



FTA Briefing Paper

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2005 Electronic Filing Season Results A Review of State and Federal Data

Table 1: Federal and State Electronic Individual Income Tax Returns

Table 1 displays raw data on number of individual electronic returns filed by type of filing: (a) ELF returns – practitioner prepared and filed returns; (b) Telefile returns – returns filed through touch-tone telephone; (c) Online returns – self-prepared returns prepared and filed using commercial software or Web applications; and (e) I-file returns – returns filed with states directly via state-maintained Web sites. Percentages on the right side of table are state electronic returns as a percent of federal electronic returns of the same type.

The analysis is based on data received from IRS and the states. All income tax states except Virginia are included in the analysis. “Online returns” for Massachusetts are estimated, and state data was used to distribute “State Only” returns.

Chart 1: Total State Electronic Returns as Proportion of Total Federal Electronic Returns

- Overall, state electronic returns equaled 93.4 percent of the total federal electronic returns. Individual state percentages ranged from over 103 percent in Kansas to 86.6 percent in Hawaii. The U.S. average is up from 86 percent in 2003 and 90 percent in 2004.
- Five states received more electronic state returns than the federal government received from that state. Two states – Massachusetts and Ohio – have Telefile systems that are used extensively, and four states – all except Massachusetts – have a Direct I-file program.
- Thirteen states had a ratio of 95 percent or greater, and twenty-six had a ratio in excess of 90 percent.

Chart 2: Total State Electronic Returns as Proportion of Total Federal Electronic Returns (Excluding Telefile at Both Levels)

- The U.S. average proportion is 94.3 percent up from 91 percent in 2004. State percentages range from over 105 percent in Delaware to just under 70 percent in Hawaii.
- Three states – Delaware, New Mexico and Kansas – had a ratio in excess of 100 percent. Seventeen states had a ratio of 95 percent or more, and twenty-eight states had a ratio in excess of 90 percent.

Chart 3: State Practitioner-filed Electronic Returns as Proportion of Federal Practitioner-filed Returns

- The U.S. average ratio is 97.3 percent, up from 94 percent in 2003 and 2004. State percentages range from over 106 percent in Kansas to 73 percent in Hawaii.
- Eleven states received more practitioner-filed returns than did the federal government from that state (presumably due to “state only” returns.) Only three states had a ratio of less than 90 percent.

Chart 4: State Online Returns as Proportion of Federal Online Returns

- The U.S. average ratio is 69.4 percent, appreciably lower than for practitioner-filed or total returns. In 2004, the ratio was 67 percent. The rapid growth in Free File returns (shown in this category) may partially account for the lower ratio since not all states receive Free File returns, and state filing thresholds for Free File were more stringent than at the federal level.
- The ratio ranges from a high of 93 percent in Minnesota to less than 50 percent in Louisiana, Pennsylvania and Illinois.
- These ratios reflect the influence of the Free File Alliance. Of the thirteen states with the lowest ratios, 11 offer a Direct I-file option, meaning the Free File Alliance does not offer services in the state.

Chart 5: State Online and Direct I-file Returns as Proportion of Federal Online Returns

- Adding I-file returns increases the ratio of state to federal self-prepared returns to just under 85 percent, and the range runs from 123 percent in New Mexico to 53.6 percent in West Virginia.
- Four states – New Mexico, Delaware, Maine and Maryland – receive more self-prepared electronic returns than does the federal government. Of the seventeen states with the highest ratio, all but Minnesota administer a Direct I-file option, implying that the I-file programs more than compensate for the absence of a Free File program.
- There is some regional variation here in that of the seventeen states with the lowest ratio, seven are in the Southeast part of the country.

Chart 6: Online and I-file Returns as Proportion of Total Electronic Returns (Excluding Telefile)

- Self-prepared electronic returns are a substantial proportion of electronic returns in a number of states. They comprise more than 30 percent of all electronic returns in eight states, and they amount to more than one fifth of all electronic returns in 25 states.

Chart 7: Proportion of All State Returns Received Electronically

- In the 2005 filing season, states received 48 percent of all returns electronically. This is up from 42 percent in 2004 and 31 percent in 2003.

- Eleven states received more than one half of their returns electronically, and two – Iowa and Minnesota – received more than 60 percent electronically. Four out of the top five states have an electronic filing mandate in place

Conclusion

- State electronic filing continues to increase at a faster rate than federal electronic filing.
- States have, to a considerable degree, exhausted their ability to grow the e-file market by simply capturing taxpayers that were filing an electronic federal return, but not an electronic state return. There is still room in a number of states to pick up additional returns by picking up federal online return filers.
- I-file programs appear to offset the lack of Free File offerings and to generate “additional” electronic returns, i.e., returns beyond that that would be expected from looking at federal returns.

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**Table I: Federal and State Electronic Individual Income Tax Returns
Returns Filed Through October 17, 2005 Extension**

State	Federal Returns	Federal ELF	Federal Telefile	Federal Online	State Returns	State ELF	State Telefile	State Online	I-File	State as Percent of Federal						Online+Ifile as % of Tot
										Total	ELF	Telefile	Online	ex. Tele	w/I-file	
Alabama	1,151,964	888,757	32,844	230,363	914,406	766,990	-	147,416	-	79.4%	86.3%	0.0%	64.0%	81.7%	64.0%	16.1%
Arizona	1,192,091	810,599	33,067	348,425	1,015,547	752,204	-	263,343	-	85.2%	92.8%	0.0%	75.6%	87.6%	75.6%	25.9%
Arkansas	680,828	527,718	26,083	127,027	596,503	500,329	18,820	77,354	-	87.6%	94.8%	72.2%	60.9%	88.2%	60.9%	13.4%
California	8,453,507	6,738,167	216,767	1,498,573	8,174,194	6,822,855	-	1,187,501	163,838	96.7%	101.3%	0.0%	79.2%	99.2%	90.2%	16.5%
Colorado	973,158	602,744	41,119	329,295	940,223	591,350	23,132	221,482	104,259	96.6%	98.1%	56.3%	67.3%	98.4%	98.9%	35.5%
Connecticut	764,769	522,496	53,158	189,115	763,442	484,922	109,764	106,339	62,417	99.8%	92.8%	206.5%	56.2%	91.9%	89.2%	25.8%
D.C.	124,474	81,976	2,887	39,611	109,930	75,176	-	25,469	9,285	88.3%	91.7%	0.0%	64.3%	90.4%	87.7%	31.6%
Delaware	200,522	130,523	9,997	60,002	200,956	127,893	-	31,606	41,457	100.2%	98.0%	0.0%	52.7%	105.5%	121.8%	36.4%
Georgia	2,179,250	1,533,693	78,602	566,955	2,044,537	1,516,219	56,558	471,760	-	93.8%	98.9%	72.0%	83.2%	94.6%	83.2%	23.7%
Hawaii	246,941	172,206	11,415	63,320	164,400	125,733	-	35,399	3,268	66.6%	73.0%	0.0%	55.9%	69.8%	61.1%	23.5%
Idaho	341,582	233,506	11,390	96,686	308,061	231,477	-	76,584	-	90.2%	99.1%	0.0%	79.2%	93.3%	79.2%	24.9%
Illinois	2,782,345	1,894,706	170,190	717,449	2,434,193	1,748,427	112,752	319,125	253,889	87.5%	92.3%	66.3%	44.5%	88.9%	79.9%	24.7%
Indiana	1,542,452	1,037,835	87,595	417,022	1,351,213	963,237	57,008	261,575	69,393	87.6%	92.8%	65.1%	62.7%	89.0%	79.4%	25.6%
Iowa	898,910	697,629	32,164	169,117	868,684	713,018	19,805	135,861	-	96.6%	102.2%	61.6%	80.3%	97.9%	80.3%	16.0%
Kansas	672,339	474,760	31,788	165,791	694,199	506,636	37,113	107,294	43,156	103.3%	106.7%	116.8%	64.7%	102.6%	90.7%	22.9%
Kentucky	996,465	745,804	54,284	196,377	858,043	673,758	40,930	143,355	-	86.1%	90.3%	75.4%	73.0%	86.7%	73.0%	17.5%
Louisiana	993,408	713,183	36,892	243,333	860,919	671,015	-	114,699	75,205	86.7%	94.1%	0.0%	47.1%	90.0%	78.0%	22.1%
Maine	266,975	159,454	26,159	81,362	253,551	145,425	20,715	50,051	37,360	95.0%	91.2%	79.2%	61.5%	96.7%	107.4%	37.5%
Maryland	1,177,113	748,482	55,722	372,909	1,136,571	726,762	31,754	264,570	113,485	96.6%	97.1%	57.0%	70.9%	98.5%	101.4%	34.2%
Mass.	1,540,710	1,042,186	124,736	373,788	1,589,931	1,095,069	223,455	271,407	-	103.2%	105.1%	179.1%	72.6%	96.5%	72.6%	19.9%
Michigan	2,939,782	2,160,782	118,994	660,006	2,740,314	2,228,632	-	511,682	-	93.2%	103.1%	0.0%	77.5%	97.1%	77.5%	18.7%
Minnesota	1,616,783	1,183,160	79,285	354,338	1,519,103	1,189,110	-	329,993	-	94.0%	100.5%	0.0%	93.1%	98.8%	93.1%	21.7%
Mississippi	704,892	553,111	21,248	130,533	593,905	498,560	5,256	90,089	-	84.3%	90.1%	24.7%	69.0%	86.1%	69.0%	15.3%
Missouri	1,434,413	1,029,694	81,006	323,713	1,338,747	1,042,776	53,577	242,394	-	93.3%	101.3%	66.1%	74.9%	95.0%	74.9%	18.9%
Montana	243,194	179,380	14,675	49,139	224,653	176,473	13,863	34,317	-	92.4%	98.4%	94.5%	69.8%	92.2%	69.8%	16.3%
Nebraska	461,233	313,564	32,785	114,884	454,502	322,683	34,784	85,759	11,276	98.5%	102.9%	106.1%	74.6%	98.0%	84.5%	23.1%
New Jersey	1,825,706	1,395,211	80,389	350,106	1,729,555	1,347,199	86,860	223,435	72,061	94.7%	96.6%	108.0%	63.8%	94.1%	84.4%	18.0%
New Mexico	441,695	298,825	15,954	126,916	444,292	287,832	-	72,848	83,612	100.6%	96.3%	0.0%	57.4%	104.4%	123.3%	35.2%
New York	3,268,361	2,483,298	122,305	662,758	3,101,647	2,554,663	-	546,984	-	94.9%	102.9%	0.0%	82.5%	98.6%	82.5%	17.6%
North Carolina	2,012,010	1,429,907	63,981	518,122	1,764,959	1,357,137	-	407,822	-	87.7%	94.9%	0.0%	78.7%	90.6%	78.7%	23.1%
North Dakota	175,259	127,187	10,439	37,633	147,295	122,949	-	24,346	-	84.0%	96.7%	0.0%	64.7%	89.4%	64.7%	16.5%
Ohio	2,715,831	1,727,404	217,478	770,949	2,745,270	1,639,514	375,973	426,272	303,511	101.1%	94.9%	172.9%	55.3%	94.8%	94.7%	30.8%
Oklahoma	826,584	572,180	33,805	220,599	711,589	516,743	23,664	171,182	-	86.1%	90.3%	70.0%	77.6%	86.8%	77.6%	24.9%
Oregon	806,898	537,028	35,301	234,569	749,496	553,192	-	196,304	-	92.9%	103.0%	0.0%	83.7%	97.1%	83.7%	26.2%
Penn.	2,633,479	1,655,085	237,675	740,719	2,496,654	1,345,222	468,507	338,531	344,394	94.8%	81.3%	197.1%	45.7%	84.7%	92.2%	33.7%
Rhode Island	225,878	163,057	14,744	48,077	185,154	153,471	-	31,683	-	82.0%	94.1%	0.0%	65.9%	87.7%	65.9%	17.1%
South Carolina	1,135,069	868,666	34,067	232,336	1,078,322	865,825	-	180,069	32,428	95.0%	99.7%	0.0%	77.5%	97.9%	91.5%	19.7%
Utah	523,873	326,989	23,200	173,684	476,566	319,098	-	130,216	27,252	91.0%	97.6%	0.0%	75.0%	95.2%	90.7%	33.0%
Vermont	133,438	84,346	12,000	37,092	113,259	87,677	-	25,582	-	84.9%	103.9%	0.0%	69.0%	93.3%	69.0%	22.6%
West Virginia	373,418	243,545	36,124	93,749	314,550	240,025	24,238	50,287	-	84.2%	98.6%	67.1%	53.6%	86.1%	53.6%	17.3%
Wisconsin	1,657,965	1,160,281	100,185	397,499	1,592,395	1,141,530	67,038	291,809	92,018	96.0%	98.4%	66.9%	73.4%	97.9%	96.6%	25.2%
U.S. Total	53,335,564	38,249,124	2,522,499	12,563,941	49,801,730	37,228,806	1,905,566	8,723,794	1,943,564	93.4%	97.3%	75.5%	69.4%	94.3%	84.9%	22.3%

Chart 1: Total State Electronic Returns as Proportion of Total Federal Electronic Returns (2005)

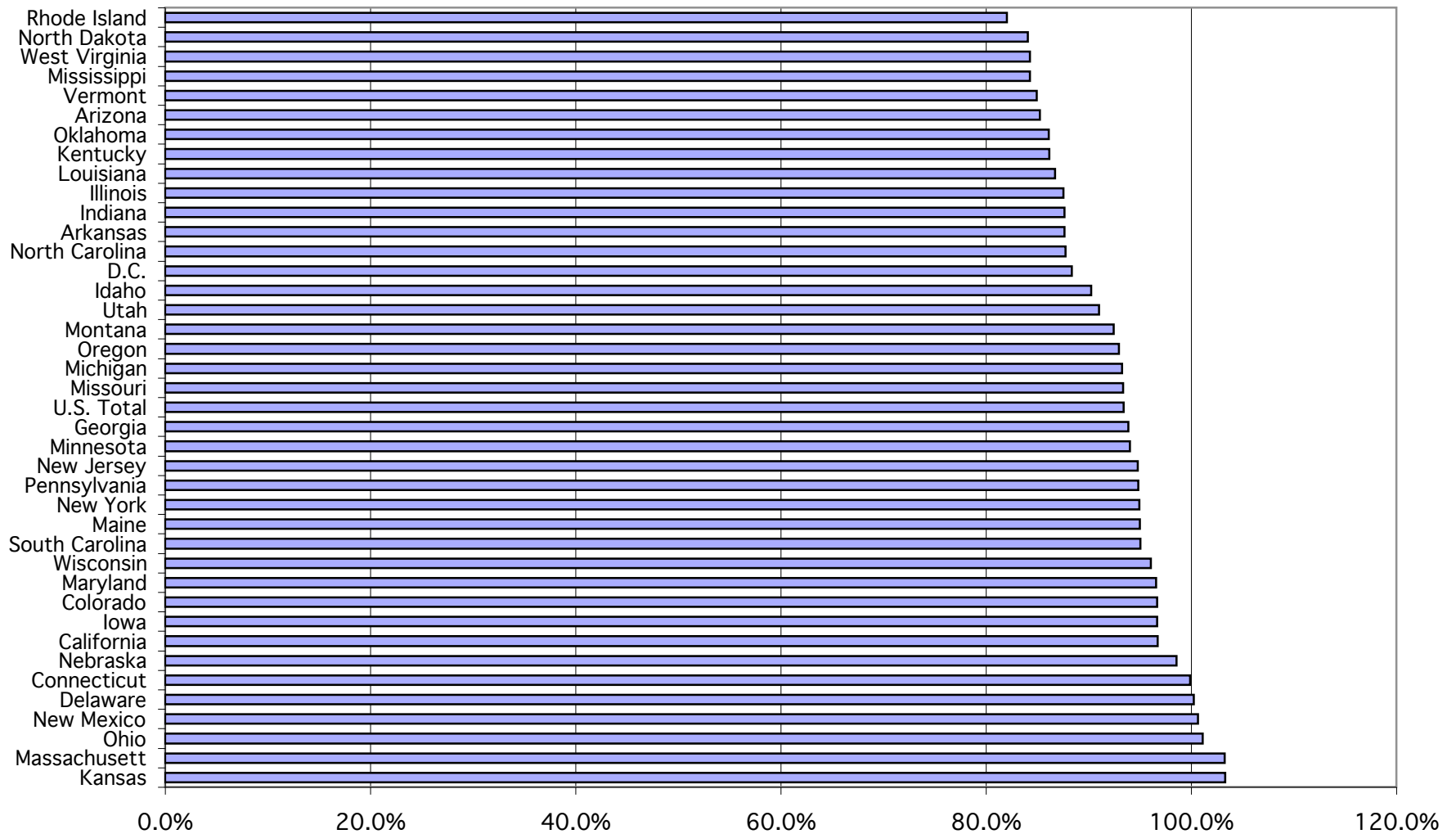


Chart 2: Total State Electronic Returns (without Telefile) as a Proportion of Federal Returns (without Telefile) (2005)

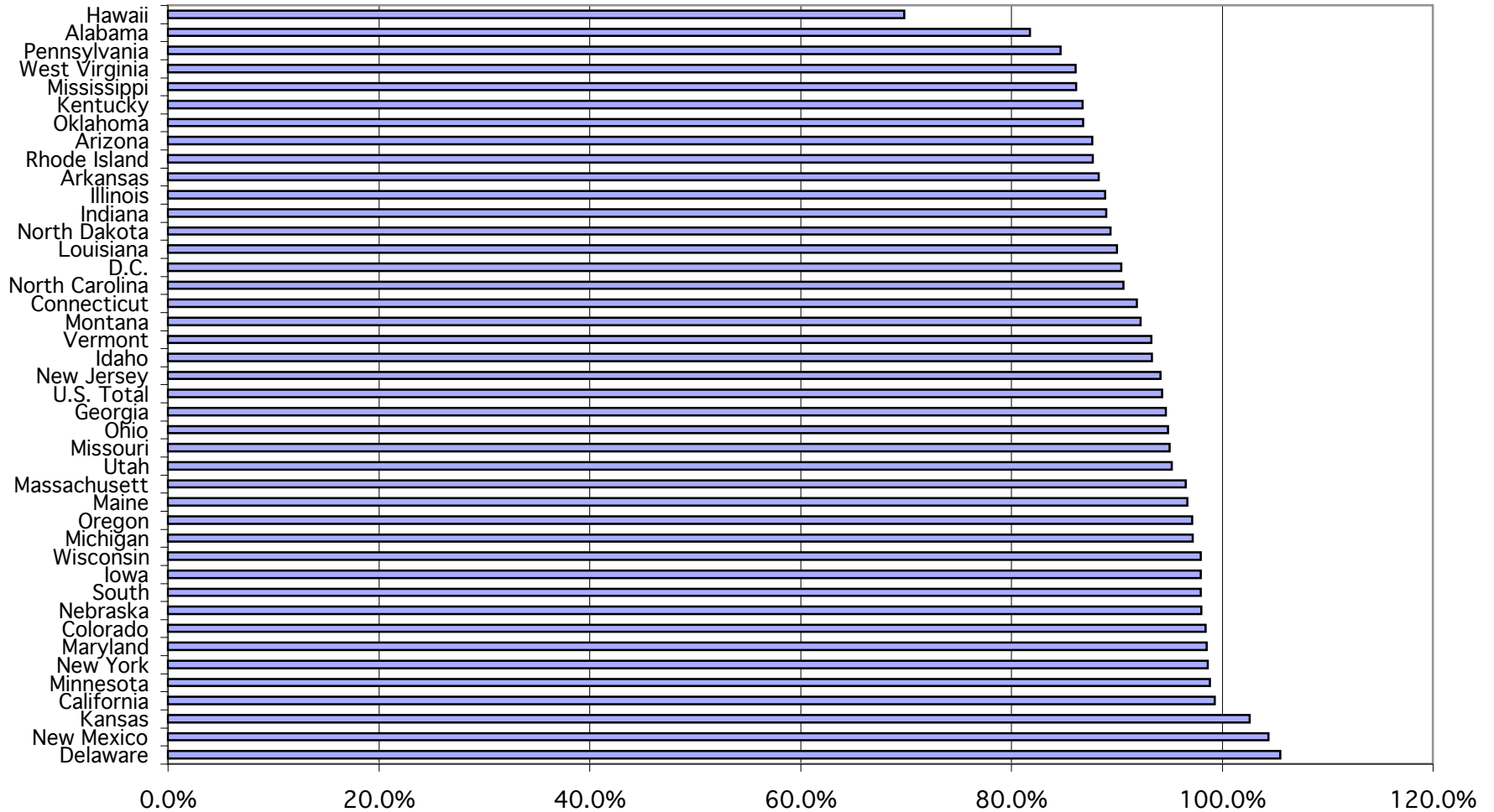


Chart 3: State Practitioner-filed Electronic Returns as a Proportion of Federal Practitioner Electronic Returns (2005)

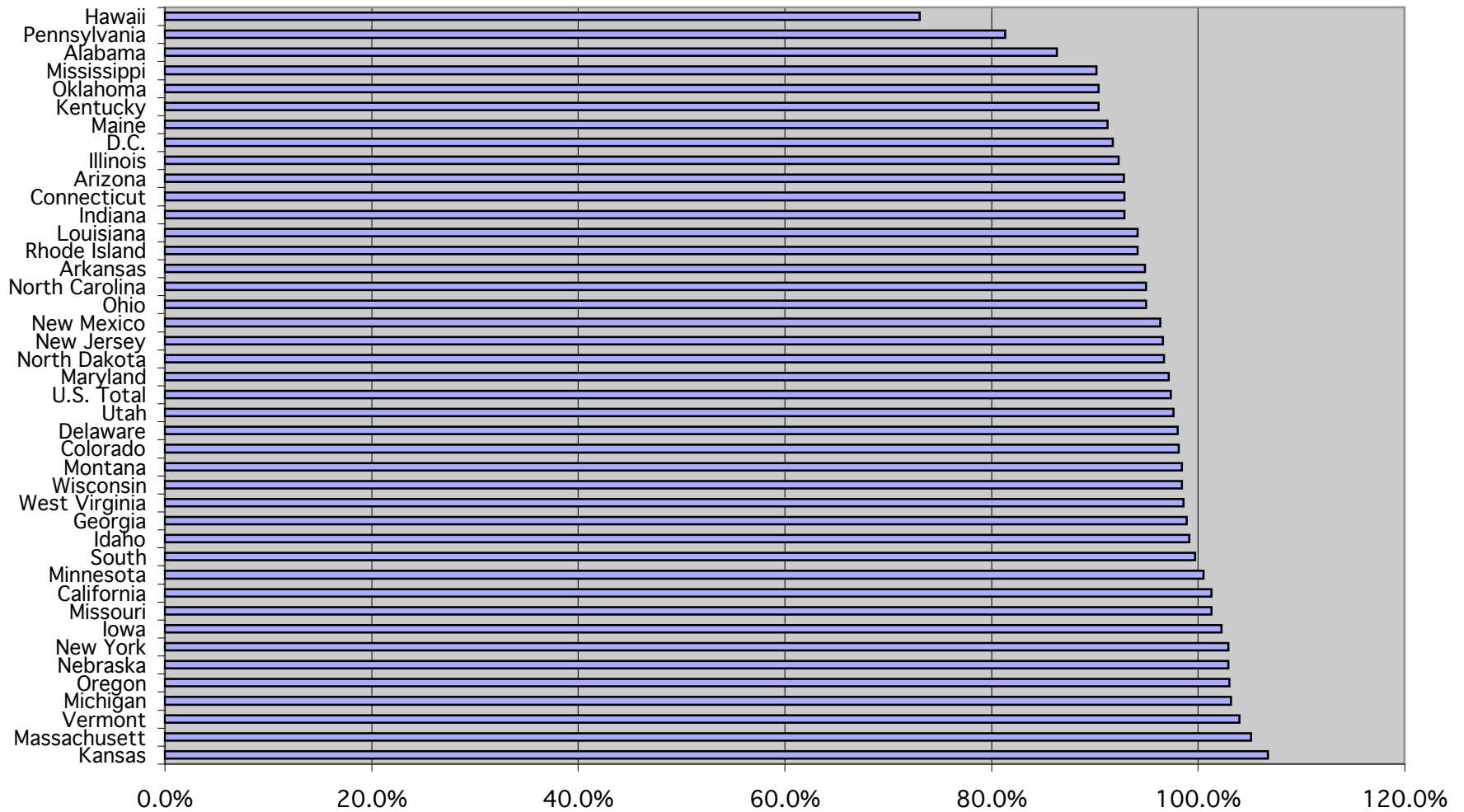


Chart 4: State Online Returns as a Proportion of Federal Online Returns (2005)

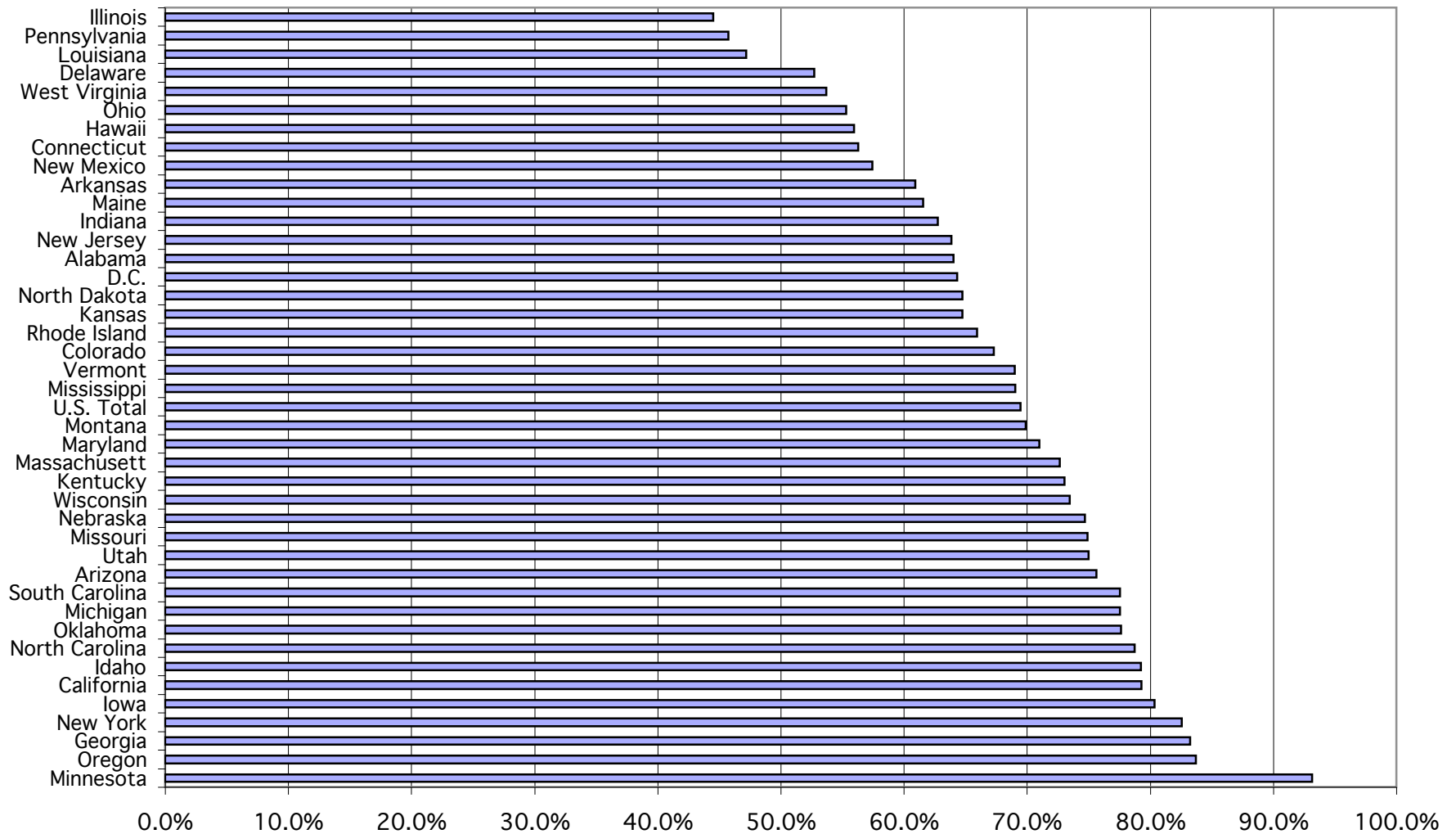


Chart 5: State Online and Direct I-file Returns as a Proportion of Federal Online Returns (2005)

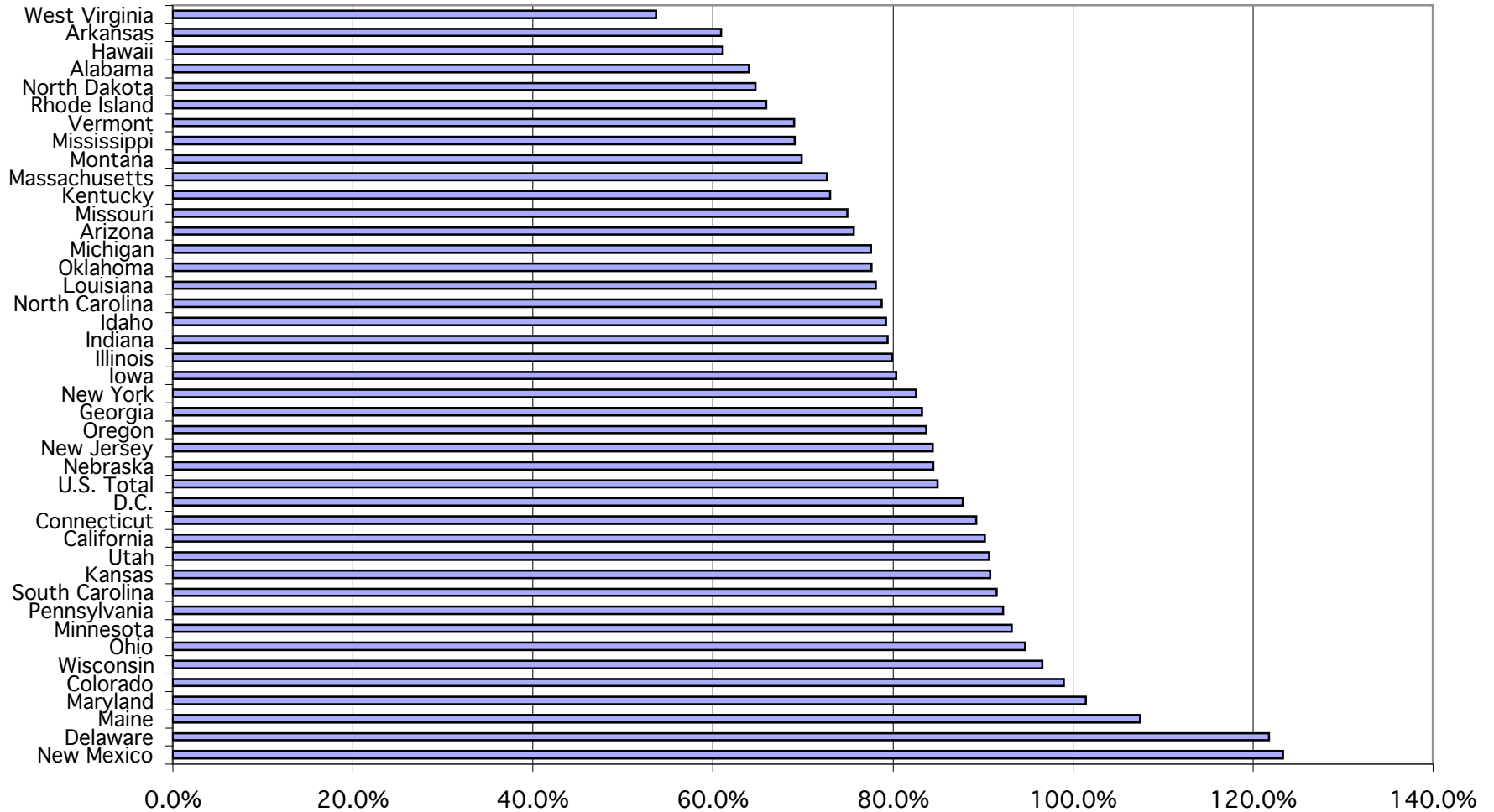


Chart 6: Online and I-File Returns as Percent of Total Electronic Returns (Excluding Telefile) (2005)

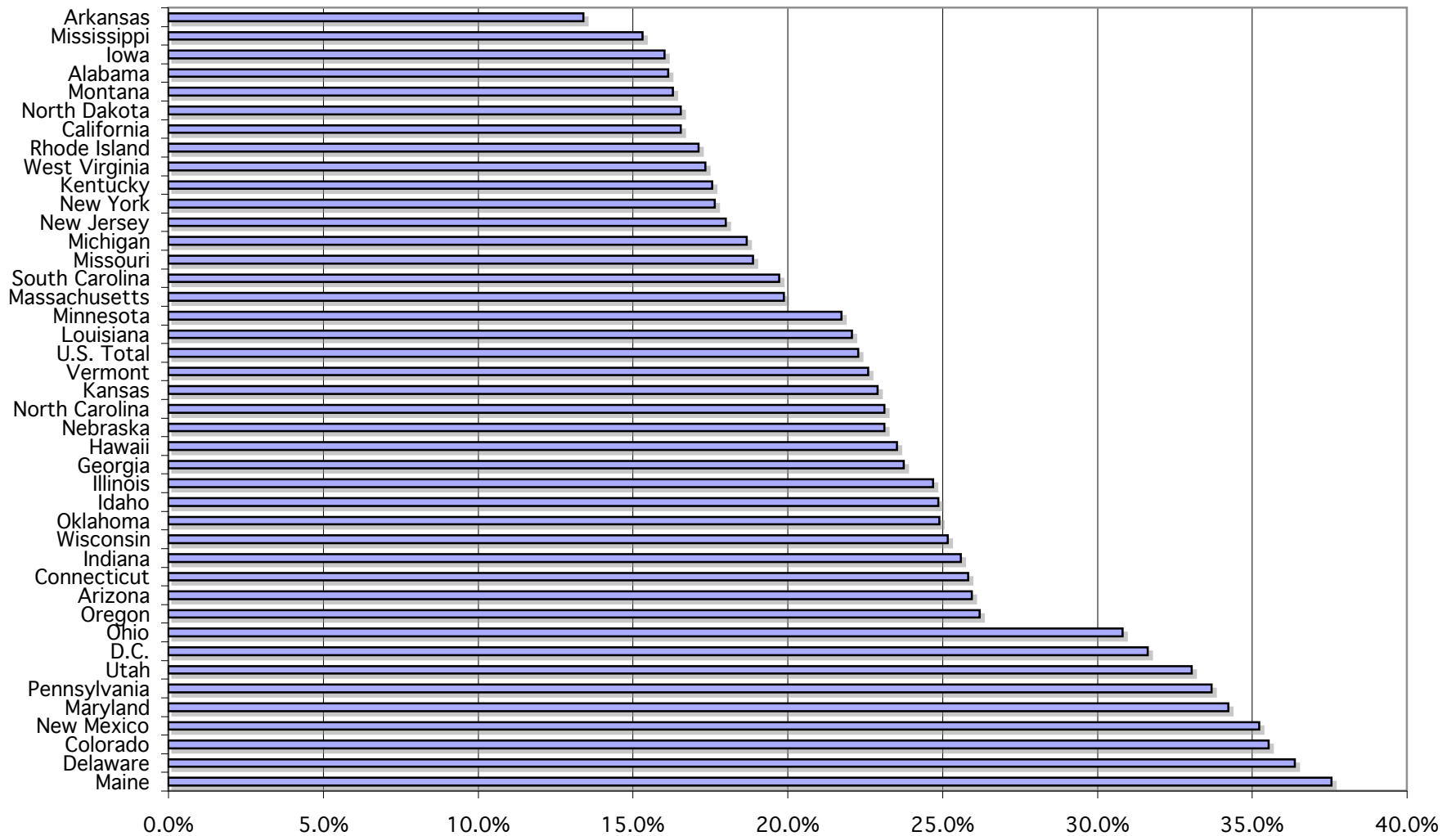


Chart 7: Proportion of All State Returns Received Electronically (2005)

