

# **Free File**

## **A Federal and State Perspective**

FTA EF – MINNEAPOLIS

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Presented by

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### **Scope**

This interpretation and the presentation should not be construed to be an official position of the Free File Alliance, LLC or any other entity mentioned in or during this presentation.

The scope of this presentation and discussion are limited, and is not intend to provide answers to associated legal or political aspects of this subject matter.

## Scope

The source data is obtained from various tax agencies and may not necessarily be consistent with in all aspects. They were obtained and recorded at different times. Further the data may not be available from all applicable sources

The primary intent is to portray and to present an analysis of the obtained tax season data for illustrative purposes.

The data may not be used for other purposes. The agencies should be contacted for any official use of such data.

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## How does Free File Work

- FFA & IRS have an agreement
- Agreement has two primary considerations
  - IRS will not compete with the Industry

<http://www.irs.gov/efile/article/0,,id=103626,00.html>

- IRS will provide marketing resources:

A. The Parties will coordinate with each other their respective marketing of these Free Services to provide uniformity and maximize public awareness. Final decisions on the marketing campaign will remain with the IRS for IRS marketing expenditures and with the Consortium and the Consortium Participants for their marketing expenditures.

B. The IRS will not endorse specific offerings or products, but will promote the availability of the Consortium's Free Services...

<http://www.irs.gov/efile/article/0,,id=103622,00.html>

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## How does Free File Work

- There is no cost to the taxpayer to construct or to eFile the return.
- Taxpayer is not required to purchase any other product or service to use and enjoy this program
- The states can enter into separate agreements with interested Industry members provided that they do not have competing product of their own.
- The states that do not have a competing product are referred to as the FFA states.

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2008 Season

## FFA States

**AL AR AZ GA IA ID**  
**KY MA MI MN MO**  
**MS NC ND NY OK**  
**OR RI SC VT WV**

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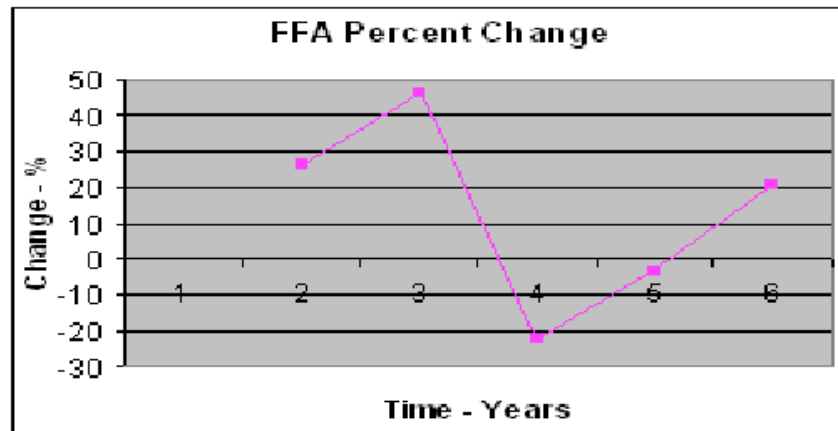
## Free File profile for this season

### Coverage

- AGI limitation: \$54,000, covering 70% of T/P
- Approximately 97 Million potential users
  - Truly eligible, approximately 20 Million
  - Number of companies: 19
  - Number of returns: approximately 4.7 Million
  - Usage increase by **20.91%**

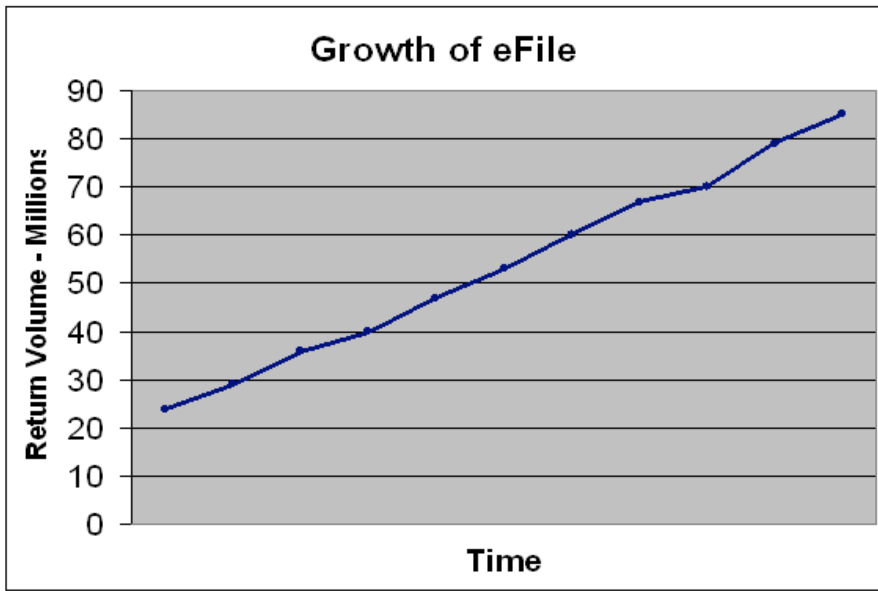
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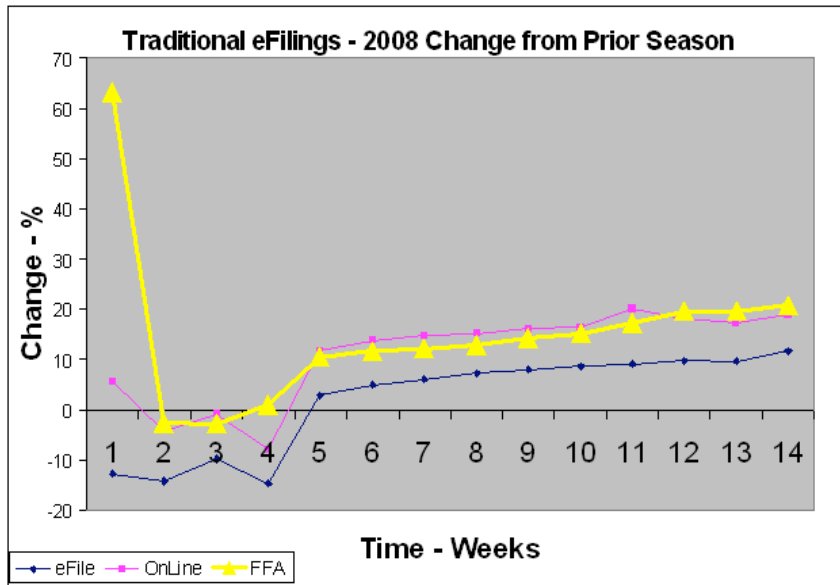
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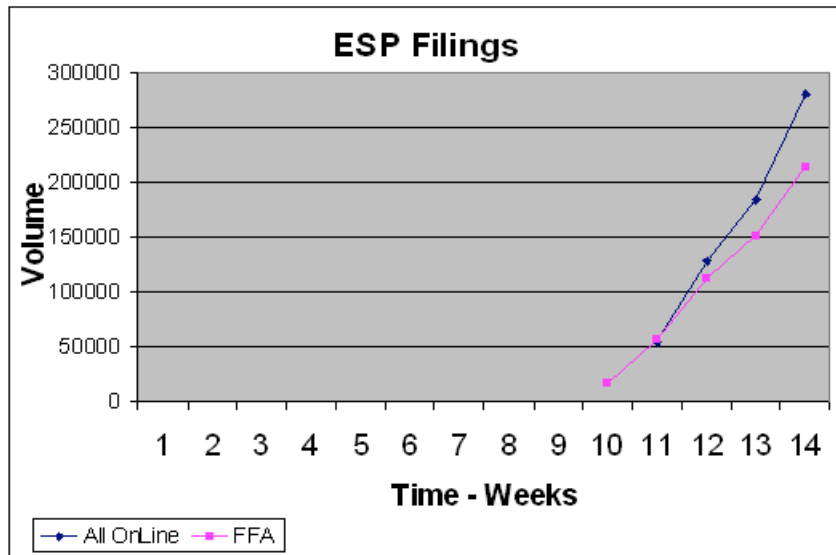
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## Free File profile for this season

- Third Largest eFile provider group
- Provides approximately 20% of all Federal OnLine returns
- Approximately 24 Million returns donated
- Saved taxpayers close to 1 Billion Dollars so far (@ \$39 per return)
- New contract in 2009?

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## Free File profile for this season

### Usability

- IRS customer service inquiries lower third year in a row
  - Industry assuming greater burden, shouldering and eliminating customer concerns. (per IRS, reduced 71.76% from last year)
- Customer satisfaction appear to be very high again for the FreeFile
  - IRS Publication 4556

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## Free File profile for this season

- Average page visits per return lower
  - Down 11.62% from last year
- Non-English Site (Spanish)
  - Noaccepted return data available.
  - Page accesses less than 100,000
  - Page visits -6.11%, page views 123.41%

### Security & Privacy

- Higher security initiatives for the season
  - Captcha (Completely Automated Turing Test To Tell Computers and Humans Apart )
- Fraud detection efforts by the Members

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## Free File profile for this season

### Market

- Created standards respecting taxpayer rights in the OnLine and other markets
- Created competition and many other non-FFA member sites that are offering free services to taxpayers, some of which are partnering with states.

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## Free File profile for this season

### Extended Services

- Continue to provide free extensions
- New for 1099-C recipients (Form 982)
- New for Economic Stimulus Payments
  - Started with 3 companies, now 7 companies
  - Roughly 215,000 returns within approximately 4 weeks
  - Providing approximately half of all Online ESP returns

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**The number of federal returns filed via FFA for each state**

FFA				NFFA			
State Name	2008	2007	% Change	State Name	2008	2007	% Change
AL	63,565	47,248	34.53	CA	331,047	271,547	21.91
AR	42,702	31,816	34.22	CO	75,894	64,367	17.91
AZ	78,269	61,623	27.01	CT	46,384	38,874	19.32
GA	144,596	110,987	30.28	DC	8,336	7,585	9.90
IA	43,963	36,084	21.84	DE	15,817	13,951	13.38
ID	26,940	24,232	11.18	HI	14,896	13,620	9.37
KY	68,069	52,921	28.62	IL	195,294	162,970	19.83
MA	93,722	84,342	11.12	IN	111,424	91,709	21.50
MI	156,609	128,992	21.41	KS	48,307	41,434	16.59
MN	98,432	107,407	8.36	LA	66,261	55,576	19.23
MO	98,367	78,615	25.12	MD	74,536	66,319	12.39
MS	41,983	31,242	34.38	ME	28,933	25,520	13.37
NC	128,621	96,764	32.92	MT	18,827	15,810	19.08
ND	14,297	12,015	18.99	NE	35,699	30,815	15.85
NY	189,144	142,268	32.95	NJ	74,872	63,656	17.62
OK	72,405	58,832	23.07	NM	33,268	28,314	17.50
OR	66,738	50,079	33.27	OH	266,416	334,047	20.25
RI	13,149	11,525	14.09	PA	222,339	192,942	15.24
SC	66,782	47,765	39.81	UT	39,245	35,975	9.09
VT	11,984	9,293	28.96	VA	135,717	117,502	15.50
WV	38,371	30,461	25.97	WI	120,108	102,414	17.28
<b>Total</b>	<b>1,558,708</b>	<b>1,254,511</b>			<b>1,963,620</b>	<b>1,774,946</b>	
<b>Average % growth</b>			<b>24.25</b>				<b>10.63</b>

**State Provided Data**

AL CA CO CT DE GA  
 IA ID IL KS MD ME MI  
 MN MO MS MT NC ND  
 NE NY OK OR RI SC  
 UT VA VT WI WV IRS

**THANKS!**

## State Provided Data

- Due to the time restraint, the data obtained was not complete from all sources. Presented data is snapshot of instance of the data. Most of the analysis is based on NY, OK, OR & WV for the FFA states, and CA, CO, CT, IL, KS, MD, UT, VA & WI for the NFFA states
- Majority of the FFA states rely on the vendor reports which may not be completed yet

Ratio of FFA returns to OnLine/Total Returns eFiled							
OnLine				All eFile			
State Name	Subject	Total OnLine	%	State Name	Subject	Total OnLine	%
NY	107,575	984,309	10.93	NY	107,575	5,575,090	1.93
OK	40,695	257,959	15.78	OK	40,695	913,171	4.46
OR	35,431	323,693	10.95	OR	35,431	1,001,917	3.54
WV	19,050	84,352	22.58	WV	19,050	421,098	4.52

**Ratio of NFFA (iFile) returns to OnLine/Total Returns eFiled**

OnLine				All eFile			
State Name	Subject	Total OnLine	%	State Name	Subject	Total eFiled	%
CA	198,899	2,016,493	9.86	CA	198,899	9,695,185	2.05
CO	92,100	413,000	45.88	CO	92,100	1,120,000	8.22
CT	135,000	200,760	25.70	CT	135,000	975,000	13.85
IL	318,592	525,302	60.65	IL	318,592	3,088,826	10.31
KS	74,445	190,304	39.12	KS	74,445	824,891	9.02
MD	113,380	382,072	29.68	MD	113,380	1,394,265	8.13
UT	25,900	215,500	12.02	UT	25,900	441,700	5.86
VA	173,295	593,100	29.22	VA	173,295	1,709,893	10.13
WI	126,827	413,009	30.71	WI	126,827	1,884,513	6.73

**State eFile Number as Reported and Recorded**

FFA				NFFA			
State Name	OnLine	All eFile	%	State Name	OnLine	Total eFiled	%
AL	212,271	1,190,616	17.83	CA	2,016,493	9,695,185	20.80
IA	206,977	1,019,621	20.30	CO	413,000	1,120,000	36.88
ID	114,098	425,448	26.82	CT	200,760	975,000	20.59
MI	748,000	3,075,000	24.33	DE	37,560	220,432	17.04
MN	74,445	1,215,742	6.12	GA	***	2,570,000	***
MO	399,000	1,600,000	24.94	IL	525,302	3,088,826	17.01
MS	***	753,621	***	KS	190,304	824,891	23.07
NC	708,335	2,466,304	28.72	MD	382,072	1,394,265	27.40
ND	***	196,000	***	ME	***	290,962	***
NY	984,309	5,575,090	17.66	NE	137,350	581,525	23.62
OK	257,959	913,171	28.25	UT	215,500	441,700	48.79
OR	323,693	1,001,917	32.31	VA	593,010	1,709,893	34.68
RI	62,500	297,000	21.04	WI	413,009	1,884,513	21.92
VT	52,400	140,250	37.36				

## Observations

- States, in general showed good increases in both Online and overall eFile
- Payments through eFile have increased
- FFA returns also carry payments

## Industry Contribution Increased

- Industry indicates increase in state FFA return volumes, surpassing the increase in the Federal Free File

## For Additional Information

### Free File Alliance Leadership:

- Tim Hugo, Executive Director
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- Stephen M. Ryan, Counsel
- Steve Ryan, [sryan@mwe.com](mailto:sryan@mwe.com)

## Definitions

### IRS definitions for the following terms

- A Page View (also known as a page impression) is a measurement of the number of times that a web page is viewed from a web server. With page views, a single HTML page is counted as one page view. The number of page views provided above is based on our new "SDC" (SmartSource Data Collection) data collection methodology that uses an embedded client-side Javascript. With SDC, we now are able to provide accurate counts of page views even for those visitors who are behind firewalls and proxies, and it allows us to measure page views even if an Internet Service Provider (like AOL) has cached some of the IRS.gov web pages.
  
- A Visit is the session of activity that an Internet visitor has with a website over a specified period of time or activity. A visit begins when a visitor views their first web page from the IRS server. It ends when the visitor leaves the IRS.gov website, or remains idle beyond a fixed idle-time limit. Our default idle-time limit is 30 minutes. Hence, a single visitor can be responsible for multiple visits to our website. Similarly, during a visit to IRS.gov, any given page may be accessed (i.e., viewed) multiple times by a visitor.