

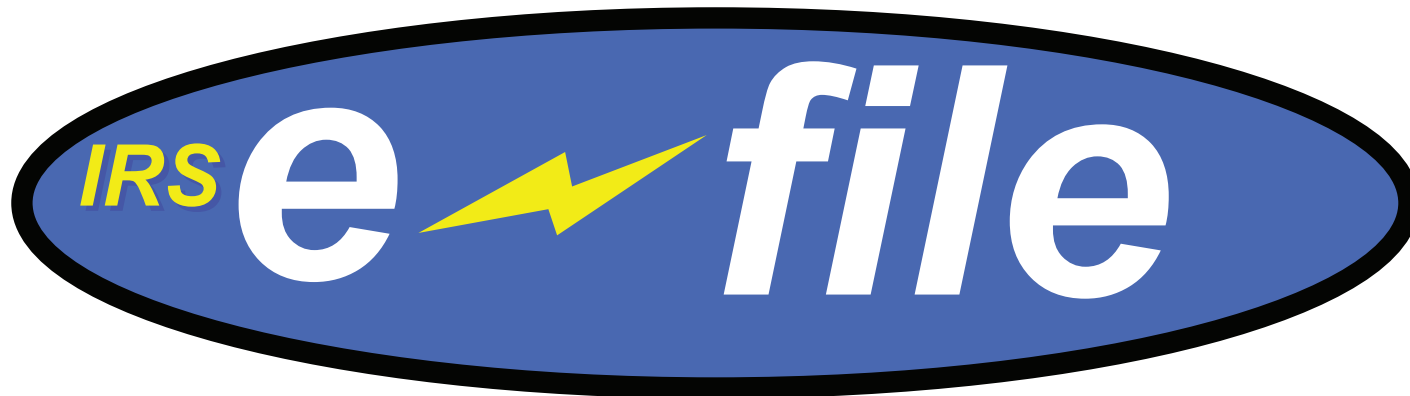


Individual Nationwide Analysis





ETA Tax Year 2007



September 2009

W&I Research Group 2

Project 2-09-04-S-016T



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 2008 filing season based on demographics and status. This information will be used to target particular populations for future marketing efforts by the 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) 2007 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 2007 returns processed through processing cycle 52 of 2008. 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 Free File returns between TY 2006 and TY 2007 changed? (Past W&I Research and Analysis (WIRA) analysis of year-to-year migration rates beginning with TY 2002 also will be included for reference.)
- 2) What are the differences in the six market segments (paid/self and simple/intermediate/complex categories) for each filing method (true paper, V-code, ELF, Online, and Free File) for TY 2007? Include descriptive statistics on age, filing status, AGI (to the existing AGI ranges, add a new range of \$250,000 and greater to identify high income wealthy 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 differences in profiles of taxpayers in the six market segments (paid/self and simple/intermediate/complex categories) and for each filing method (true paper, V-code, ELF, Online, and Free File) for TY 2007?



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 taxpayer market segments (paid/self and simple/intermediate/complex categories) for each filing method (true paper, V-code, ELF, Online, and Free File) for Full TY 2005, 2006, and 2007? (Part Year TY2008 will be addressed later in ad-hoc.) 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). Separately analyze if extension filers and last minute filers are repeaters, and how they pay their balance due. Use the same descriptive statistics 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 database source for all the analysis was the Compliance Data Warehouse (CDW). 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 SQL via Sybase® and programming via SAS®, and used Microsoft Excel® to table the output and make supplementary calculations. All data queries and analyses were conducted by one analyst and validated independently by another to ensure accuracy. The analysis addressed the current business questions for TY 2007 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

- **ETA asked WIRA to identify migration patterns of taxpayers between the different methods of filing for Tax Years 2002 through 2007. WIRA compared the percentage of taxpayers by method of filing in each base TY (2002 through 2007) 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 are also 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 (trdbty07 = '1').
- **On-Line (Not Free File)** – On-Line (all) – Free File.
- **Free File** – For TY 2007, consortium indicator present, online return, no RAL/RAC requested, and adjusted gross income of less than or equal to \$54,000 (consortium_ind='1' and trdbty07 ='3' and trdbral='0' and AGICOMP<=54000).
- **V-Code** – V-Code indicator present and paper return (proccdvind = '1' and trdbty07 ='0').
- **Paper (not V-coded)** – Paper (all) - V-coded.
- Paper (all) – Paper indicator present (trdbty07 = '0').
- On-Line (all) – Online indicator present (trdbty07 = '3').



Table 1: Annual Total Individual Return Breakdown by ELF, Online, Free File, Telefile, V-code, and Hand-Prepared Paper

Base Tax Year	Total Returns	ELF	Online (no Free File)	Free File	Telefile	V-code	Hand-Pre. 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 (16.1%)

Source: ETA IMF Marketing Database



Electronic Filers: Migration and Repeat Rate Percentages for TY 2002 through TY 2007

- Table 2 shows 80.6% of electronic filers in the base year 2002 repeated in the subsequent year 2003; the repeat rate increased to 86.0% in TY 2007 (compared to 84.0% in TY 2006). This represents a 5.4 percentage point increase over five years.
- On average over the years, 8.9% of electronic filers switched to paper returns (6.6% to V-code and 2.3% to hand-prepared paper) in subsequent year, which represents about 5.2 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 1.8% from TY 2006 to TY 2007 (compared to 1.8% from TY 2005 to TY 2006), a 1.8 percentage point decrease. V-code migration has a 1.1 percentage point decrease from TY 2002 to TY 2007.



Table 2: e-filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2007

Base Tax Year	e-file in the base year	e-filer's subsequent year filing method*				
		e-file**	Telefile	V-code	Hand-Pre.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%
Average		83.1%		6.6%	2.3%	7.8%
2002-2007						
change		5.4%		-1.1%	-1.8%	-2.0%

Source: ETA IMF Marketing Database

Note: * The method of filing columns show count and percentage of the base year returns by the 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 2007

- Though the repeat rate remained almost the same over the years (except base year 2003), the total number of V-code repeaters decreased from 29.8 million in the TY 2002 to TY 2003 period to 24.6 million in the TY 2006 to TY 2007 period (compared to 25.9 million in the TY 2005 to TY 2006 period). (See Table 3.)
- Electronic filing represents the highest migration target. It increased from 19.9% in the base year 2002 to 22.2% in the base year 2006 (compared to 20.9% in the base year 2005).
- 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 3.1% from TY 2006 to TY 2007 (compared to 2.8% from TY 2005 to TY 2006).



Table 3: V-code Filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2007

Base Tax Year	V-code returns in the base year	V-code filer's subsequent year filing method*				
		e-file**	Telefile	V-code	Hand-Pre.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%
Average		20.5%		67.8%	3.2%	8.4%
2002-2006						
change		2.3%		-0.3%	-1.3%	-0.7%

Source: ETA IMF Marketing Database

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

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



Hand-prepared papers: Migration and Repeat Rate Percentages for TY 2002 through TY 2007

- Though the hand-prepared paper repeat rate increased from 57.9% in the base year 2002 to 67.4% in the base year 2006 (compared to 66.6% in the base year 2005), the total number of hand-prepared returns decreased from 17.2 million to 12.0 million in the period (compared to 12.6 million in the base year 2005). (See Table 4).
- Migration to electronic filing is higher than to V-code filing. There was a 2.5 percentage point increase on e-filing migration rate over the years. However, the total number of hand-prepared returns switching to e-filing decreased from 4.2 million in the base year 2002 to 3.0 million in the base year 2006 (compared to 3.0 million in the base year 2006).
- The migration rate to V-code filing decreased from 13.1% in the base year 2002 to 7.8% in the base year 2006 (compared to 8.6% in the base year 2005). This equates to 3.9 million returns to 1.4 million returns (compared to 1.6 million returns in the base year 2005).



Table 4: Hand-Prepared Paper Filers' National Inter-Modal Migration and Repeat Rate for TY 2002 through TY 2007

Base Tax Year	Hand-pre. Papers in the base year	Hand-prepared paper filer's subsequent year filing method*				
		e-file**	Telefile	V-code	Hand-Pre.Paper	Didn't File
2002	29,682,309	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%
Average		14.9%		10.8%	62.5%	10.4%
2002-2007						
change		2.5%		-5.3%	9.5%	-3.1%

Source: ETA IMF Marketing Database

Note: * The method of filing columns show count and percentage of the base year returns by the 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 2007

- 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).
- The repeat rates for ELF (80.8% in 2005 to 2006 to 82.2% in 2006 to 2007), and hand prepared paper (66.6% in 2005 to 2006 to 67.4% in 2006 to 2007) increased.
- Online (no Free File) (70.4% in 2005 to 2006 to 70.4% in 2006 to 2007) remained unchanged.
- Repeat Free Filers increased (34.0% in 2005 to 2006 to 37.0% in 2006 to 2007), while the repeat V-Coder rate decreased (67.5% in 2005 to 2006 to 67.2% in 2006 to 2007).
- The total number of V-code repeaters decreased from 29.8 million in TY 2003 to 24.6 million in TY 2007 (compared to 25.9 million in TY 2006).



Table 5: National Repeat Rates for TY 2002 through TY 2007

Year	Repeat ELF	Repeat Online (no Free File)	Repeat V- Code	Repeat Hand Prep Paper	Repeat Free File
2002 to 2003	28,738,611 (77.4%)	8,182,580 (69.5%)	29,777,329 (67.5%)	17,183,230 (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%)
Average	79.6%	68.9%	67.8%	62.5%	
2002 to 2007 change	4.8%	0.9%	-0.2%	9.5%	

Source: ETA IMF Marketing Database

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



Other Findings on National Inter-Modal Migration and Repeat Filing

- In the period TY 2002 – TY 2006, repeat rates on ELF is highest for each base year; combined online filing and Free Filing repeat rates comes next highest for each base year; then V-code filing repeat rate comes next. 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 highest. The migration rate from V-code filing to ELF is much higher, compared to combined Online filing and Free Filing.
- The lowest migration rate is to hand-prepared paper from other filing methods.
- In TY 2007, there were 9.4 million hand prepared returns from taxpayers that did not file in TY 2006 (compared to an average of 2.7 million hand prepared returns from non-filers over the previous three years). WIRA believes the majority of these returns were filed as a result of the Economic Stimulus Package.



Business Question # 2

Descriptive statistics

of six market segments and

filing methods – TY 2007



Market Segment Definitions

- **Self-Prepared Return** - there was no paid-preparer identification number on the return.
- **Paid-Preparer Return** - there was 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.

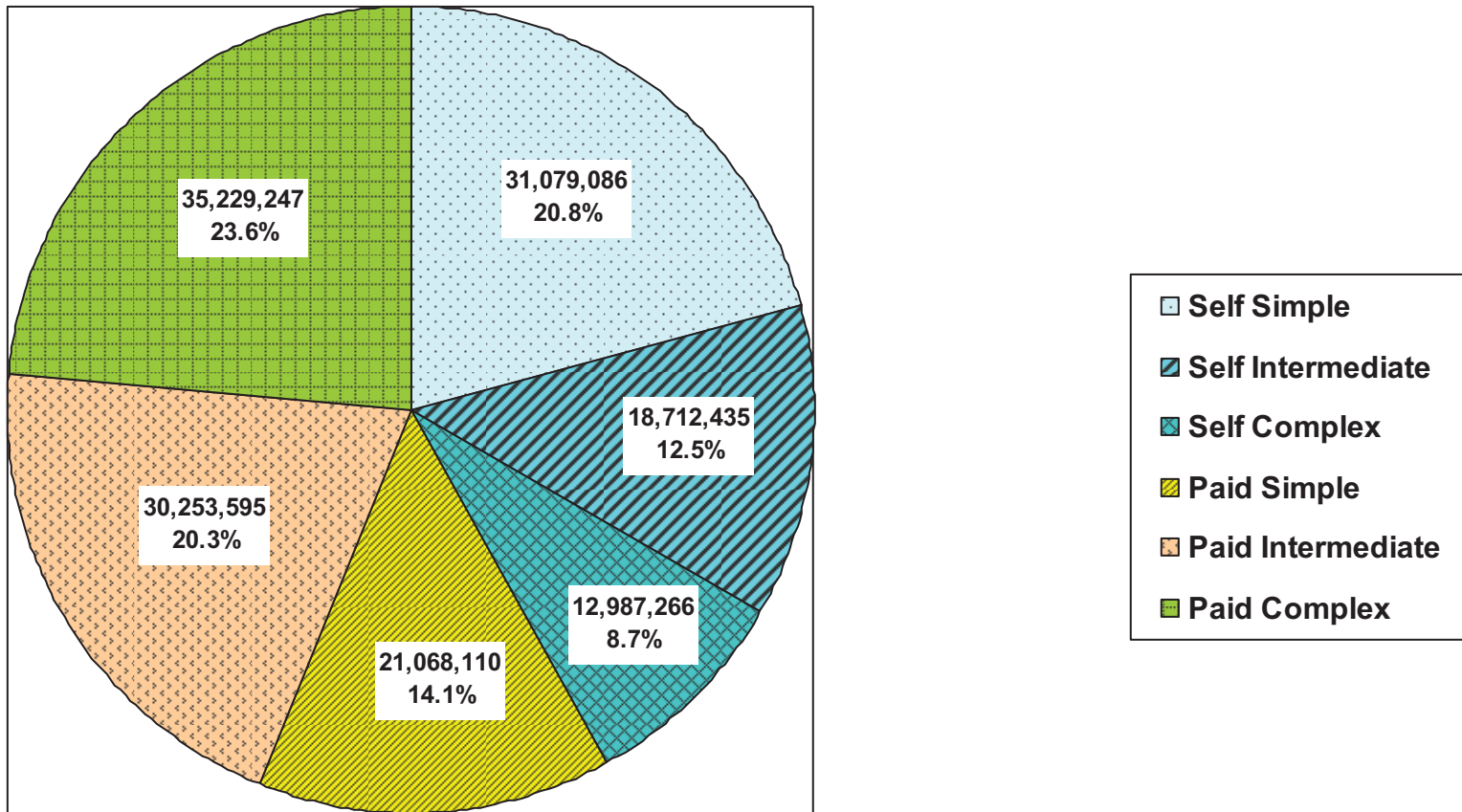


Filing Method Trends

- Approximately 59.6% of all TY 2007 simple returns (compared to 55.4% in TY 2006) were self-prepared while only 26.9% (compared to 26.1% in TY 2006) of all complex returns were self-prepared.
- Approximately 71.6% of all TY 2007 paid prepared returns (compared to 68.9% in TY 2006) were standard ELF.
- Of the self-prepared paper returns in TY 2007, 72.9% (compared to 61.3% in TY 2006) were simple returns.



Figure 1: Volume and Percentage of Returns by Market Segment for TY 2007



Source: ETA IMF Marketing Data Base

Approximately 58% of all returns are paid-prepared.



Summary of Demographic Findings in the Six Market Segments: TY 2007

- Approximately 40.6% (compared to 41.6% in TY 2006) of returns in the 35-64 taxpayer age group are complex, compared to 24.2% (compared to 25.6% in TY 2006) in other age groups.
- Approximately 73.2% (compared to 71.0% in TY 2006) of all simple returns were filed by single taxpayers while 55.3% (compared to 56.4% in TY 2006) of all complex returns were filed married filing jointly.



Summary of Demographic Findings in the Six Market Segments: TY 2007 cont.

- The self-simple market segment has the highest percentage (60.3%, compared to 48.7% in TY 2006) of taxpayers in the low income range of \$0-\$17,000. The paid-simple market segment has 48.9% (compared to 44.1% in TY 2006) of taxpayers in the same low income range.
- The paid-complex market segment has the highest percentage (24.0%, compared to 23.2% in TY 2006) of taxpayers with income \$100,000 and over, compared to the self-complex market segment which has approximately 22.0% (compared to 21.1% in TY 2006) of taxpayers with income \$100,000 and over.



Summary of Demographic Findings in the Six Market Segments: TY 2007 cont.

- For intermediate and complex returns (regardless of preparer type), the largest percentage have a refund of \$2,500 and over.
- The paid-complex market segment has the largest percentage of returns with a balance due (32.1%, compared to 32.1% in TY 2006). The self-complex market segment has 28.0% (compared to 27.6% in TY 2006) of returns with a balance due.



Figure 2: Returns Percentage by Operating Division in Each Market Segment (TY 2007)

The percentages of W & I and SB/SE in the respective return type for self-prepared and paid-prepared sections are similar. The W & I operating division has 71.4% (compared to 70.2% in TY 2006), while the SB/SE operating division has 28.6% (compared to 29.8% in TY 2006).

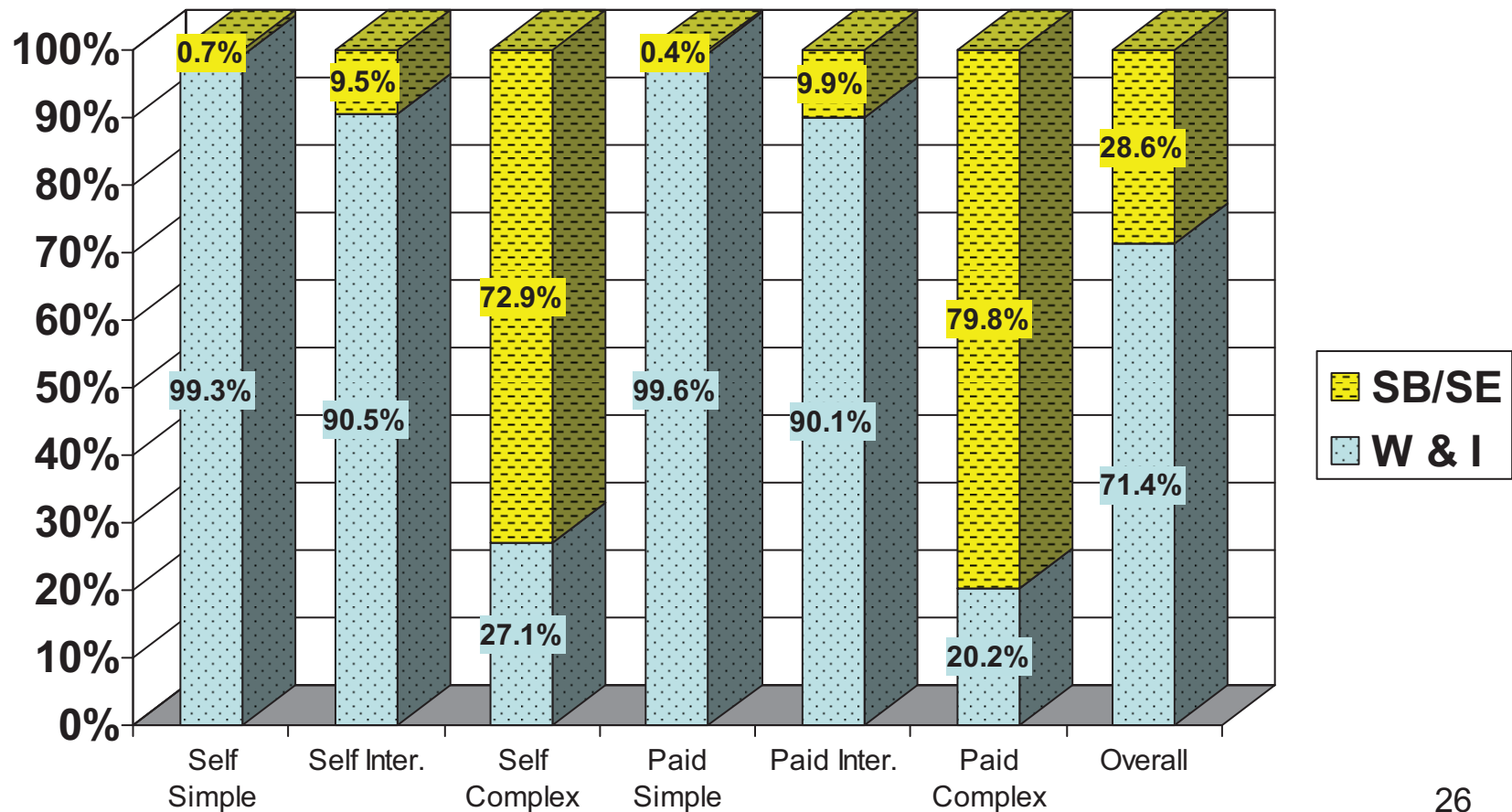
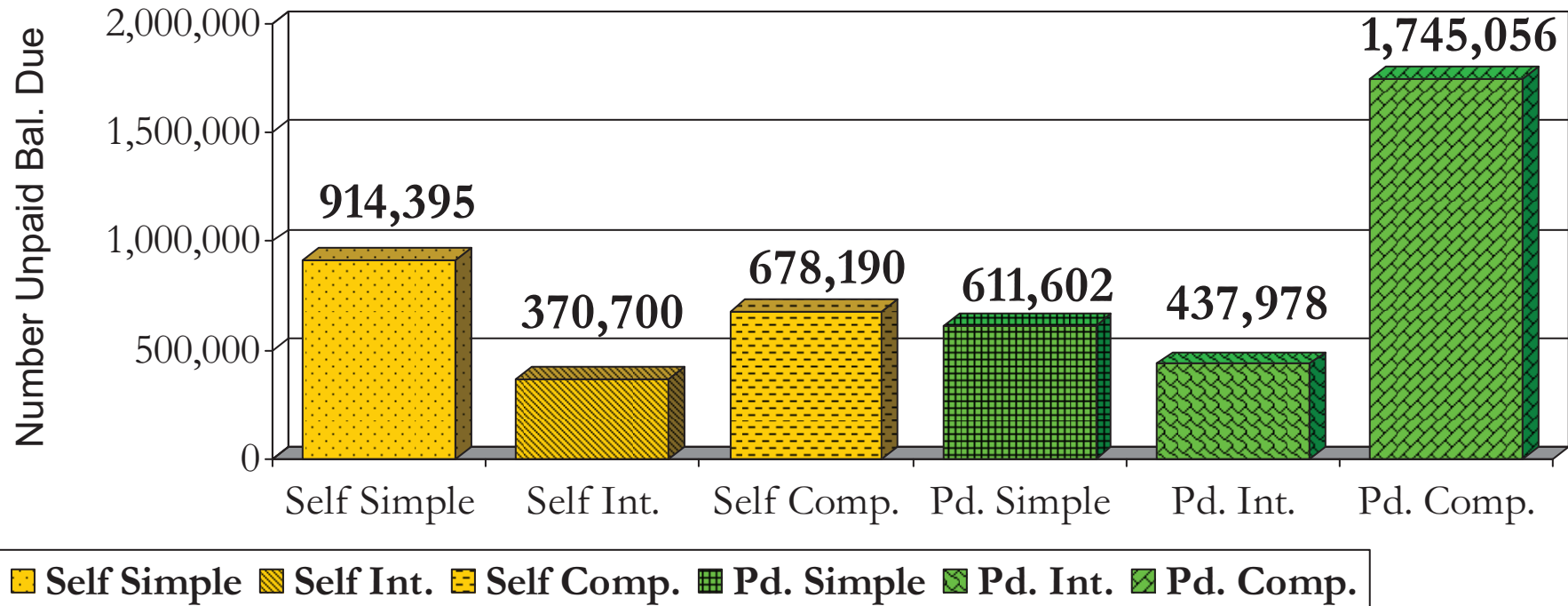




Figure 3: Number of Unpaid Balance Due Returns by Market Segment (TY 2007)



Source: ETA IMF Marketing Data Base



Direct Deposit Trends 2007*

- Self-prepared returns had higher reject rates (0.6%, compared to 0.6% in TY 2006) than paid-preparers (0.2%, compared to 0.2% in TY 2006).
- Simple, self-prepared returns had the highest rejection rate (0.7%, compared to 0.8% in TY 2006).
- Intermediate returns had the highest acceptance rates (72.7%, compared to 68.7% in TY 2006) 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; but the acceptance rate for self-prepared complex returns (70.6%, compared to 66.0% in TY 2006) is much higher than paid-preparer complex returns (54.6%, compared to 48.3% in TY 2006).

* The percent is based on taxpayers who did or did not request direct deposit.



Business Question # 3

Profiles of taxpayers

by filing method & preparation

method in each market segment:

TY 2007



V-code Filing Percentages by AGI in the Six Market Segments: TY 2007

- 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 increased from 13.1 million in TY 2006 to 13.4 million in TY 2007, while the number of paid-prepared V-coded returns decreased from 23.5 million in TY 2006 to 22.1 million in TY 2007.



Table 6: V-code by AGI Ranges: TY 2007

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 - \$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%	56.4%	10.4%	10.8%	10.3%	7.9%	2.6%	1.3%	0.0%	4,735,232
Self Intermed.	0.7%	18.3%	7.9%	9.9%	12.4%	17.8%	13.5%	18.9%	0.5%	4,411,114
Self Complex	2.1%	21.5%	8.4%	8.0%	10.4%	12.5%	9.6%	21.1%	6.3%	4,233,057
Paid Simple	0.2%	52.5%	13.2%	11.7%	10.7%	8.2%	2.5%	1.1%	0.0%	4,946,741
Paid Intermed.	1.1%	20.5%	9.3%	11.1%	13.5%	18.8%	12.2%	13.1%	0.5%	5,342,196
Paid Complex	3.6%	18.4%	7.2%	7.6%	9.9%	13.3%	9.9%	20.0%	10.1%	11,797,963



V-code Filing Percentage by Age in the Six Market Segments: TY 2007

- Approximately 40.0% of self-simple V-coded returns in TY 2007 (compared to 43.5% in TY 2006) are in the 0 to 24 age category.
- Approximately 24.9% of paid-simple V-coded returns in TY 2007 (compared to 20.3% in TY 2006) are in the 65 and over age category.



Table 7: V-code by Age Ranges: TY 2007

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	40.0%	15.7%	10.1%	10.1%	8.0%	15.7%	4,735,232
Self Intermed.	11.7%	16.6%	17.4%	21.7%	16.4%	16.0%	4,411,114
Self Complex	8.7%	13.5%	18.9%	25.1%	19.9%	13.6%	4,233,057
Paid Simple	28.9%	14.2%	10.6%	10.6%	10.3%	24.9%	4,946,741
Paid Intermed.	9.9%	12.4%	14.5%	18.3%	16.9%	27.7%	5,342,196
Paid Complex	6.1%	9.5%	16.8%	23.0%	20.7%	23.6%	11,797,963



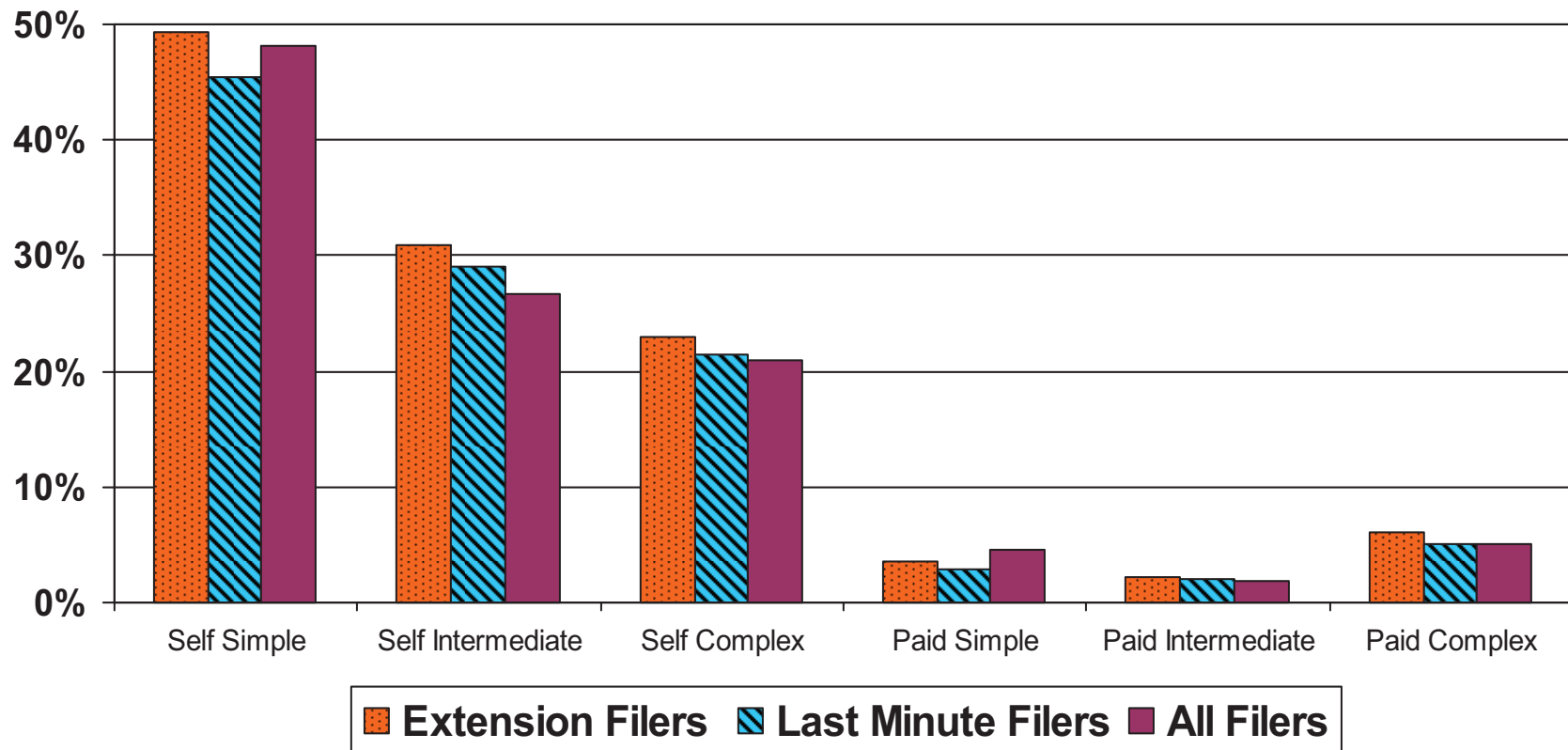
Business Question # 5

- What are the differences in profiles of taxpayers for extension filers and last minute filers for Full TY 2005, 2006, and 2007? Separately analyze 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).

*The due date was 4/17/06 in TY 2005 and 4/16/07 in TY 2006.



Figure 10: Return Complexity of Extension and Last Minute Filers 2005-2007 (True Paper)



Source: ETA IMF Marketing Data Base

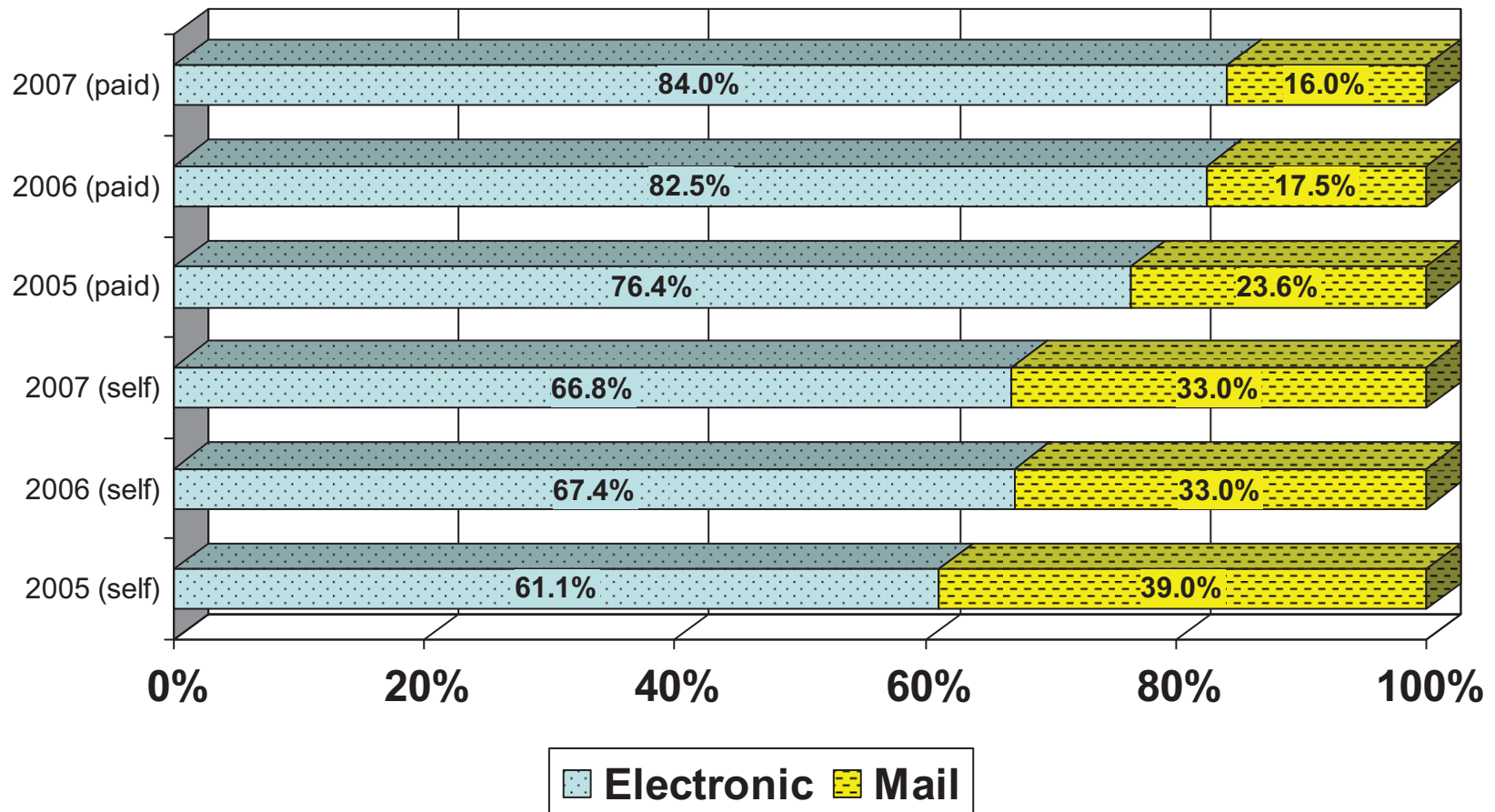


Trends for Extension Filers

- In TY 2007, 48.1% of simple, self-prepared extension returns were paper returns (compared to 49.3% in TY 2005).
- Approximately 53.4% and 51.4% of extension filers repeated in 2006 and 2007 respectively.
- Approximately 34.2% of 2005 extension filers filed a return without requiring an extension in 2006. This increased to 38.5% for 2006 extension filers filed a return without requiring an extension in 2007.



Figure 11: What types of returns are last minute filers submitting? Paper* vs. Electronic**



*Paper Returns include: V-Code and True Paper

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

Source: ETA IMF Marketing Data Base



Trends for Last Minute Filers

- Approximately 27.6% of the 2005 last minute filers repeated while almost 39.4% filed more than 2 days before the filing deadline in TY 2006. Approximately 23.8% of those last minute filers filed late in TY 2006. The data reveals that these trends were similar from TY 2006 to TY 2007.
- The number of last minute filers increased by almost 2 million in TY 2006, with the majority of the difference (approximately 1.5 million) filing more than 2 days before the filing deadline in TY 2007.
- Paid-preparers filing last minute are increasingly using electronic means; 84.0% used ELF in 2007, up from 76.4% in 2005.
- Electronic channel use among self-prepared last minute filers increased between 2005 (61.1%) and 2006 (67.4%), but decreased slightly in 2007 (66.8%).



Summary of Findings

National Inter- Modal 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 2006, repeat rates on ELF is highest for each base year; combined online filing and Free Filing repeat rates comes next highest for each base year; then V-code filing repeat rate comes next. 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 highest. The migration rate from V-code filing to ELF is much higher, compared 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 increased from 13.1 million in TY 2006 to 13.4 million in TY 2007, while the number of paid-prepared V-coded returns decreased from 23.5 million in TY 2006 to 22.1 million in TY 2007.
- Approximately 40.0% of self-simple V-coded returns in TY 2007 (compared to 43.5% in TY 2006) are in the 0 to 24 age category.
- Approximately 24.9% of paid-simple V-coded returns in TY 2007 (compared to 20.3% in TY 2006) are in the 65 and over age category.



Summary of Findings (continued)

Extension and Last Minute Filers (New category):

- Of the self-prepared extension filers who filed true paper returns, most filed simple returns.
- Paid-preparers filing last minute are increasingly using electronic means; 84.0% used ELF in 2007, up from 76.4% in 2005. Self-prepared last minute filers increased between 2005 (61.1%) and 2006 (67.4%), but experienced a lull in 2007 (66.8%).



Approval Page

Approval Statement:

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