

Electronic Tax Filing: Reviewing Recent Results

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Purpose

- Review 2004 electronic filing results across various measures
- Offer comments on e-file mandates
- Offer comments on Free File Alliance

2004 E-file Results

- Through April 2004, state e-file returns (all types) total 41.9 million or 18.2 percent greater than 2003
- Without Telefile, it is 39.7 million and 20.9 percent
- Federal numbers are 51.8 million returns and 15.4 percent overall -- 56 million and 17 percent without Telefile

Source: IRS Data

2004 Results - Cont.

Type of Return (State)	2004 (Thousands)	Percent Change
Electronic - Practitioner	38,170	21%
Telefile	2,222	-15%
Direct I-file	1,515	38%
Bar-code	5,132	15%

Source: IRS and FTA Data

2004 - Hidden Story

- Practitioner e-file state returns increased by 6.8 million
- CA and MI account for 52 percent (3.9 million) of total increase in state e-filed returns (37 states)
- CA and MI account for 2.8 million out of 5.7 million total federal returns e-filed by practitioners -- nearly 50 percent

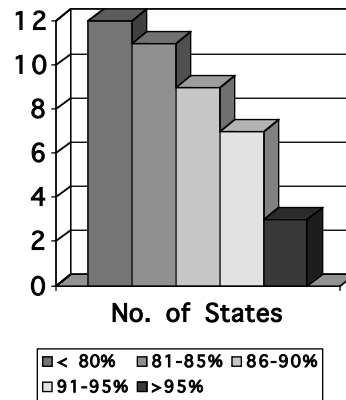
CA and MI -- Impact on Growth

Return Type	With CA and MI	Without CA and MI
Total Federal (ex. Telefile)	17.2%	12.2%
Practitioner-filed Federal	15.8%	9.0%
Total State (ex. Telefile, 37 states)	25%	13.8%

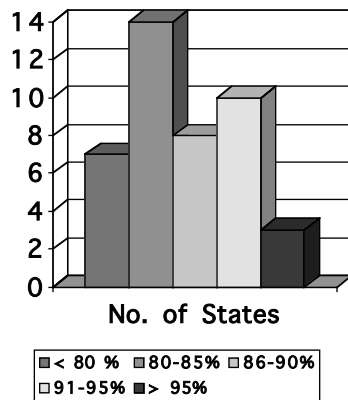
Source: IRS and FTA Data

Federal Penetration

- Ratio of State-Federal is 87 percent overall
- Up from 72 percent in 2000, but nearly same as 2003
- 10 States exceeded 90 percent and only one state (MA) with more state than federal returns



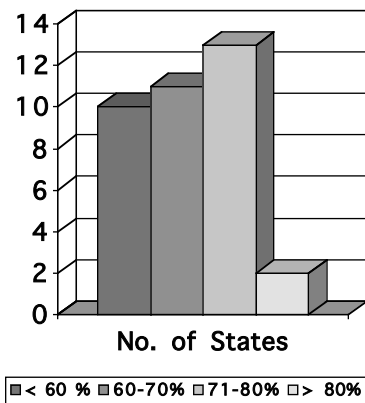
Fed. Penetration - Ex Telefile



- State to Federal ratio is 88 percent.
- Only 7 states at less than 80 percent.
- Thirteen states exceed 90 percent, but no one has more than Federal.
- Some shifting of states obviously.

Fed. Penetration - Online

Without Direct I-file

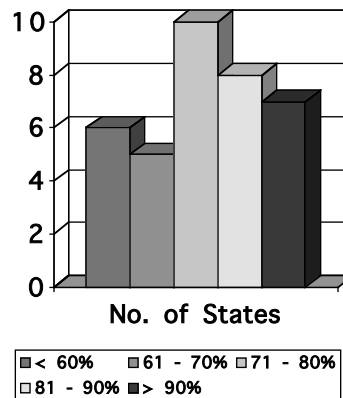


- State to Federal ratio is 66 percent.
- Fifteen states exceed 70 percent, but no one has more than 90 percent.
- Ten states at less than 60 percent.
- Data missing for CA, IL, MA, ME, MN and NY.

Fed. Penetration - Online

With Direct I-file

- Ratio of State-Federal is 81 percent overall
- Six states below 60 percent
- Seven states exceed 90 percent and only three (MD, DE and NM) have more state than federal returns



E-file Mandates

- Lessons learned
 - Can have impact on operations and numbers
 - Lead time is necessary
 - Consultation, outreach and support are critical
 - Consistency/uniformity is desirable
 - Watch amalgamation issue
 - Options are important

FTA Forum

- Wednesday session designed to gather input
- What are issues?
- What are lessons?
- What further outreach or consultation is necessary
- What guidance can be provided states

Free File Alliance

- Was worked state-by-state last year
- Generally 2-3 providers participated
- Concern with Direct I-file programs
- Question: Could advantages be gained for all parties by joint effort?
 - Consistency
 - Public Awareness

**State and Federal Electronic Filing of Returns
Returns Counted by State**
26-Apr-04

State Abbr	State	Federal Returns	Federal ELF	Federal Telefile	Federal Online	State Returns	State ELF	State Telefile	State Online	State Direct I-file	State % Total	State % ELF	State % Telefile	State % Online	State % Total w/o Telefile	Online + Direct I-file	Online + Direct as % of Fed. Online
AL	ALABAMA	984,186	753,657	38,004	192,525	693,899	574,681	0	119,218	0	71%	76%	0%	62%	73%	119,218	62%
AR	ARKANSAS	611,866	474,701	29,688	107,477	513,809	434,012	20165	58,298	1334	84%	91%	68%	54%	85%	59,632	55%
AZ	ARIZONA	1,020,546	691,503	37,721	291,322	794,000	578,683	0	215,317	0	78%	84%	0%	74%	81%	215,317	74%
CA	CALIFORNIA	7,110,151	5,610,427	263,070	1,236,654	6,719,305	6,539,007	74027	0	106271	95%	117%	28%	0%	97%	106,271	9%
CO	COLORADO	843,202	519,945	46,671	276,586	762,399	471,111	30254	184,167	76867	90%	91%	65%	67%	92%	261,034	94%
CT	CONNECTICUT	619,669	405,354	58,715	155,600	418,626	333,058	0	85,568	0	68%	82%	0%	55%	75%	85,568	55%
DC	DISTRICT OF COLUMBIA	107,344	72,403	3,489	31,452	83,915	57,735	0	19,119	7061	78%	80%	0%	61%	81%	26,180	83%
DE	DELAWARE	174,241	114,201	11,268	48,772	153,273	95,747	0	23,957	33569	88%	84%	0%	49%	94%	57,526	118%
GA	GEORGIA	1,955,774	1,383,294	92,354	480,126	1,729,729	1,265,524	72,191	392,014	0	88%	91%	78%	82%	89%	392,014	82%
HI	HAWAII	210,755	145,949	12,843	51,963	132,729	104,073	0	27,183	1473	63%	71%	0%	52%	67%	28,656	55%
IA	IOWA	829,810	644,915	37,378	147,517	756,387	606,073	19196	109,915	21203	91%	94%	51%	75%	93%	131,118	89%
ID	IDAHO	293,796	199,039	14,042	80,715	238,167	173,668	0	64,499	0	81%	87%	0%	80%	85%	64,499	80%
IL	ILLINOIS	2,515,767	1,723,336	184,943	607,488	2,126,802	1,814,449	115,986	0	196367	85%	105%	63%	0%	86%	196,367	32%
IN	INDIANA	1,402,904	948,680	99,614	354,610	1,166,154	828,889	64,798	212,459	60008	83%	87%	65%	60%	85%	272,467	77%
KS	KANSAS	596,711	419,918	36,386	140,407	562,784	394,561	44139	90,138	33946	94%	94%	121%	64%	93%	124,084	88%
KY	KENTUCKY	904,081	681,072	60,611	162,398	762,579	599,612	45,247	117,720	0	84%	88%	75%	72%	85%	117,720	72%
LA	LOUISIANA	905,713	661,914	41,970	201,829	607,111	518,410	0	88,701	0	67%	78%	0%	44%	70%	88,701	44%
MA	MASSACHUSETTS	1,174,400	715,896	141,323	317,181	1,181,779	914314	267465	0	0	101%	128%	189%	0%	89%	0	0%
MD	MARYLAND	1,028,527	657,484	64,198	306,845	915,116	573,736	31,561	216,874	92945	89%	87%	49%	71%	92%	309,819	101%
ME	MAINE	235,010	140,888	28,078	66,044	208,047	177058	22457	0	8532	89%	126%	80%	0%	90%	8,532	13%
MI	MICHIGAN	2,647,788	1,937,252	141,822	568,714	2,268,163	1,838,537	0	429,626	0	86%	95%	0%	76%	91%	429,626	76%
MN	MINNESOTA	1,472,700	1,063,426	101,596	307,678	1,432,242	1343443	88799	0	0	97%	126%	87%	0%	98%	0	0%
MO	MISSOURI	1,294,098	932,906	89,376	271,816	1,154,459	883,816	57,506	201,999	11138	89%	95%	64%	74%	91%	213,137	78%
MS	MISSISSIPPI	641,605	508,847	24,216	108,542	456,147	381,895	0	74,252	0	71%	75%	0%	68%	74%	74,252	68%
MT	MONTANA	212,130	154,492	16,194	41,444	175,433	133,256	15474	26,703	0	83%	86%	96%	64%	82%	26,703	64%
NC	NORTH CAROLINA	1,749,169	1,235,541	74,217	439,411	1,455,328	1,111,249	0	344,079	0	83%	90%	0%	78%	87%	344,079	78%
ND	NORTH DAKOTA	157,635	113,861	11,597	32,177	120,918	100,498	0	20,420	0	77%	88%	0%	63%	83%	20,420	63%
NE	NEBRASKA	410,828	276,857	37,080	96,891	372,438	254,103	38170	71,507	8658	91%	92%	103%	74%	89%	80,165	83%
NJ	NEW JERSEY	1,320,903	938,006	87,832	295,065	1,087,731	755,613	98146	178,491	55481	82%	81%	112%	60%	80%	233,972	79%
NM	NEW MEXICO	388,237	263,767	17,985	106,485	357,979	223,016	0	56,995	77968	92%	85%	0%	54%	97%	134,963	127%
NY	NEW YORK	2,803,095	2,114,135	139,668	549,292	2,483,555	2,483,555	0	0	0	89%	117%	0%	0%	93%	0	0%
OH	OHIO	2,435,023	1,562,138	241,760	631,125	2,374,593	1,378,580	435884	350,403	209726	98%	88%	180%	56%	88%	560,129	89%
OK	OKLAHOMA	717,822	485,913	39,636	192,273	598,911	423,498	27,913	147,500	0	83%	87%	70%	77%	84%	147,500	77%
OR	OREGON	677,014	439,911	40,088	197,015	525,539	383,759	0	141,780	0	78%	87%	0%	72%	83%	141,780	72%
PA	PENNSYLVANIA	2,322,234	1,444,017	260,525	617,692	2,166,481	1,149,448	495349	274,617	247067	93%	80%	190%	44%	81%	521,684	84%
RI	RHODE ISLAND	188,678	132,345	16,838	39,495	118,164	95,224	0	22,940	0	63%	72%	0%	58%	69%	22,940	58%
SC	SOUTH CAROLINA	1,030,181	798,080	40,759	191,342	931,335	753,130	0	146,455	31750	90%	94%	0%	77%	94%	178,205	93%
UT	UTAH	453,938	276,452	29,138	148,348	377,448	238,112	0	108,962	30374	83%	86%	0%	73%	89%	139,336	94%
VA	VIRGINIA	1,518,710	918,216	108,623	491,871	1,215,565	726,809	52498	308,374	127884	80%	79%	48%	63%	82%	436,258	89%
VT	VERMONT	112,089	68,404	13,071	30,614	81,664	63,273	0	18,391	0	73%	92%	0%	60%	82%	18,391	60%
WI	WISCONSIN	1,503,175	1,056,211	112,539	334,425	1,373,056	981,878	79400	239,056	72722	91%	93%	71%	71%	93%	311,778	93%
WV	WEST VIRGINIA	341,059	223,842	40,333	76,884	250,632	187,767	25,072	37,793	0	73%	84%	62%	49%	75%	37,793	49%
z	UNITED STATES	47,922,564	33,909,195	2,987,259	11,026,110	41,904,391	32,944,860	2,221,697	5,225,490	1,512,344	87%	97%	74%	47%	88%	6,737,834	61%

Source: IRS and FTA data. State online returns not available for California, Illinois, Maine, Massachusetts and New York. Thus columns O and R are understated for these states.