



Individual Nationwide Analysis





TY 2008 Nationwide Analysis

Electronic Tax Administration and Refundable Credits

Research Goal

Title II of the *Restructuring and Reform Act of 1998* (RRA 98) set a goal for the Internal Revenue Service (IRS) to have at least 80 percent of all tax and information returns filed electronically by the year 2007. To realize this goal (albeit late), it is imperative that the IRS understand its markets, measure the success of past marketing efforts, and track changes in taxpayer behavior. In an effort by Electronic Tax Administration and Refundable Credits (ETARC, or ETA) to increase the number of individual income tax returns filed electronically, ETA officials have requested information on the flow of returns through the 2009 filing season based on demographics and status. This information will be used to target particular populations for future marketing efforts by ETA.

Business Objective

The overall business objective of this project is to provide descriptive demographic and filing attributes of the six major e-file market segments and to measure the progress in promoting electronic filing for Tax Year (TY) 2008 by answering specific questions and requests of ETA. Some of these questions repeat analysis previously conducted for measurement of progress or changes, some elaborate upon previous research, and some investigate new areas. The report reflects all TY 2008 returns processed through processing cycle 52 of 2009. The report also analyzes historical data from the multi-year database.

Business Questions

- 1) Have the repeat rates and inter-modal migration rates for true paper, V-code, ELF, Online and Traditional Free File returns between TY 2007 and TY 2008 changed? Migration rates previously pulled by Wage and Investment Research and Analysis (WIRA) beginning in TY 2002 will also be included for reference.
- 2) What are the counts by six market segments (paid simple, paid intermediate, paid complex, self simple, self intermediate and self complex categories) by filing method (true paper, V-code, ELF, Online, Traditional Free File and Free File Fillable Forms returns) for TY 2008? The demographic attributes analyzed are age, filing status, AGI (with a new range of \$50,001 to \$56,000 added to identify traditional free file taxpayers), balance due ranges, return full paid status, BOD code, use of direct deposit (for refund returns), use of direct debit (for balance due returns), and RAL/RAC indicators.
- 3) What are the profiles of taxpayers for each of the six market segments (paid simple, paid intermediate, paid complex, self simple, self intermediate and self complex categories) for TY 2008? For each market segment, analyze attributes by filing method (true paper, V-code, ELF, Online, and Traditional Free File and Free File Fillable Form returns). Use the same demographic attributes identified in Question #2.

Business Questions

Continued . . .

- 4) This is labeled as “Official Use Only” so the content relating to this business question has been removed from this presentation.
- 5) What are the differences in profiles of extension filers and last minute filers within the six market segments (paid simple, paid intermediate, paid complex, self simple, self intermediate and self complex categories) for each filing method (true paper, V-code, ELF, Online and Traditional Free File) for TY 2006, TY2007 and TY2008? Last minute filers are defined as taxpayers whose returns have a transaction date between +/- two days of the filing due date (April 15 or after if April 15 falls on a weekend). In a separate analysis, look at whether extension filers and last minute filers are repeaters, and how they pay their balance due. Use the same demographic attributes identified in Question #2.

Research Methodology

WIRA compiled the data needed for this project from the Electronic Tax Administration Individual Master File (ETA IMF) marketing database. The individual databases for multi-tax years were used for analysis on population data (i.e., no samples were used). WIRA performed data analysis using Hummingbird software and Structured Query Language (SQL) programming, and used Microsoft Excel® to table the output and make supplementary calculations. All data queries and analyses were validated (i.e., duplicated) independently to ensure accuracy. The analysis addressed the current business questions for TY 2008 and included segmentation based on age, filing status, market segment, BOD, AGI range, state, filing method, preparation method, balance due or refund amount, direct debit or deposit and RAL/RAC indicator.

Business Question # 1

- **Identify migration patterns of taxpayers between the different methods of filing for Tax Years 2002 through 2008. Compare the percentage of taxpayers by method of filing in each base TY (2002 through 2008) to the method of filing in the subsequent year (i.e., using a ‘forward-looking’ approach).**

The following pages provide table counts and row and column percentages for each migration between electronic, V-code, and paper filers. Table 1 is a general reference for historical individual return volumes. The breakdown on electronic filers to ELF, Online, and Free Filers is shown later.

Note: WIRA used criteria V-indicator = 1 (V-code filing) and TRDBTY = 0 (hand-prepared Paper filing) to do the query and match the ETA validation report as closely as possible on V-code filing counts for each year.



Filing Type Definitions

- **ELF** – ELF indicator present (trdbty08 = '1').
- **On-Line (Not Free File or Free File Fillable Forms)** – On-Line (all) – Free File – Free File Fillable Forms.
- **Free File** – For TY 2008, consortium indicator present, online return, no RAL/RAC requested, and adjusted gross income of less than or equal to \$56,000 (consortium_ind = 'C' or 'S' and trdbty08 = '3' and trdbral = '0' and AGICOMP <= 56,000).
- **Free Fill Fillable Forms (FFFF)** – For TY 2008, consortium indicator is present (consortium_ind = 'F')
- **V-Code** – V-Code indicator present and paper return (procdrvind = '1' and trdbty08 = '0').
- **Paper (not V-coded)** – Paper (all) - V-coded.
- **Paper** (all) – Paper indicator present (trdbty08 = '0').
- **On-Line** (all) – Online indicator present (trdbty08 = '3').



Table 1: Annual Total Individual Return Breakdown by ELF, Online, Free File, Free File Fillable Forms, Telefile, V-Code, and Hand-prepared Paper

Base Tax Year	Total Returns	ELF	Online (no Free File or FFFF)	Free File	FFFF	Telefile	V-Code	Hand-Prep. Paper
2002	126,758,079	37,136,656 (29.3%)	11,768,218 (9.3%)			4,026,693 (3.2%)	44,144,203 (34.8%)	29,682,309 (23.4%)
2003	127,084,129	43,768,393 (34.4%)	13,951,689 (11.0%)			3,769,606 (3.0%)	40,428,047 (31.8%)	25,166,394 (19.8%)
2004	128,599,631	48,068,417 (37.4%)	17,095,878 (13.3%)			3,293,652 (2.6%)	40,931,283 (31.8%)	19,210,401 (14.9%)
2005	130,354,745	52,855,625 (40.5%)	16,471,115 (12.6%)	3,783,306 (2.9%)			38,336,964 (29.4%)	18,907,735 (14.5%)
2006	134,381,430	57,360,987 (42.7%)	18,741,012 (13.9%)	3,854,549 (2.9%)			36,559,559 (27.2%)	17,865,323 (13.3%)
2007	149,329,739	62,911,373 (42.1%)	22,177,241 (14.9%)	4,768,474 (3.2%)			35,446,303 (23.8%)	24,006,348 (16.0%)
2008	138,863,722	63,232,209 (45.5%)	28,931,122 (20.3%)	3,009,614 (2.2%)	272,600 (0.2%)		28,868,451 (20.8%)	14,549,726 (10.5%)



Source: ETA IMF Marketing Database

Electronic Filers: Migration and Repeat Rate Percentages for TY 2002 through TY 2008

- Table 2 shows 80.6% of electronic filers in the base year 2002 repeated in the subsequent year 2003; the repeat rate increased to 83.9% in TY 2008 (though down from 86.0% in TY 2007). This represents a 3.3 percentage point increase over six years.
- On average over the six year period, 8.4% of electronic filers switched to paper returns (6.3% to V-Code and 2.1% to hand-prepared paper) in subsequent year, which represents about 5.6 million paper returns.
- The hand-prepared returns segment represents the lowest migration target compared to other filing methods; the 3.6% migration rate from TY 2002 to TY 2003 decreased to 1.4% from TY 2007 to TY 2008 -- a 2.2 percentage point decrease. V-code migration has a 2.3 percentage point decrease from TY 2002 to TY 2008.

Table 2: e-filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2008

Base Tax Year	E-file in the base year	E-filer's subsequent year filing method *				
		E-file**	Telefile	V-code	Hand Prep. Paper	Didn't File
2002	48,904,874	39,416,892	241,702	3,358,301	1,757,910	4,130,069
		80.6%	0.5%	6.9%	3.6%	8.4%
2003	57,720,082	47,284,328	226,582	4,199,303	1,322,133	4,687,736
		81.9%	0.4%	7.3%	2.3%	8.1%
2004	65,164,295	53,954,590		4,513,379	1,335,414	5,360,912
		82.8%		6.9%	2.0%	8.2%
2005	73,110,046	61,417,788		4,641,506	1,346,989	5,703,763
		84.0%		6.3%	1.8%	7.8%
2006	79,956,548	68,787,432		4,627,093	1,430,557	5,111,466
		86.0%		5.8%	1.8%	6.4%
2007	89,857,088	75,387,465		4,145,631	1,230,217	9,093,775
		83.9%		4.6%	1.4%	10.1%
Average		83.0%		6.3%	2.1%	8.2%
2002-2008		3.3%		-2.3%	-2.2%	-1.7%

Source: ETA IMF Marketing Databases

Note * The method of filing columns show count and percentage of the base year returns by method of filing in the subsequent year.

** e-file encompasses all ELF, online, and Free File returns.

V-code Users: Migration and Repeat Rate Percentages for TY 2002 through TY 2008

- Though the repeat rate remained almost the same over the years (except base years 2003 and 2008), the total number of V-code repeaters decreased from 29.8 million in the TY 2002 to TY 2003 period to 20.5 million in the TY 2007 to TY 2008 period. (See Table 3.)
- Electronic filing represents the highest migration target. It increased from 19.9% in the base year 2002 to 27.9% in the base year 2007.
- The hand-prepared returns segment was the lowest migration target compared to other filing methods, starting at a rate of 4.4% from TY 2002 to TY 2003, and declining to 2.5% from TY 2007 to TY 2008.



Table 3: V-code Filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2008

Base Tax Year	V-code returns in the base year	V-code filer's subsequent year filing method *				
		e-file**	Telefile	V-code	Hand Prep. Paper	Didn't File
2002	44,144,203	8,798,971	29,364	29,777,329	1,938,351	3,600,188
		19.9%	0.1%	67.5%	4.4%	8.2%
2003	40,428,047	7,689,001	20,542	28,270,869	1,103,214	3,344,421
		19.0%	0.1%	69.9%	2.7%	8.3%
2004	40,931,283	8,436,910		27,467,316	1,282,222	3,744,835
		20.6%		67.1%	3.1%	9.1%
2005	38,336,964	8,013,065		25,888,059	1,089,414	3,346,426
		20.9%		67.5%	2.8%	8.7%
2006	36,559,437	8,126,014		24,577,963	1,120,057	2,735,403
		22.2%		67.2%	3.1%	7.5%
2007	35,466,303	9,877,611		20,486,205	875,881	4,226,606
		27.9%		57.8%	2.5%	11.9%
Average		21.7%		66.2%	3.1%	8.9%
2002-2007		8.0%		-9.7%	-1.9%	3.7%
Change						



Hand-prepared papers: Migration and Repeat Rate Percentages for TY 2002 through TY 2008

- The repeat rate for hand-prepared returns decreased from 57.9% in the base year 2002 to 44.8% in the base year 2007 (except in base years 2004, 2005 and 2006). Similarly, the total number of hand-prepared returns decreased from 17.2 million to 10.8 million in the period (compared to 12.0 million in the base year 2006). (See Table 4).
- There was a 2.5 percentage point decrease in e-filing migration rate over the years. As a result, the total number of hand-prepared returns switching to e-filing decreased from 4.2 million in the base year 2002 to 2.8 million in the base year 2007.
- The migration rate to V-code filing decreased from 13.1% in the base year 2002 to 5.1% in the base year 2007. This represents a decrease of 3.9 million returns to just 1.2 million returns.



Table 4: Hand-Prepared Paper Filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2008

Base Tax Year	Hand-prep. Paper in the base year	Hand-prepared paper filer's subsequent year filing method *				
		e-file**	Telefile	V-code	Hand Prep. Paper	Didn't File
2002	29,628,309	4,178,886	1,070,251	3,882,001	17,183,230	3,367,941
		14.1%	3.6%	13.1%	57.9%	11.3%
2003	25,166,394	3,825,609	826,160	3,925,670	13,715,108	2,873,847
		15.2%	3.3%	15.6%	54.5%	11.4%
2004	19,210,401	2,695,732		1,749,516	12,686,919	2,078,234
		14.0%		9.1%	66.0%	10.8%
2005	18,907,735	2,787,958		1,624,776	12,593,189	1,901,812
		14.7%		8.6%	66.6%	10.1%
2006	17,865,445	2,960,854		1,395,464	12,034,955	1,474,172
		16.6%		7.8%	67.4%	8.3%
2007	24,006,348	2,777,579		1,233,149	10,756,423	9,239,197
		11.6%		5.1%	44.8%	38.5%
Average		14.4%		9.9%	59.5%	15.1%
2002-2007						
		- 2.5%		-7.9%	-13.1%	27.2%

Source: ETA IMF Marketing Database

Note: *The method of filing columns show count and percentage of the base year returns by method of filing in the subsequent year.

**e-file encompasses all ELF, online and Free File returns

National Repeat Rate Percentages for TY 2002 through TY 2008

- The repeat rate is the highest for each filing method, meaning taxpayers are most likely to file using the same method as the previous year. (See Table 5.)
- Repeat ELF users decreased (82.2% in 2006 to 2007 to 79.1% in 2007 to 2008), while the repeat Online (no Free File or FFFF) rate increased (70.4% in 2006 to 2007 to 75.2% in 2007 to 2008).
- The number of repeat Free Filers decreased (37.% in 2006 to 2007 to 25.1% in 2007 to 2008).
- Repeat V-code filers also decreased (67.2% in 2006 to 2007 to 57.8% in 2007 to 2008). This equates to 4.1 million returns (compared to 1.3 million in 2006 to 2007).
- Compared to other filing methods, the repeat rate of hand-prepared paper filing saw the highest percentage point decrease over the years of the study.

Table 5: National Repeat Rates for TY 2002 through TY 2008

Year	Repeat ELF	Repeat Online (no Free File or FFFF)	Repeat V-code	Repeat Hand Prep. Paper	Repeat Free File
2002 to 2003	28,738,611 (77.4%)	8,182,500 (69.5%)	29,777,329 (67.5%)	17,183,320 (57.9%)	
2003 to 2004	34,104,419 (77.9%)	9,965,412 (71.4%)	28,270,869 (69.9%)	13,715,108 (54.5%)	
2004 to 2005	38,312,683 (79.7%)	10,734,926 (62.8%)	27,467,316 (67.1%)	12,686,919 (66.0%)	
2005 to 2006	42,722,023 (80.8%)	11,595,986 (70.4%)	25,888,059 (67.5%)	12,593,189 (66.6%)	1,284,781 (34.0%)
2006 to 2007	47,131,052 (82.2%)	13,737,346 (70.4%)	24,577,963 (67.2%)	12,034,955 (67.4%)	1,425,205 (37.0%)
2007 to 2008	49,762,727 (79.1%)	16,681,567 (75.2%)	20,486,205 (57.8%)	10,756,423 (44.8%)	1,195,128 (25.1%)
Average	79.1%	70.4%	66.2%	59.5%	32.0%
2002 to 2008 Change	1.7%	5.7%	-9.7%	-13.1%	8.9%

Source: ETA IMF Marketing Database

Note: * The method of filing columns show count and percentage of the base year returns by filing method of filing in the subsequent year.

Other Findings on National Inter-Modal Migration and Repeat Filing

- In the period TY 2002 – TY 2008, repeat rates on ELF are highest for each base year; combined Online filing and Free Filing repeat rates were next highest and the V-code repeat rate followed for each base year. The hand-prepared paper repeat rate is lowest compared to other filing methods.
- The migration rate to V-code filing from other filing methods is the highest. The migration rate from V-code filing to ELF is significantly higher than V-code migration to combined Online filing and Free Filing.
- The lowest migration rate is to hand-prepared paper from other filing methods.
- The total number of ELF users who did not file in the subsequent year increased from 3.7 million in the base year 2006 to 6.3 million in the base year 2007.
- The total number of taxpayers who filed hand prepared paper returns in the base and did not file in the subsequent year increased from 3.4 million in the base year 2002 to 9.1 million in the base year 2007.

Business Question # 2

Descriptive Statistics of Six Market Segments (Paid Simple, Paid Intermediate, Paid Complex, Self Simple, Self Intermediate and Self Complex) and Filing Methods – TY 2008

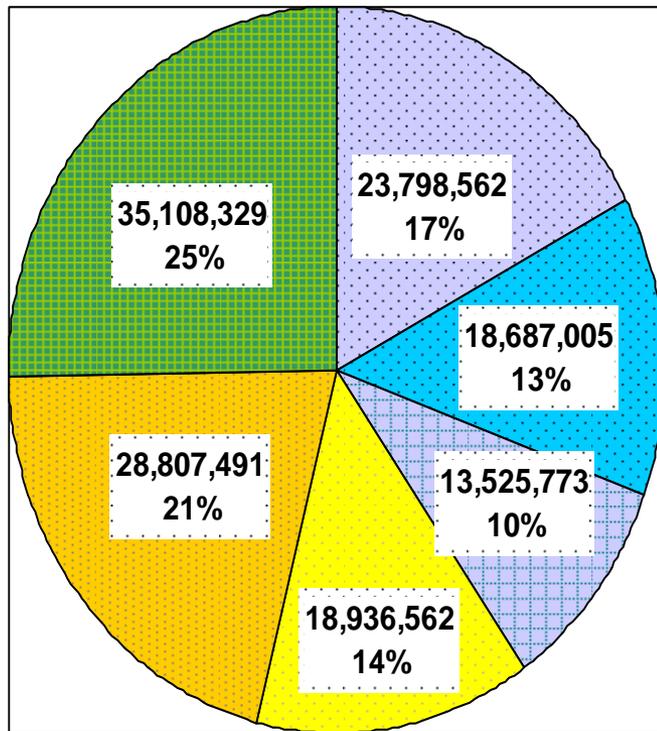
Market Segment Definitions

- **Self-Prepared Return** - no paid-preparer identification number on the return.
- **Paid-Preparer Return** - a paid-preparer identification number on the return.
- **Simple** - Form 1040EZ, and Form 1040 or Form 1040A without any schedules.
- **Intermediate** - Form 1040A with Schedule 1, Child Tax Credit or Education Credit, EIC, or Form 1040 with Schedules A, B, D, Child Tax Credit or Education Credit, or EIC.
- **Complex** - Form 1040 with Schedules C, E, F or other schedules and all other specific Forms 1040, e.g., 1040 PR, etc.

Filing Method Analysis

- Approximately 55.7% of all TY 2008 simple returns were self-prepared while only 27.8% of all complex returns were self-prepared.
- Approximately 73.5% of all TY 2008 paid prepared returns were standard ELF.
- Of the self-prepared paper returns in TY 2008, 60.7% were simple returns.

Figure 1: Volume and Percentage of Returns by Market Segment for TY 2008



- Self Simple
- Self Intermediate
- Self Complex
- Paid Simple
- Paid Intermediate
- Paid Complex

Source: ETA Marketing Database

Approximately 60% of all returns are paid-prepared.

Summary of Demographic Findings in the Six Market Segments: TY 2008

- Approximately 42.9% of returns in the 35-64 taxpayer age group are complex, compared to 26.5% in other age groups.
- Approximately 70.7% of all simple returns were filed by single taxpayers while 54.8% of all complex returns were filed by married filing jointly.

Summary of Demographic Findings in the Six Market Segments: TY 2008 cont.

- The self-simple market segment has the highest percentage (46.7%) of taxpayers in the low income range of \$0 - \$17,000. The paid-simple market segment has 41.8% of taxpayers in the same low income range.
- The paid-complex market segment has the highest percentage (23.4%) of taxpayers with income \$100,000 and Over, compared to the self-complex market segment which has approximately 21.7% of taxpayers with income \$100,000 and Over.

Summary of Demographic Findings in the Six Market Segments: TY 2008 cont.

- For intermediate and complex returns (regardless of preparer type), the highest percentage have a refund of \$2,500 and over.
- For simple returns (regardless of prepare type), the highest percentage have a refund of \$500 - \$1,499.
- The paid-complex market segment has the highest percentage of returns with balance due (25.3%). The self-complex market segment has 22.7% of its returns with balance due.

Figure 2: Returns Percentage by Operating Division in Each Market Segment: TY 2008

W & I operating division processed 69.6% of all returns, while SB/SE operating division processed 30.4% of all returns in TY 2008.

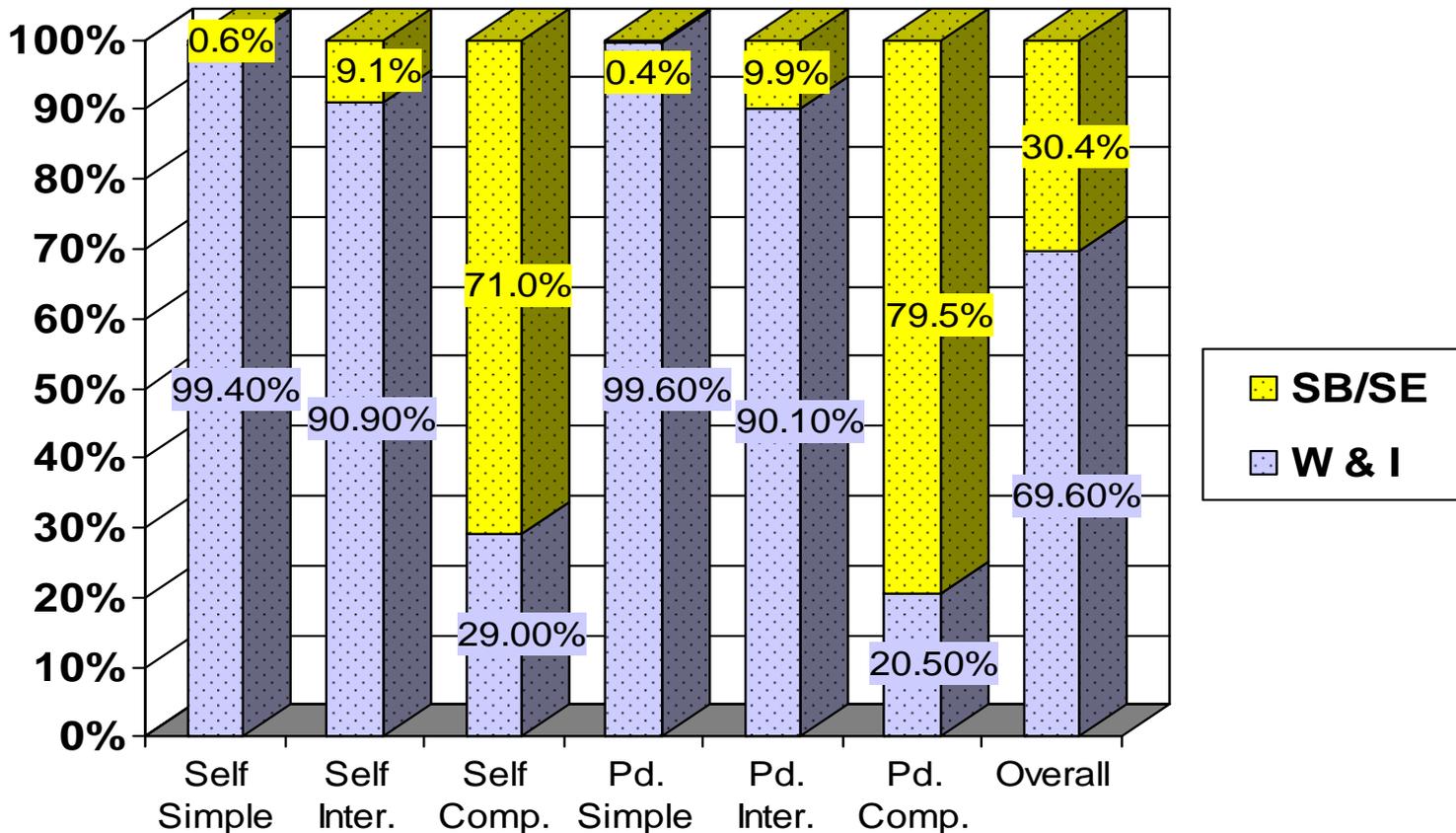
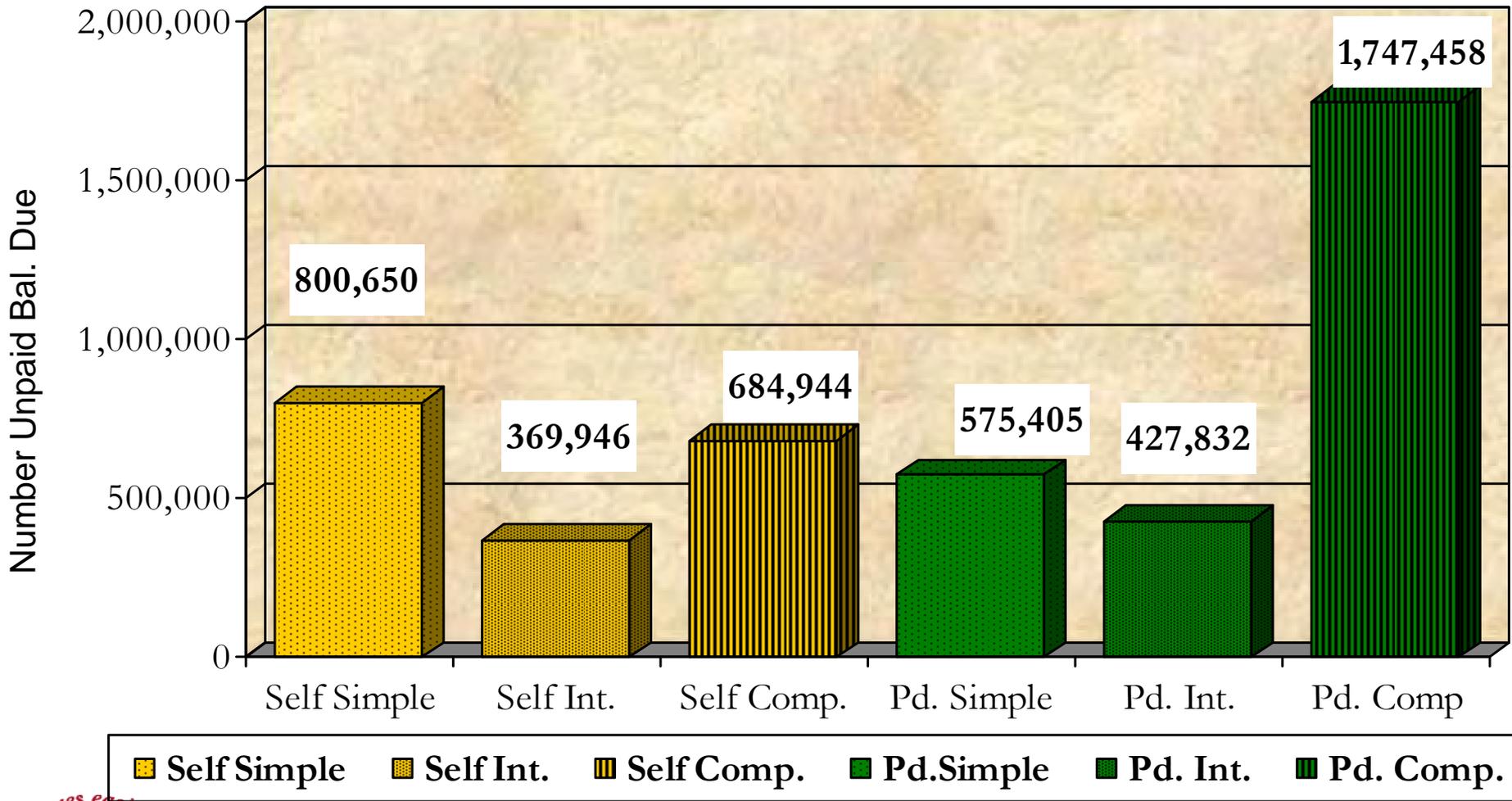


Figure 3: Number of Unpaid Balance Due by Market Segment: TY 2008



Direct Deposit Trends TY 2008

- Self-prepared returns had higher reject rates (0.5%) than paid-preparers (0.2%).
- Simple, self-prepared returns had the highest rejection rate (0.7%).
- Intermediate returns had the highest acceptance rates (74.8%) compared to any other type of return.
- The acceptance rates for simple and intermediate returns for self-prepared and paid-preparers are almost the same, except the acceptance rate for self-prepared complex returns (74.1%) is significantly higher than paid-preparer complex returns (55.7%).

Business Question # 3

Profiles of Taxpayers by Filing and Preparation Method in each Market Segment – TY 2008

V-code Filing Percentages by AGI in the Six Market Segments: TY 2008

- In the simple return segments, the lower and middle AGI returns are more likely to be V-coded.
- As return complexity increases and AGI increases above \$100,000, the percentage of V-coded returns increases for both self-prepared and paid-preparer segments.
- The number of self-prepared V-code returns decreased from 13.4 million in TY 2007 to 10.0 million in TY 2008.
- The number of paid-prepared V-coded returns decreased from 22.1 million in TY 2007 to 18.9 million in TY 2008.

Table 6: V-code by AGI Ranges: TY 2008

Market Segment	Negative AGI	AGI \$0 - \$17,000	AGI \$17,001 - \$25,000	AGI \$25,001 - \$35,000	AGI \$35,001 - \$50,000	AGI \$50,001 - \$56,000	AGI \$56,001 - \$75,000	AGI \$75,001 - \$100,000	AGI \$100,001 - \$250,000	AGI \$250,001 And Over	Number of V-code Returns
Self Simple	0.2%	51.5%	11.7%	11.6%	11.3%	2.9%	6.0%	3.1%	1.7%	0.0%	3,718,213
Self Intermed.	1.0%	18.7%	8.8%	10.8%	12.7%	4.5%	12.7%	12.4%	18.0%	0.4%	3,010,160
Self Complex	2.5%	22.9%	8.8%	8.3%	10.4%	3.5%	8.8%	9.2%	19.7%	5.8%	3,283,461
Paid Simple	0.2%	46.4%	14.6%	12.7%	11.8%	3.1%	6.4%	3.2%	1.5%	0.0%	4,074,135
Paid Intermed.	1.7%	19.8%	9.3%	11.1%	13.4%	4.9%	13.5%	12.1%	13.8%	0.4%	4,430,059
Paid Complex	4.4%	18.7%	7.3%	7.7%	9.9%	3.6%	9.7%	9.8%	19.6%	9.2%	10,352,423

Source: ETA Marketing Database

V-code Filing Percentage by Age in the Six Market Segments: TY 2008

- Approximately 37.4% of self-simple V-coded returns in TY 2008 are in the 0 to 24 age category.
- Approximately 21.5% of paid-simple V-coded returns in TY 2008 are in the 65 and over age category.

Table 7: V-code by Age Ranges: TY 2008

Market Segment	0 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and Over	Number of V-code Returns
Self Simple	37.4%	17.0%	11.3%	11.4%	8.7%	14.2%	3,718,213
Self Intermed.	9.5%	16.9%	17.3%	21.9%	17.2%	17.3%	3,010,160
Self Complex	8.1%	13.5%	18.4%	24.9%	20.3%	14.7%	3,283,461
Paid Simple	30.3%	15.7%	11.3%	11.0%	10.2%	21.5%	4,074,135
Paid Intermed.	8.5%	12.5%	14.3%	18.5%	17.4%	28.7%	4,430,059
Paid Complex	5.6%	9.3%	16.2%	22.9%	21.3%	24.8%	10,352,423

Source: ETA Marketing Database

Summary of Findings for ELF, Online and Hand-Prepared Paper in the Six Market Segments: TY 2008

ELF

- 58.1% of ELF filers are between 25 and 54 years old; while 56.0% of all filers fall into this age group.
- 38.0% of all ELF filers are in the paid-intermediate market segment. Only 20.7% of all filers are in the paid-intermediate market segment.

Summary of Findings for ELF, Online and Hand-Prepared Paper in the Six Market Segments: TY 2008

Online

- 39.6% of all Online filers are in the self-intermediate market segment.
- 64.8% of all Online filers are in the 25 to 54 age group.

Summary of Findings for ELF, Online and Hand-Prepared Paper in the Six Market Segments: TY 2008

Hand-prepared paper

- 38.6% of all hand-prepared paper returns are filed by taxpayers who are either under the age of 25 years or over 65 years.
- 88.6% of all hand-prepared paper returns are self-prepared. 53.7% of all hand-prepared paper returns are filed in the self-prepared, simple market segment.



Analysis of ELF, V-code Filing and Hand-Prepared Paper Filing in the Six Market Segments by Filing Status: TY 2008

- The married filing joint return category has the highest number of ELF returns (13.2 million) in the paid-prepared complex returns market segment.
- Also, the married filing joint return category has the highest number of V-code filing (6.0 million) in the paid-prepared complex returns market segment.
- The single taxpayer category has the highest number of hand-prepared paper filing (6.0 million) in the self-prepared simple returns market segment.

Business Question # 5

- What are the differences in profiles of extension filers and last minute filers for Full TY 2006, 2007, and 2008? Analyze separately if extension filers and last minute filers are repeaters, and how they pay their balance due.

Last minute filers are defined as taxpayers whose returns have a transaction date between +/- two days of the filing due date* (April 15 or after if April 15 falls on a weekend). Extension filers are defined as taxpayers who have filed Form 4868 (Extension of Time to File).

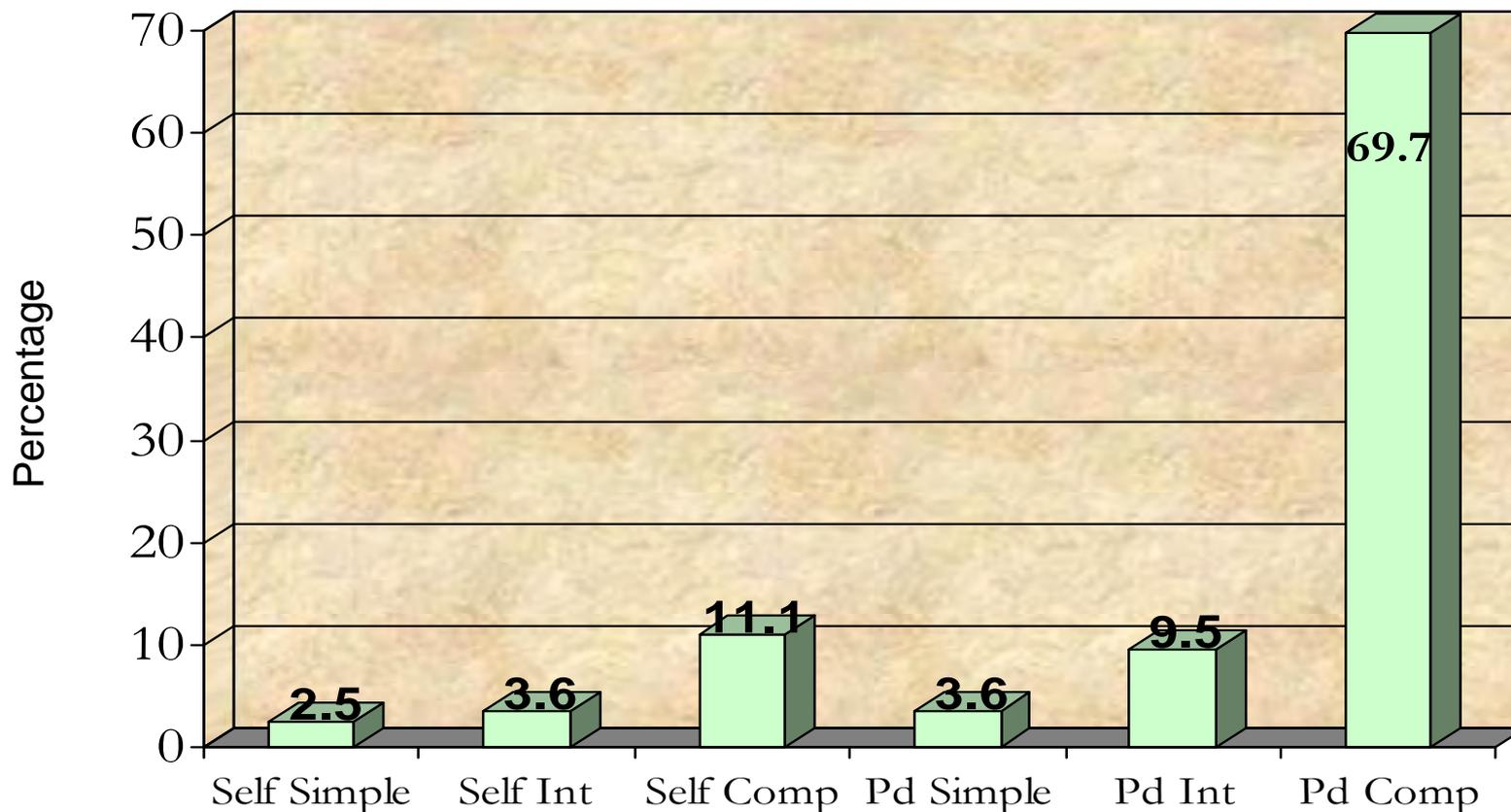
Table 14: Number of Extension Filers by Tax Year

Taxpayer Classification	TY 2006	TY 2007	TY 2008
Extension Filers	7,042,923	7,162,411	7,524,114
% Change	-	1.7%	5.1%

Source: ETA Marketing Database

Number of extension filers increased by over 300,000 from TY 2007 to TY 2008.

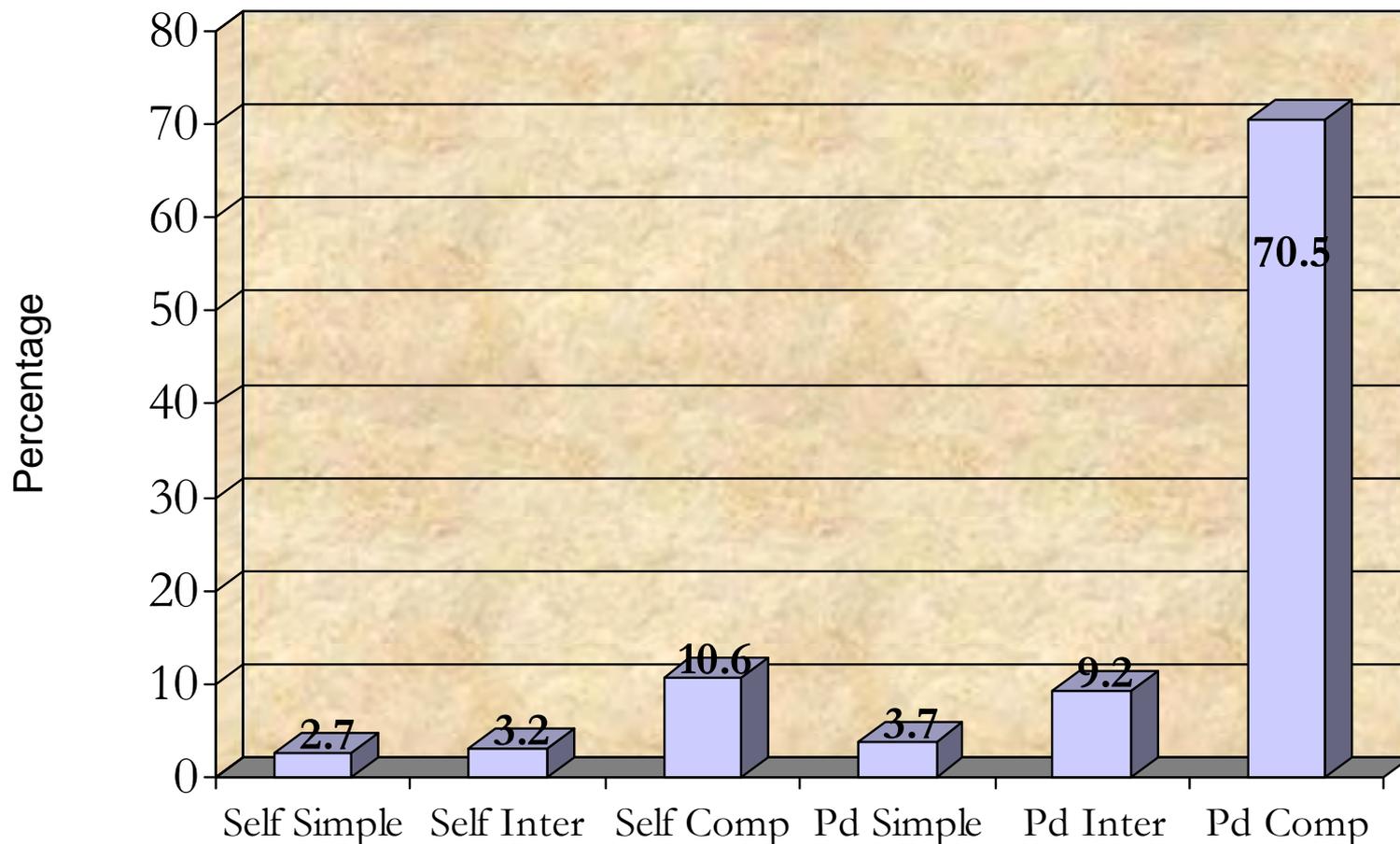
Figure 8: TY 2006 Extension Filers by Market Segment



Source: ETA Marketing Database

Over 2/3 of extension filers are paid-complex filers.

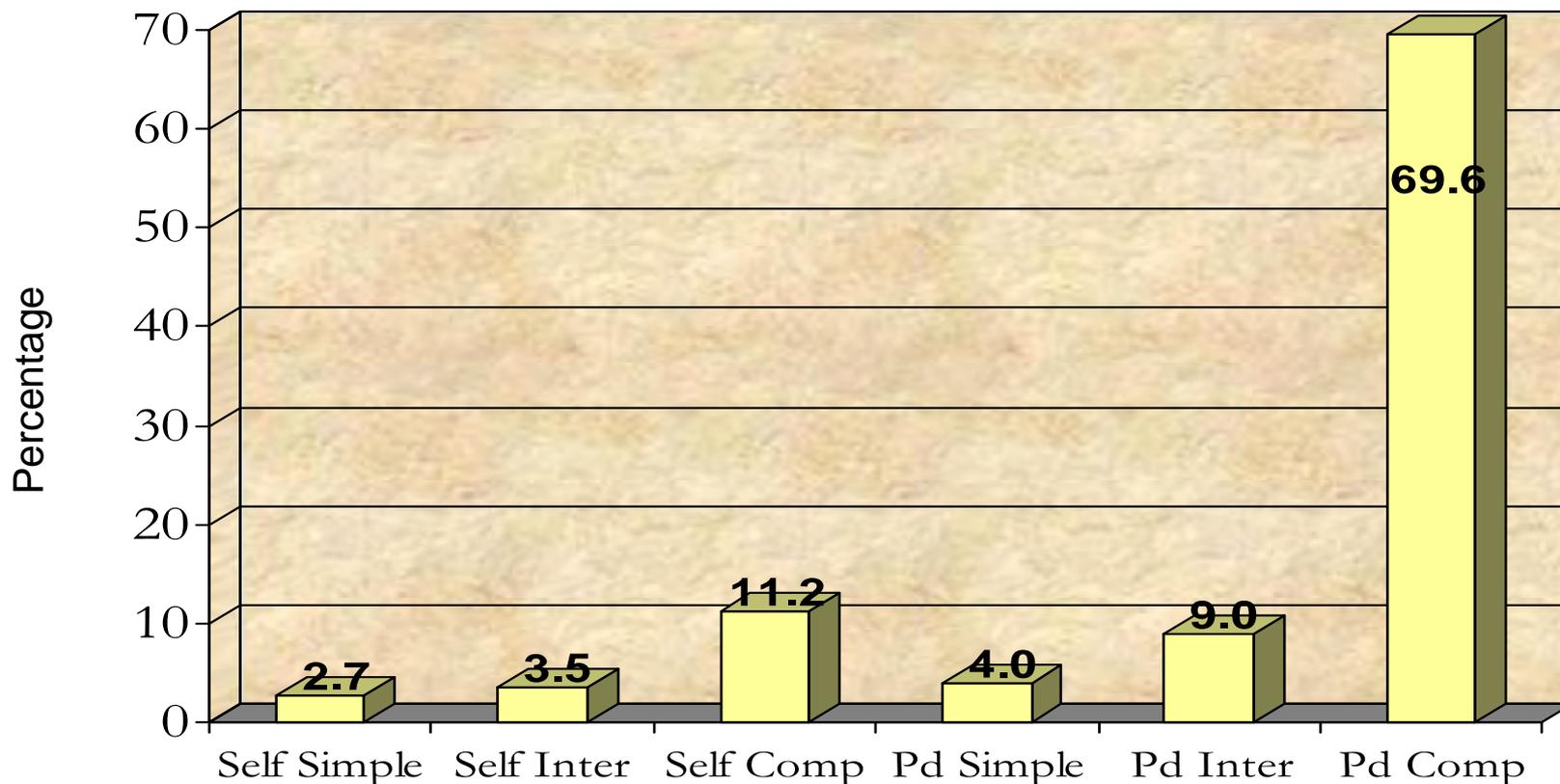
Figure 9: TY 2007 Extension Filers by Market Segment



Source: ETA Marketing Database

Over 2/3 extension filers are paid-complex filers.

Figure 10: TY 2008 Extension Filers by Market Segment



Source: ETA Marketing Database

Over 2/3 of extension filers are paid-complex filers.

Table 15: Percentage of Extension Filers by Age and Tax Year

Age	TY 2006	TY 2007	TY 2008
0 to 24	7.4%	7.6%	7.3%
25 to 34	9.9%	9.8%	9.7%
35 to 44	19.4%	18.8%	18.1%
45 to 54	25.1%	24.9%	24.7%
55 to 64	20.4%	20.5%	21.0%
65 and Over	17.7%	18.4%	19.2%
Total	100.0% (7,042,923)	100.0% (7,162,411)	100.0% (7,524,114)

Source: ETA Marketing Database

Age filing distribution remained fairly steady over the three years, with a marginal increase in older taxpayers in TY 2008.

Table 16: Percentage of Extension Filers by AGI Ranges and Tax Year

Adjusted Gross Income (AGI)	TY 2006	TY 2007	TY 2008
Negative AGI	4.9%	5.2%	6.4%
\$0 to \$17,000	18.2%	18.5%	18.7%
\$17,001 to \$25,000	6.1%	5.8%	5.9%
\$25,001 to \$35,000	6.8%	6.5%	6.5%
\$35,001 to \$50,000	9.3%	8.7%	8.9%
\$50,001 to \$75,000	13.0%	12.5%	12.6%
\$75,001 to \$100,000	9.7%	9.4%	9.4%
\$100,001 to \$250,000	20.4%	20.9%	20.6%
\$250,001 and Over	11.6%	12.5%	11.1%
Total	100.0% (7,042,923)	100.0% (7,162,411)	100.0% (7,524,114)

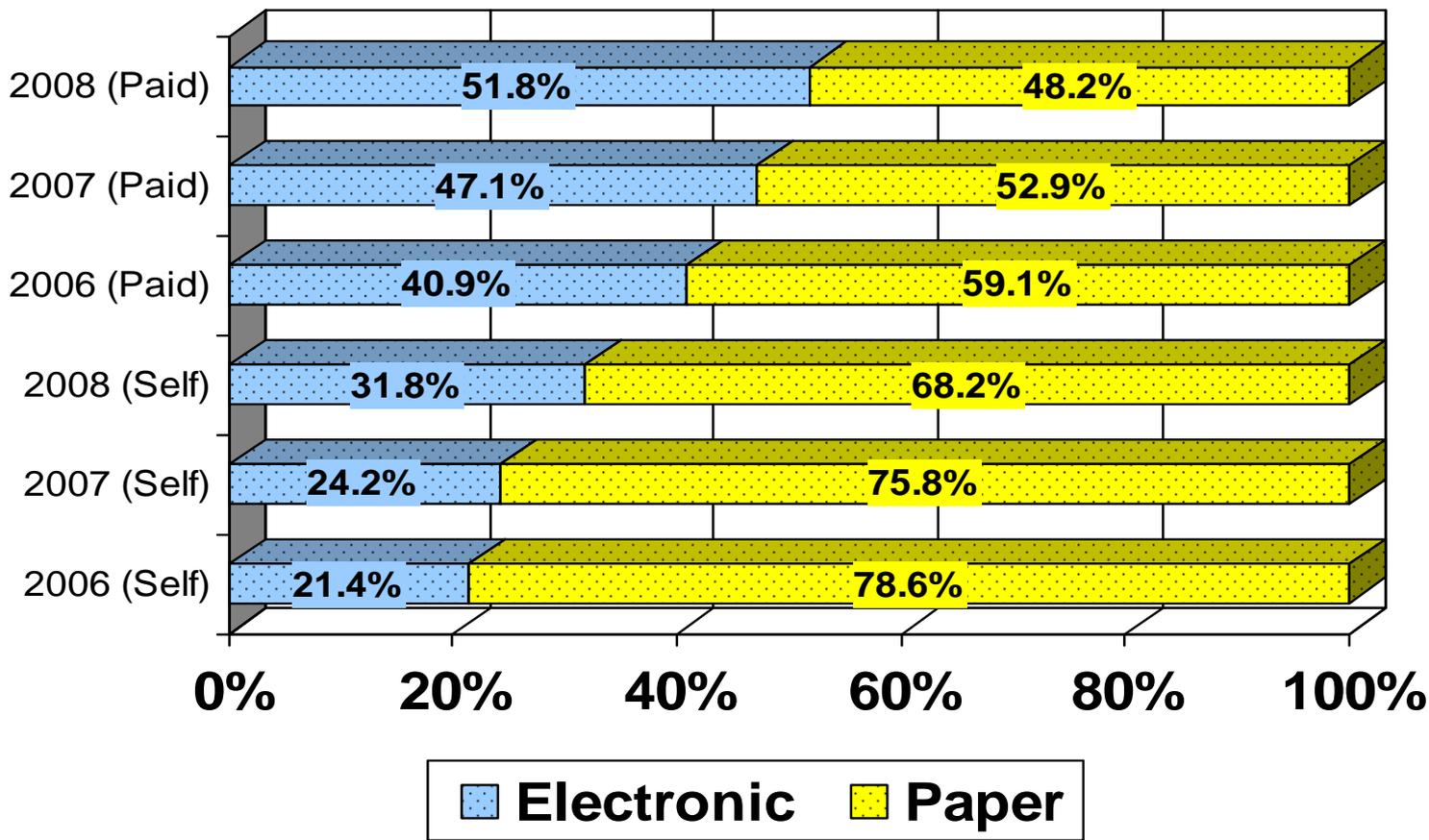
Table 17: Percentage of Returns by Balance Due or Refund Range for Extension Filers by Tax Year

Balance Due or Refund Range	TY 2006	TY 2007	TY 2008
Balance Due \$2,500 and Over	15.0%	15.2%	13.3%
Balance Due \$1,500 - \$2,499	3.8%	3.8%	3.3%
Balance Due \$500 - \$1,499	6.3%	6.3%	5.5%
Balance Due Under \$500	6.7%	6.7%	5.6%
Even Returns	2.8%	7.7%	8.0%
Refund Under \$500	16.1%	11.7%	11.3%
Refund \$500 - \$1,499	12.6%	11.9%	12.2%
Refund \$1,500 - \$2,499	7.8%	7.3%	7.8%
Refund \$2,500 and Over	29.0%	29.5%	33.0%
Total	100.0% (7,042,923)	100.0% (7,162,411)	100.0% (7,524,114)

Source: ETA Marketing Database

Nearly two-thirds of Extension returns for the three years were refund returns.

Figure 11: What types of returns are Extension filers Submitting? Paper* vs. Electronic**

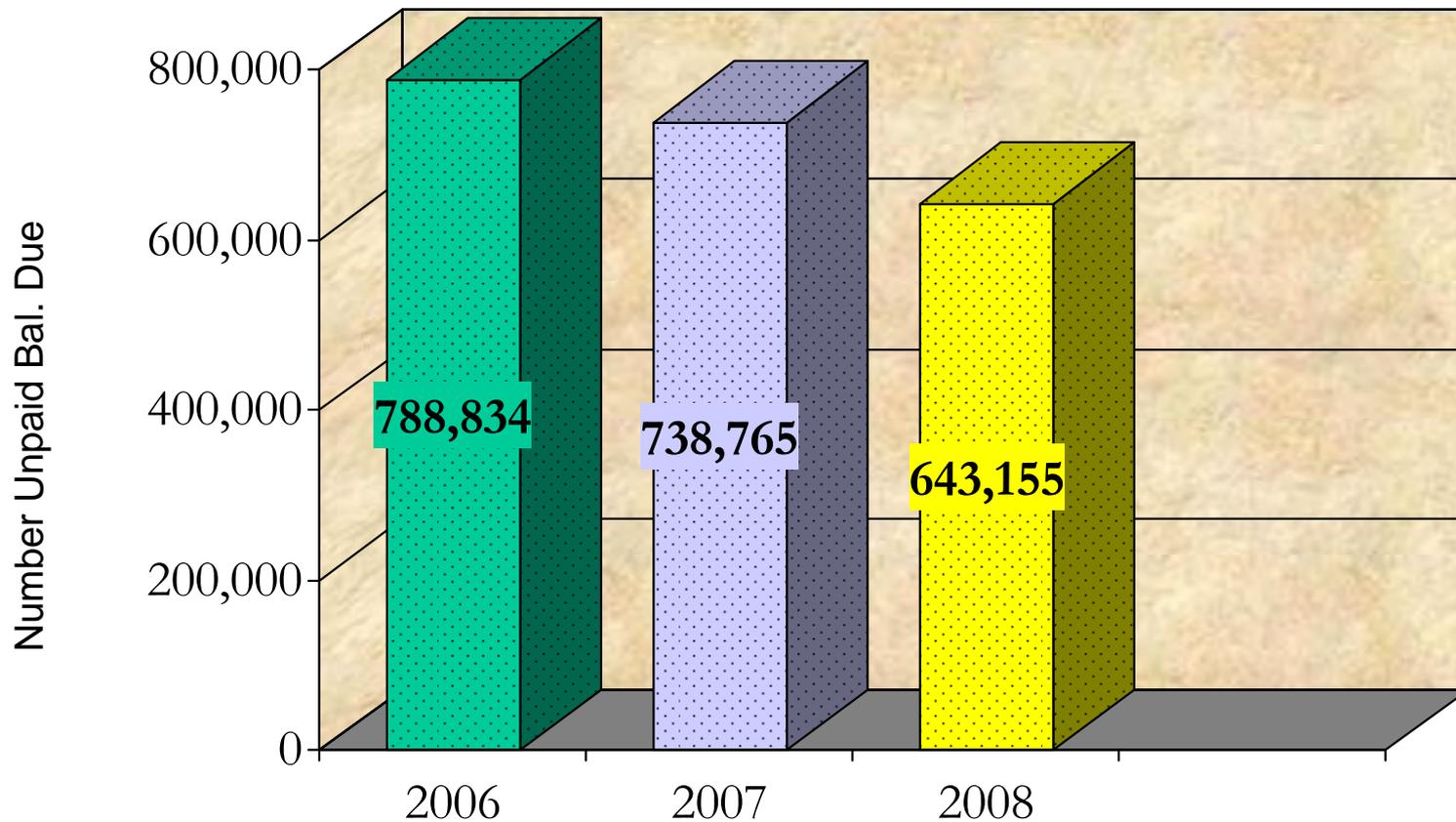


Source: ETA Marketing Database

*Paper Returns include: V-Code and True Paper

**Electronic Returns include: ELF (for paid-preparers), On-Line and Free File (for self-prepared)

Figure 12: Number of Extension Filers with Unpaid Balance: TY 2006 to TY 2008



Source: ETA Marketing Database

Trends for Extension Filers

- In TY 2008, 40.2% of simple, self-prepared extension returns were paper returns (compared to 45.4% in TY 2006).
- Approximately 51.4% and 52.7% of extension filers repeated in 2007 and 2008, respectively.
- Approximately 38.5% of 2006 extension filers filed a return without an extension in 2007. This decreased to 34.4% of 2007 extension filers who filed in 2008.

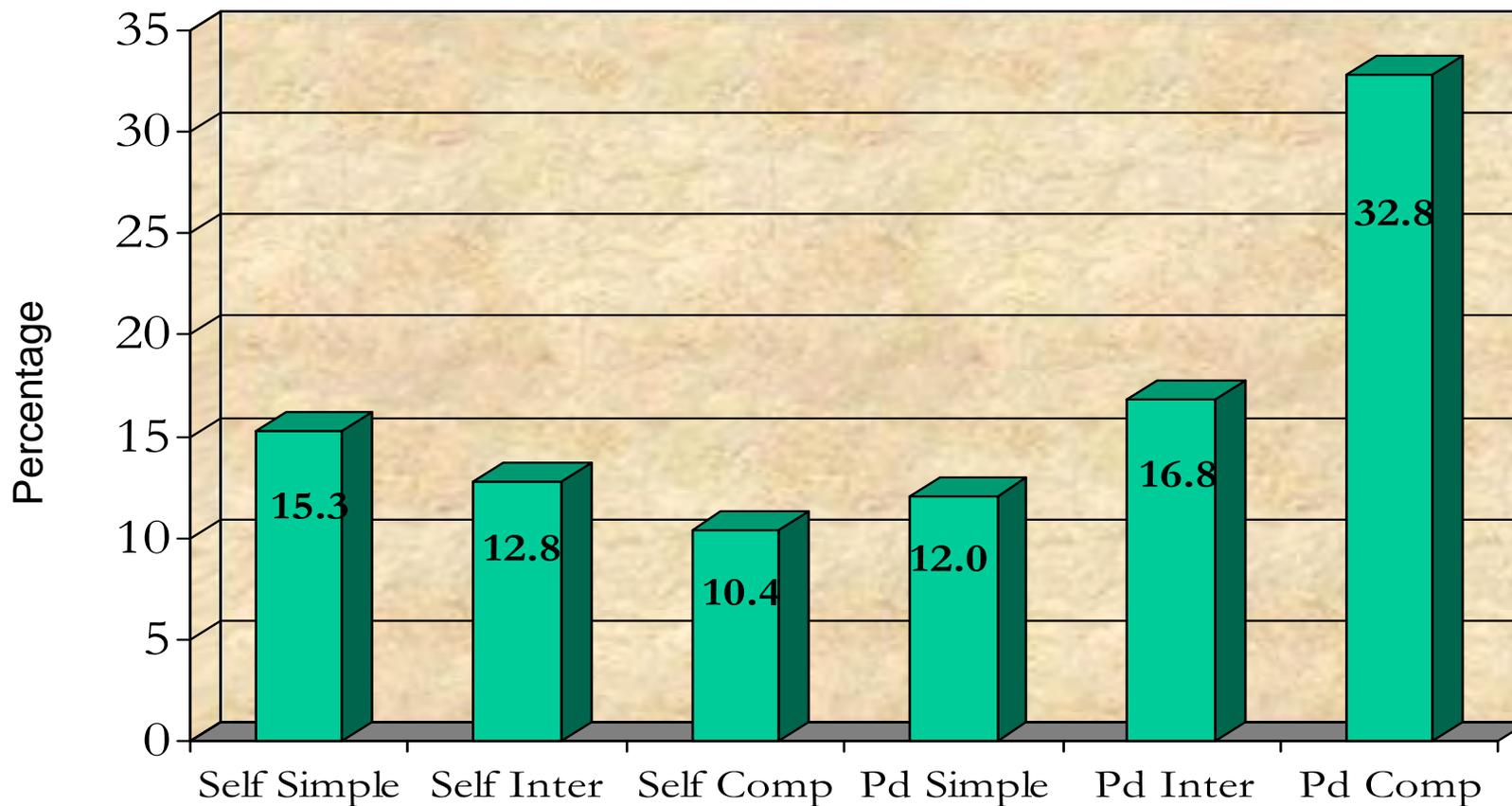
Table 18: Number of Last Minute Filers by Tax Year

Taxpayer Classification	TY 2006	TY 2007	TY 2008
Last Minute Filers	12,753,026	14,627,024	13,242,569
% Change	-	14.7%	-9.5%

Source: ETA Marketing Database

Number of Last Minute Filers reduced by about 1.4 million from TY 2007 to TY 2008.

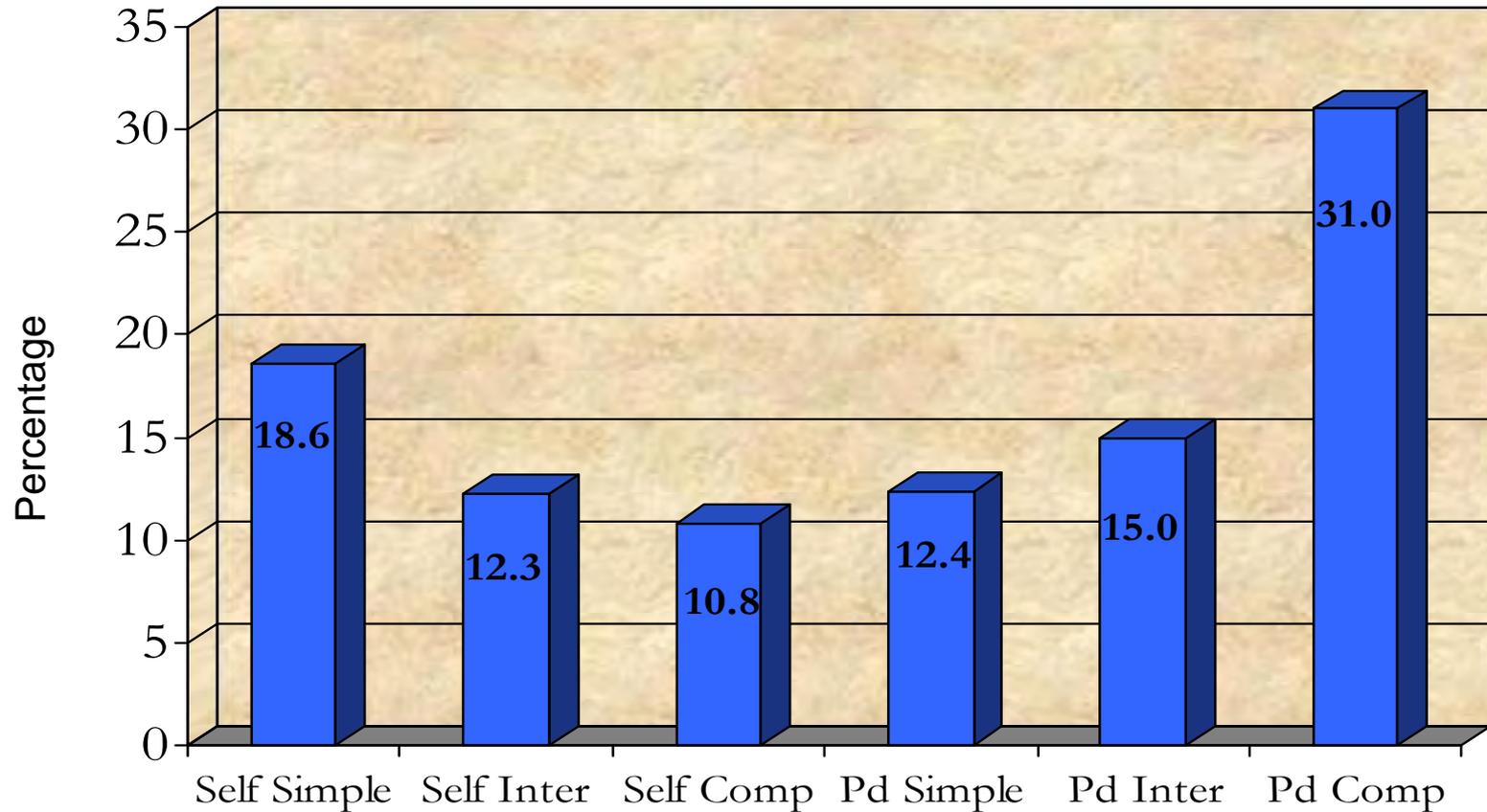
Figure 13: TY 2006 Last Minute Filers by Market Segment



Source: ETA Marketing Database

Almost 1/3 of last minute filers are paid-complex filers.

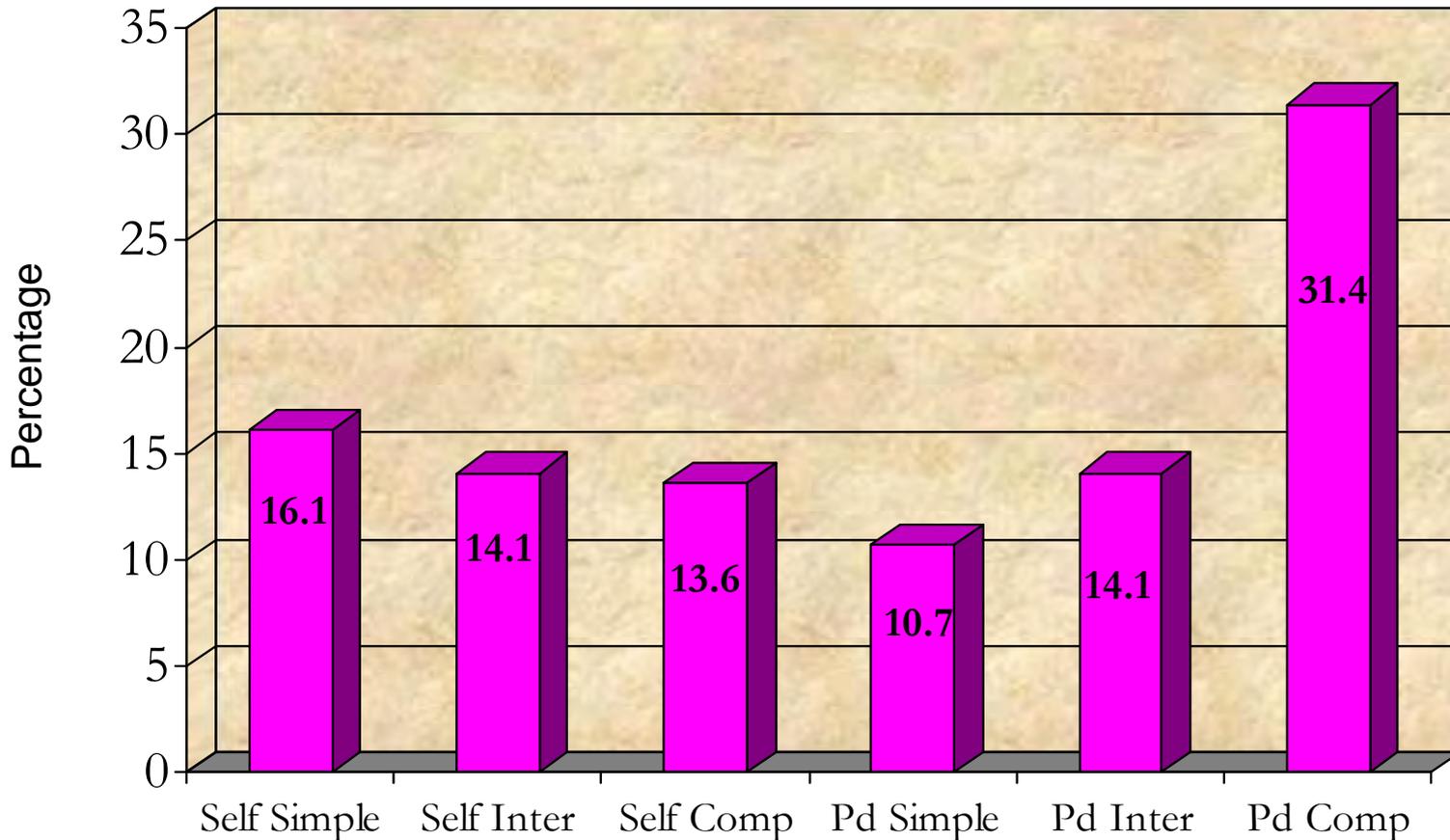
Figure 14: TY 2007 Last Minute Filers by Market Segment



Source: ETA Marketing Database

Almost 1/3 of last minute filers are paid-complex filers.

Figure 15: TY 2008 Last Minute Filers by Market Segment



Source: ETA Marketing Database

Almost 1/3 of last minute filers are paid-complex filers.

Table 19: Percentage of Last Minute Filers by Age and Tax Year

Age	TY 2006	TY 2007	TY 2008
0 to 24	16.1%	15.2%	15.2%
25 to 34	16.7%	16.3%	16.7%
35 to 44	18.7%	17.8%	17.8%
45 to 54	20.1%	19.6%	20.3%
55 to 64	14.5%	14.7%	15.3%
65 and Over	13.9%	16.4%	14.8%
Total	100.0% (12,753,026)	100.0% (14,627,024)	100.0% (13,242,569)

Source: ETA Marketing Database

Age distribution remained fairly steady over the three years, with a 1.6 percentage point decrease in older taxpayers in the age range of 65 and Over in TY 2008.

Table 20: Percentage of Last Minute Filers by AGI Ranges and Tax Year

Adjusted Gross Income (AGI)	TY 2006	TY 2007	TY 2008
Negative AGI	1.5%	1.4%	1.8%
\$0 to \$17,000	27.0%	30.8%	25.7%
\$17,001 to \$25,000	8.9%	8.1%	8.1%
\$25,001 to \$35,000	9.8%	9.0%	9.1%
\$35,001 to \$50,000	12.1%	11.2%	11.6%
\$50,001 to \$75,000	14.3%	13.3%	14.2%
\$75,001 to \$100,000	9.4%	8.9%	9.7%
\$100,001 to \$250,000	13.9%	14.1%	16.3%
\$250,001 and Over	3.0%	3.2%	3.4%
Total	100.0% (12,753,026)	100.0% (14,627,024)	100.0% (13,242,569)

Source: ETA Marketing Database

AGI ranges remained fairly steady over the three year period, with a 5.1 percentage point reduction in AGI between \$0 and \$17,000 in TY 2008.

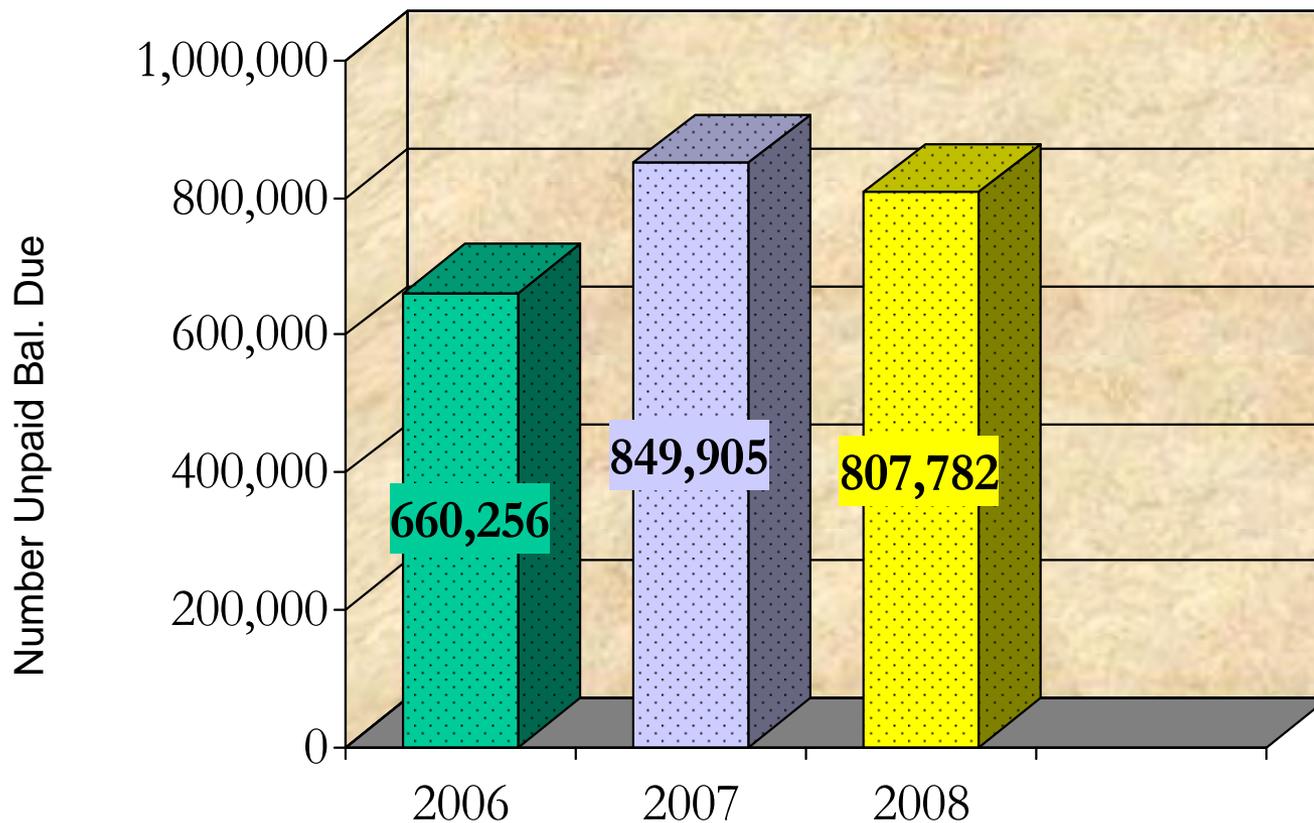
Table 21: Percentage of Returns by Balance Due or Refund Range for Last Minute Filers by Tax Year

Balance Due or Refund Range	TY 2006	TY 2007	TY2008
Balance Due \$2,500 and Over	8.2%	8.8%	7.9%
Balance Due \$1,500 - \$2,499	3.0%	3.2%	3.1%
Balance Due \$500 - \$1,499	6.0%	6.5%	6.2%
Balance Due Under \$500	7.3%	7.9%	7.5%
Even Returns	1.3%	9.0%	4.7%
Refund Under \$500	24.3%	19.6%	18.8%
Refund \$500 - \$1,499	20.9%	18.9%	20.1%
Refund \$1,500 - \$2,499	9.8%	8.8%	10.0%
Refund \$2,500 and Over	19.1%	17.5%	21.6%
Total	100.0% (12,753,026)	100.0% (14,627,024)	100.0% (13,242,569)

Source: ETA Marketing Database

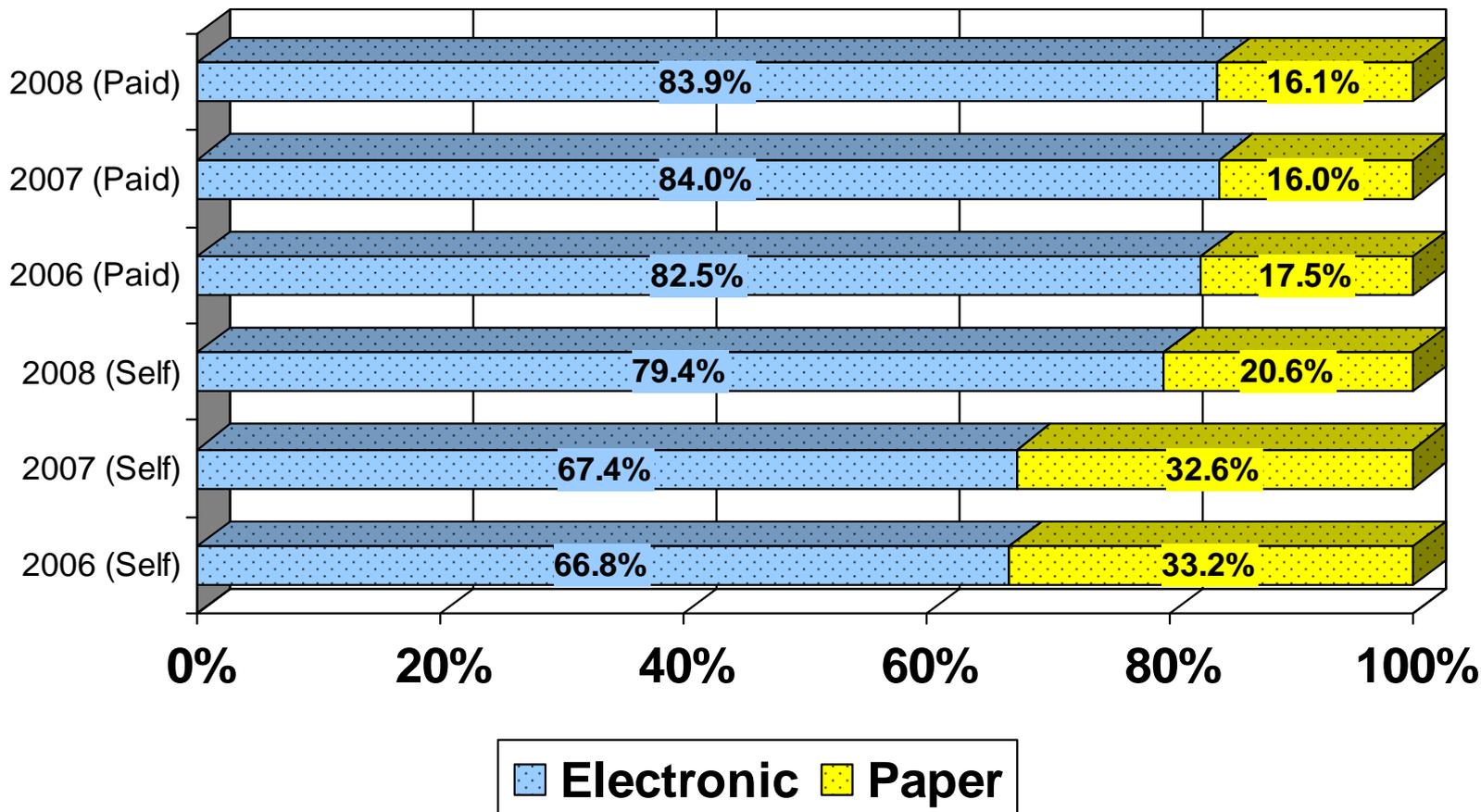
More than two-thirds of Last Minute Filers for the three years were refund returns.

Figure 16: Number of Last Minute Filers with Unpaid Balance: TY 2006 to TY2008



Source: ETA Marketing Database

Figure 17: What types of returns are Last Minute Filers Submitting? Paper* vs. Electronic**



Source: ETA Marketing Database
 *Paper Returns include: V-Code and True Paper
 **Electronic Returns include: ELF (for paid-preparers), On-Line and Free File (for self-prepared)

Trends for Last Minute Filers

- Approximately 28.7% of the 2006 last minute filers repeated while about 44.9% filed more than 2 days before the filing deadline in TY 2007. Approximately 19.4% of those last minute filers filed more than 2 days after the deadline in TY 2007. The data also reveals that these trends were similar from TY 2007 to TY 2008.
- Electronic channel use among self-prepared last minute filers increased from 67.4% in 2006 to 79.6% in 2008.

Table 22: Summary of Extension Filers Compared to Last Minute Filers for TY 2006

Category	Extension Filers	Last Minute Filers	TY 2006 Total Filing Population
Age			
35 to 44	19.4%	18.7%	18.7%
45 to 54	25.1%	20.1%	18.5%
55 to 64	20.4%	14.5%	13.4%
AGI			
\$0 to \$25,000	24.4%	35.9%	41.1%
\$50,001 to \$100,000	22.7%	23.7%	21.7%
\$100,001 and Over	32.0%	16.9%	11.8%
Filing Status			
Joint Return	54.6%	41.9%	38.6%
Market Segment			
Paid Complex	69.7%	32.8%	24.9%
Tax Liability			
Refund	65.5%	74.1%	81.0%
Balance Due Not Paid	9.1%	5.2%	3.2%

Table 23: Summary of Extension Filers Compared to Last Minute Filers for TY 2007

Category	Extension Filers	Last Minute Filers	TY 2007 Total Filing Population
Age			
35 to 44	18.8%	17.8%	17.5%
45 to 54	24.9%	19.6%	18.0%
55 to 64	20.5%	14.7%	13.7%
AGI			
\$0 to \$25,000	24.3%	38.9%	44.1%
\$50,001 to \$100,000	21.8%	22.2%	20.3%
\$100,001 and Over	33.4%	17.4%	11.8%
Filing Status			
Joint Return	53.3%	39.4%	36.5%
Market Segment			
Paid Complex	70.5%	30.0%	23.6%
Tax Liability			
Refund	65.5%	64.7%	72.0%
Balance Due Not Paid	10.3%	5.8%	3.2%

Table 24: Summary of Extension Filers Compared to Last Minute Filers for TY 2008

Category	Extension Filers	Last Minute Filers	TY 2008 Total Filing Population
Age			
35 to 44	18.1%	17.8%	17.9%
45 to 54	24.7%	20.3%	18.6%
55 to 64	21.0%	15.3%	14.0%
AGI			
\$0 to \$25,000	24.5%	33.8%	39.9%
\$50,001 to \$100,000	22.0%	24.0%	21.9%
\$100,001 and Over	31.7%	19.7%	12.8%
Filing Status			
Joint Return	53.4%	41.8%	37.9%
Market Segment			
Paid Complex	69.6%	31.4%	25.3%
Tax Liability			
Refund	64.3%	70.5%	81.0%
Balance Due Not Paid	10.5%	6.1%	3.3%

Summary of Findings

National Inter - Model Migration and Repeat Filing:

- The repeat rate is the highest for each filing method, meaning taxpayers are most likely to file using the same method as the previous year.
- In the period TY 2002 – TY 2008, repeat rates on ELF are highest for each base year. Combined Online and Free Filing repeat rates are the next highest for each base year, followed by the V-code filing repeat rate. The hand-prepare paper repeat rate is lowest among the filing methods.
- The migration rate to V-code filing from other filing methods is highest. The migration rate from V-code filing to ELF is much higher than V-Code migration to combined Online filing and Free Filing.
- The lowest migration rate is to hand-prepared paper from other filing methods.

V-Code Trends for the Six Market Segments:

- In the simple return segments, the lower and middle AGI returns are more likely to be V-coded.
- As return complexity increases and AGI increases above \$100,000, the percentage of V-coded returns increases for both self-prepared and paid-preparer segments.
- The number of self-prepared V-coded returns decreased from 13.4 million in TY 2007 to 10.0 million in TY 2008.
- The number of paid-prepared V-coded returns decreased from 22.1 million in TY 2007 to 18.9 million in TY 2008.

Summary of Findings (continued)

V-Code Trends for the Six Market Segments (continued):

- Approximately 37.4% of self-simple V-coded returns in TY 2008 are in the 0 to 24 age category.
- Approximately 21.1% of paid-prepared V-coded returns in TY 2008 are in the 65 and over age category.

Extension and Last Minute Filers

- Of the self-prepared extension filers who filed true paper returns, most filed simple returns.
- Though the repeat rate remained almost the same over three years (average 52.5%), the total number of extension filers increased from 3.6 million in TY 2006 to 3.8 million in TY 2008 period.
- Over two-thirds of extension filers were paid-complex filers.
- Paid-preparers filing last minute are increasingly using electronic means; 82.7% used ELF in TY 2008, up from 79.2% in TY 2006.
- Electronic channel use among self-prepared last minute filers increased from 66.8% in 2006 to 79.4% in 2008.
- Almost one-third of last minute filers are paid-complex filers.

Approval Page

Approval Statement:

This report has been approved by the
Director, Wage & Investment Research
and Analysis.