

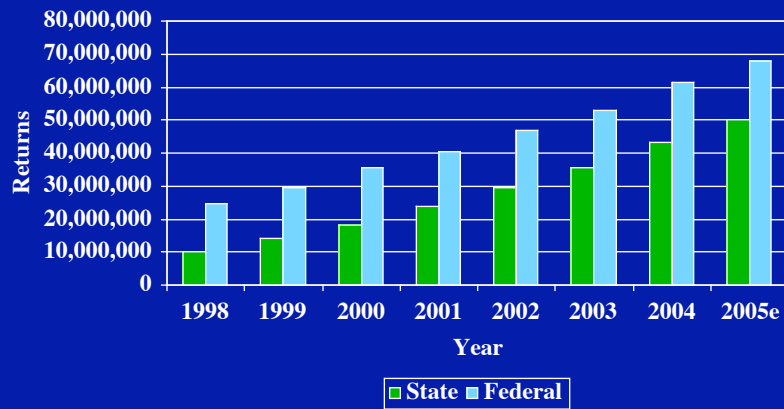
Recent Trends in Electronic Filing

FTA FedState E-file Symposium
Atlanta, Georgia
May 16, 2005

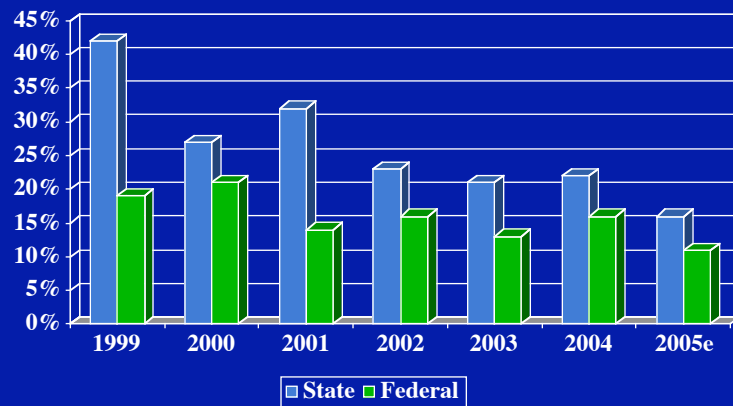
Purpose

- Review preliminary data from 2005 filing season
- Draw conclusions on trends and influencing factors
- Comments on E-file Mandates and Free File Alliance
- Thoughts on where to go

Total Electronic Filing Volume (1998-2005 est.)



Change in Electronic Filing 1998-2005 (est.)



Other Interesting Tidbits

- State telefile down 17 %; federal down 13 %
- Federal telefile discontinued next year; three states dropped it this year
- Federal online filing up by 17 %t and now is 25 % of all returns
- Direct I-file up 20%; three states dropped this year
- Bar code returns up about even
- By year-end, one half of all federal and state returns will be electronic

Free File Influence

- Free File increased 46 percent to 5.0 million returns from 3.4 million
- Free File constitutes 30 percent of all online returns and 7.6 percent of all returns -- up from 24 percent and 5.8 percent respectively
- Without Free File, total growth drops from 11 percent to 8.5 percent and online growth drops to 8 percent from 17 percent

Mandates Influence

- Without new mandate states, state growth rate drops from 16 percent to 14 percent.
- Eight other states had growth rates in excess of 20 percent, including Connecticut that has announced a mandate and three others in close proximity to mandate states like NJ and Mass.
- Influence is significant, but not as great as last year.

Comments on Mandates

- 2004 - Minnesota, Wisconsin, California, Oklahoma, Michigan
- 2005 - Alabama, Massachusetts, New Jersey, Virginia
- 2006 - Connecticut, New York, Utah (or bar code)
- Rhode Island (or bar code)

Mandates -- Implementation

- No lead time is long enough
- Consultation/education is important
- Help desk is important
- Hardship exception (practitioner) and opt-out (taxpayer) are considered necessary
- Weed out low volume forms
- Use care in defining “practitioner”

Comments on Free File

- Two “firsts” in 2005
 - Major companies opened up to all filers
 - State offerings differed significantly from federal offerings
- Results
 - Significant increase in federal filings
 - Increased number of individuals with free federal opportunity and no free state avenue
 - Pay or paper choice?

What seems 'Right'

- Set aside issue of direct filing -- States can evaluate and choose
- Remember it is a FedState partnership as well as a public-private partnership
- State involvement in Free File discussions
- Work with states as a group
- Avoid gaps in federal and state e-file opportunities

Conclusion

- Growth has slowed; future "jumps" will require outside stimulants
- Mandates require careful design and thoughtful implementation
- Three-way relationships in e-file are important and could benefit from some re-examination