is in the tax industry. CPA firms have specific regulations when it comes to marketing. In Tennessee, the Tennessee Board of Accountancy must give approval to a CPA firm’s advertising techniques. This is to keep rouge CPAs from tarnishing the reputation of the profession. For those without a CPA, they are able to run free with how they advertise. This is how H&R Block, Jackson Hewitt, and Liberty Tax Service have all been able to grab their slice of the pie. From a Liberty Tax Service investor relations presentation, as of 2011 H&R holds

18% market share, Jackson Hewitt holds 3%, and Liberty Tax Service holds 2% (JTH Holdings Inc.).

H&R's "Get your billion back, America" is a little more compelling than the AICPA's "Feed the Pig" campaign, but what is more attractive: Intuit's "Just look at what you're capable of!" or the dancing Statue of Liberty in front of each Liberty Tax Service branch? The taxpayers of 2015 will decide.

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Appendix A:



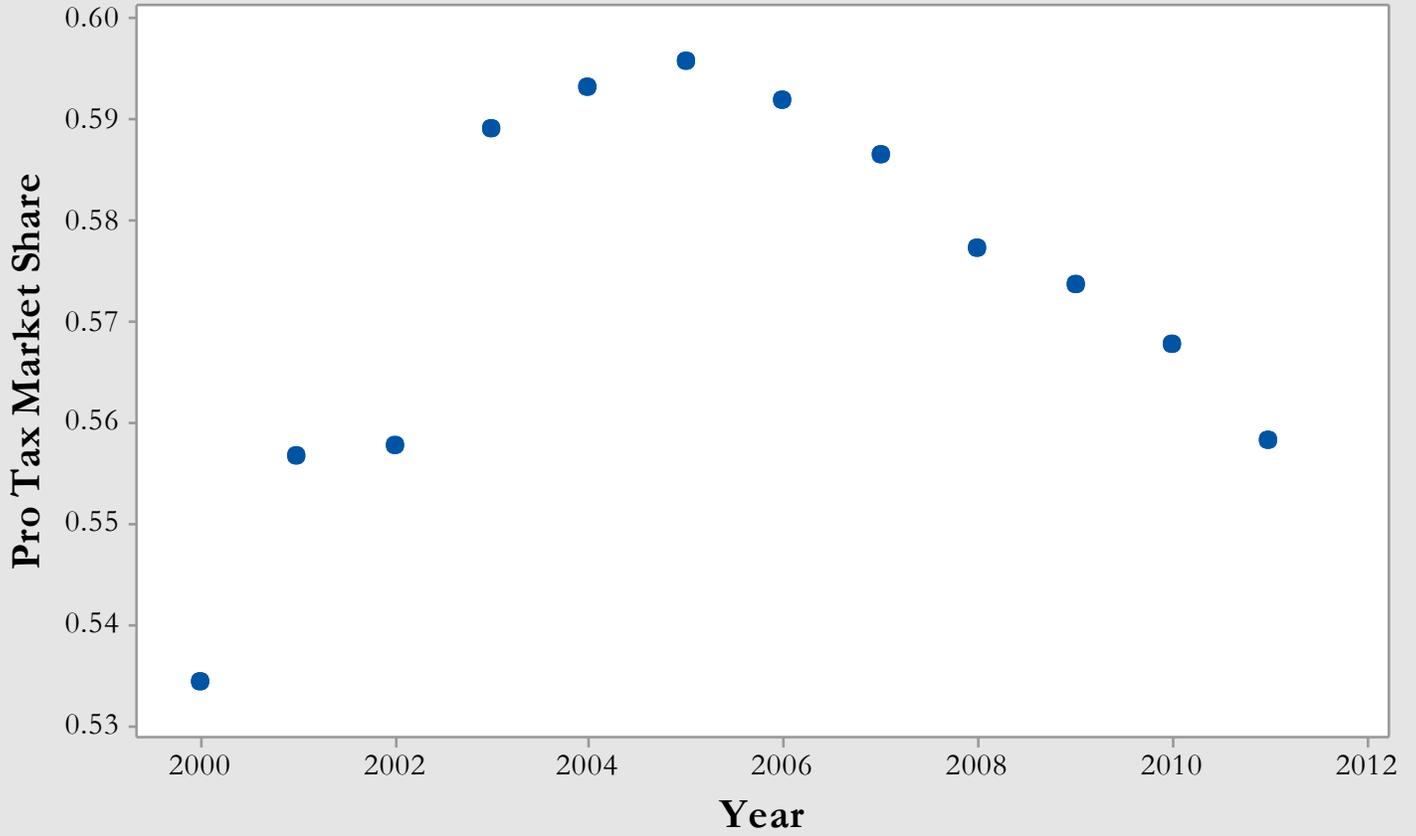
Dear Participant: My name is Rob Forney and I am a Senior, Honors-in-Discipline student at East Tennessee State University. I am working on my Bachelor's in Accounting. In order to finish my studies, I need to complete a research project. The name of my research study is The Effect of the Affordable Care Act on the Tri Cities Tax Preparation Market. The purpose of this study is to see if the Affordable Care Act will have a significant effect on the tax preparation market. I plan on using the results of this study to inform the companies that are in the Professional Tax Preparation market so they can better budget for next year's tax season. I would like you to fill out a brief survey questionnaire regarding your thoughts on the new law. It should only take about 5 minutes to complete. You will be asked questions about your preference in where you get your taxes prepared for tax year 2013. Taking part is voluntary. If you have any research-related questions or problems, you may contact me at 423-557-7451. I will be working on this project under the supervision of Anthony Masino. You may reach him at 423-439-8657. If you wish, you can enter your name and contact information into a drawing to win a gift card from a local vendor. You must be 18 years of age or older to participate. Thank you!

1. Did you file a tax return in 2013?
 - a. Yes
 - b. No
2. How was your tax return prepared?
 - a. I paid someone to prepare my taxes
 - b. I prepared them myself using tax prep software or by paper
3. Do you anticipate filing a tax return in 2015?
 - a. Yes
 - b. No
4. Due to the Affordable Care Act's provisions, how likely are you to use a professional tax preparer to file next year, 2015?
 - a. Very Unlikely
 - b. Unlikely
 - c. Likely
 - d. Very Likely



Appendix B:

Historical Percentages Held by Pro Tax Market



X	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11
Y	53.42%	55.64%	55.75%	58.90%	59.31%	59.56%	59.16%	58.63%	57.72%	57.34%	56.76%	55.81%

Appendix C:

Test and CI for One Proportion: 2013

Event = 1

Variable	X	N	Sample p	95% CI
2013	87	186	0.467742	(0.394375, 0.542153)