

# Projections of Returns To Be Filed in Calendar Years 1998-2004

by Philip Cormany

The Internal Revenue Service projects that the sum of all major tax return categories is to reach a grand total of 223.1 million returns filed in Calendar Year (CY) 1998. Total return volume from CY 1998 through CY 2004 is to grow at an average annual rate of 1.2 percent to 239.0 million total returns by CY 2004.

Projections of tax returns filed by major form type are prepared annually by the IRS Research Division staff under the National Director, Compliance Research [1]. IRS employs both the actual and forecasted return counts in budgeting, planning, and resource optimization decisions and in meeting broader management information and analysis needs. These forecasts reflect changes in filing patterns, in economic and demographic trends, and in legislation and certain IRS administrative procedures. The projections were prepared in early fall 1997 at which time only partial year 1997 counts were available. Calendar year projections are for the year in which returns are processed, rather than the tax year covered by the information reported on the return [2].

## Individual Form 1040 Return Series

The U.S. projection for the individual Form 1040 return series (i.e., sum of "paper" Forms 1040, 1040A, 1040EZ, 1040PC, plus total electronically filed individual returns) in CY 1998 is 123.5 million, up from the estimated 121.0 million filed in CY 1997. This is an increase of 2.1 percent, as shown in the Figure A summary of 1998 projections. The average annual growth rate of the individual Form 1040 return series from CY 1998 through CY 2004 in Figure C is projected at 1.4 percent.

## Expansion of TeleFile

TeleFile, which became available nationwide in CY 1996, is a technology giving certain taxpayers who file short Form 1040EZ the option of filing their returns using touch-tone telephones. The system accommodates qualifying Form 1040EZ filers, including those who claim the earned income tax credit. In general, Form 1040EZ is used by taxpayers with no dependents; taxable income less than \$50,000; and no "unearned income," such as interest or dividends more than \$400. Those Form 1040EZ filers reporting unemployment compensation, using the filing status "married filing jointly," or receiving dividends from the Alaska Permanent Fund can also use TeleFile beginning with the CY 1997 filing season [3].

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Figure A

## Projections for Calendar Year 1998

[Numbers of returns are in thousands]

Type of return	1998 Projections	Percentage increase from 1997 <sup>1</sup> (estimated)
<b>Grand total</b> .....	<b>223,149</b>	<b>1.77</b>
<b>Primary returns, total</b> .....	<b>209,217</b>	<b>1.80</b>
Individual income tax, total.....	123,951	2.08
Total paper and electronic returns .....	123,454	2.06
Paper returns, total.....	102,475	0.64
Paper Form 1040.....	61,584	0.53
Paper Form 1040A.....	17,363	-0.68
Paper Form 1040EZ.....	13,955	-4.32
Paper Form 1040PC.....	9,573	12.66
Electronic returns, total.....	20,980	9.60
Standard electronic filing.....	15,433	6.80
TeleFile.....	5,547	18.22
Forms 1040NR, 1040-PR, 1040-SS.....	496	7.13
Individual estimated tax, Form 1040-ES.....	40,501	0.99
Fiduciary income tax, Form 1041.....	3,518	2.81
Fiduciary estimated tax, Form 1041-ES.....	852	2.77
Partnership, Form 1065.....	1,746	1.99
Corporation income tax.....	5,374	3.37
Estate tax, Forms 706 and 706NA.....	106	7.07
Gift tax, Form 709.....	262	4.80
Employment tax, total.....	30,185	1.30
Form 941-TEL (TeleFile).....	1,210	( <sup>2</sup> )
Form 1042.....	25	--
Tax-exempt organizations.....	604	2.55
Employee plans.....	1,230	0.41
Excise tax.....	811	2.53
Form 8752 .....	52	-5.45
<b>Supplemental documents, total</b> .....	<b>13,932</b>	<b>1.42</b>
Form 1040X.....	2,463	0.16
Form 4868.....	6,475	0.12
Form 2688 .....	2,361	2.47
Form 1120X .....	17	-5.56
Form 7004.....	2,615	4.98

<sup>1</sup> Based on estimated final counts of returns filed in Calendar Year 1997; complete information for 1997 was unavailable at the time this table was compiled.

<sup>2</sup> Not computed. Form 941-TEL was new in Calendar Year 1997; data are only available for 9 months at the Austin Service Center test site.

NOTES: For an explanation of form numbers, see footnotes to Table 1, at the end of article. Detail may not add to totals because of rounding.

Direct deposit of refunds into the taxpayer's savings or checking account has also become available to those using TeleFile.

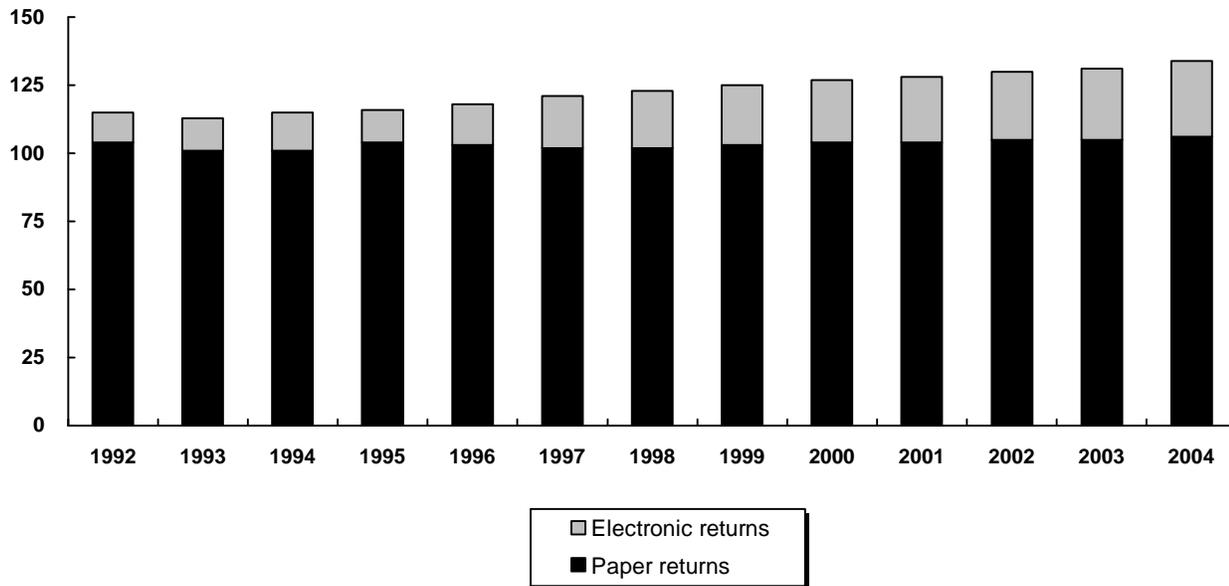
Taxpayers filed almost 4.7 million returns in CY 1997 using TeleFile, an increase of over 65 percent from CY 1996 filings of more than 2.8 million. The large increase was primarily due to the IRS decision to mail taxpayers TeleFile tax packages that excluded the "paper" Form 1040EZ that had been included in the prior year's package. Its exclusion in CY 1997 contributed to the number of taxpayers choosing to file through the TeleFile program. In addition, with continued customer use of TeleFile and additional promotional strategies, the IRS is projecting more than 5.5 million individual income tax

# Projections of Returns To Be Filed in Calendar Years 1998-2004

Figure B

## Number of Individual Income Tax Returns by Method of Filing, Calendar Years 1992-2004

Millions of returns



NOTE: Data for 1992-1996 are actual, data for 1997 are estimated, and data for 1998-2004 are projected.

returns will be submitted using TeleFile in CY 1998, a greater than 18 percent increase over the prior year. For the next 7 years the projected total growth in the number of TeleFile returns is expected to average 6.9 percent.

### Other Electronic Filing Initiatives

In pursuit of its vision of increasing the number of electronically filed (ELF) returns, the IRS implemented several other new initiatives and program changes in CY 1997. One of the more notable initiatives expanded the TeleFile program into business tax returns. Using a gradual phase-in based on the filing periods, IRS regions, and certain return filing criteria, the IRS began to implement a new "Form 941-TEL" program for employment tax returns. In CY 1998, estimates are for 214,800 Forms 941-TEL to be filed. By CY 2004, projections are for approximately 1.9 million Forms 941-TEL.

### Alternative Filing Future

It is important to note that projections of electronically filed (ELF) returns only reflect extrapolations of existing trends in electronic filing, plus recent legislative and IRS administrative changes. For example, one of these includes the previously mentioned expansion of the TeleFile program into business tax returns. In general,

ELF forecasts assume that past relationships between electronic filing initiatives and taxpayer filing behavior will hold true in the future. While this is a common practice in statistical forecasting, it does not preclude future changes in the direction of electronic filing. The IRS envisions more efficient methods of filing returns; ones that allow the electronic filing of significantly more returns than currently forecast. Figure B depicts the long-term change in the mix between "paper" and electronically filed individual returns as currently forecast.

### Projection Methodology

Regression techniques, time series models, and growth rates were the basic methods used to project tax return filings through CY 2004. These projections reflect available data and initiatives, assumptions, and strategies underway as of approximately July 1997.

### Regression Analysis

Regression techniques are selected when statistically sound relationships exist between tax return filings and economic or demographic independent indicators. Key economic and demographic variables that significantly affect return filings include personal income, Gross Domestic Product (GDP), civilian employment, and total

## Projections of Returns To Be Filed in Calendar Years 1998-2004

population [4]. These variables are used selectively in regression models to project individual, employment, estate and trust, and various corporation returns. Frequently, an economic or demographic variable, such as total employment, is lagged by one year to correspond directly with the year in which the return is filed. Occasionally, “dummy variables” are also used to account for the effects of legislative changes, return count aberrations, and other unusual conditions not taken into account by an economic or demographic variable [5].

The regression models used incorporated the actual CY 1996 return counts into the base period. Some “counts” also included 1997 estimates (actual data for CY 1997 then being incomplete). In such instances, 6-month return counts were typically extrapolated to estimate the 1997 total for the year, based on the proportion of those returns filed during the first half of 1997, relative to the total, for same period in prior years.

### Time Series Analysis

Some return counts are projected using time series analysis techniques when no statistically sound relationship exists between the economic and demographic variables and the number of returns filed. Among others, these techniques include finite moving averages and exponential smoothing.

### Growth Rates

Simple growth rates were used for forecasting where return series have very short historical base periods. This method assumes that, for a given form, a prior growth pattern will continue in the future for a limited set of years. Alternatively, it assumes that a new return type will grow at a rate similar to a related return with an established pattern.

### Off-Model Adjustments

“Off-model adjustments” (i.e., adjustments to the initial forecasts based on the above techniques) are sometimes necessary when return filings are directly impacted by legislative or administrative changes, which the techniques described above were not designed to take into account. Certain off-model adjustments were necessary, for example, in the electronic filing area where provisions of the Taxpayer Relief Act of 1997 are intended to increase certain refund amounts. Since the primary incentive to file individual returns electronically is to receive a quicker refund, increases in refund amounts also tend to increase the number of returns filed electronically. However, the annual revision to these projections typically reflects the impact of administrative or legisla-

tive changes, only to the extent that laws or administrative initiatives are formally enacted or otherwise approved.

### Projection Highlights

#### Grand Total Returns, Primary Returns, Supplemental Documents

The term “grand total” includes the sum of “primary returns, total” and “supplemental documents, total” [6]. “Primary returns, total,” particularly individual income tax and employment tax returns (which account for 69 percent of total filings), generate most of the IRS document processing workload. “Supplemental documents” consist mainly of amended returns and documents requesting filing extensions for both individuals and corporations [7].

In CY 1998 through CY 2004, primary returns and supplemental documents filed with the IRS are projected to increase each year by averages of 1.2 percent and 1.8 percent, respectively (Figure C). The filing of 209.2 million primary returns and 13.9 million supplemental documents is projected for CY 1998. Table 1 shows the complete set of projections by form type for CY 1998 through CY 2004.

#### Individual Income Tax Returns

A projected 124.0 million individual income tax returns are expected to be filed in CY 1998, with an annual growth rate of 1.4 percent anticipated thereafter through CY 2004. “Total individual returns” is defined as the following electronically filed and “paper” returns: (1) Forms 1040, 1040A, 1040EZ, 1040PC; (2) Form 1040NR, *U.S. Nonresident Alien Income Tax Return*; (3) Form 1040PR, *Planilla Para La Declaracion De La Contribucion Federal Sobre El Trabajo Por Cuenta Propia--Puerto Rico*; and (4) Form 1040SS, *U.S. Self-Employment Tax Return--U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or Puerto Rico*.

#### ■ Total “Paper” and Electronic Returns

In CY 1998, a total of 123.5 million Forms 1040, 1040A, 1040EZ, and 1040PC returns are projected to be filed with the IRS, a 2.1-percent increase over the estimated CY 1997 volume (Figure A). The individual return series includes both “paper” returns and returns filed electronically. As previously indicated, volumes are expected to grow annually at an average rate of 1.4 percent, reaching 133.2 million filings in CY 2004 (Table 1).

#### ■ Total “Paper” Returns

A total of 102.5 million “paper” returns, Forms 1040,

# Projections of Returns To Be Filed in Calendar Years 1998-2004

Figure C

## Projected Average Annual Percent Increase in the Number of Returns Filed, by Type of Return, Calendar Years 1998-2004

Type of return	Projected average annual percent increase
<b>Grand total</b> .....	<b>1.24</b>
<b>Primary returns, total</b> .....	<b>1.21</b>
Individual income tax, total.....	1.40
Total paper and electronic returns .....	1.38
Paper returns, total.....	0.53
Paper Form 1040.....	-0.21
Paper Form 1040A.....	-1.69
Paper Form 1040EZ.....	-0.96
Paper Form 1040PC.....	9.61
Electronic returns, total.....	5.34
Standard electronic filing.....	4.78
TeleFile.....	6.99
Forms 1040NR, 1040-PR, 1040-SS.....	5.83
Individual estimated tax, Form 1040-ES.....	0.55
Fiduciary income tax, Form 1041.....	2.75
Fiduciary estimated tax, Form 1041-ES.....	5.01
Partnership, Form 1065.....	1.71
Corporation income tax.....	3.07
Estate tax, Forms 706 and 706NA.....	5.47
Gift tax, Form 709.....	4.19
Employment tax, total.....	0.60
Form 941-TEL (TeleFile).....	10.35
Form 1042.....	1.68
Tax-exempt organizations.....	2.51
Employee plans.....	0.44
Excise tax.....	2.37
Form 8752 .....	-5.75
<b>Supplemental documents, total</b> .....	<b>1.76</b>
Form 1040X.....	1.26
Form 4868.....	0.08
Form 2688 .....	2.92
Form 1120X .....	-2.46
Form 7004.....	4.96

NOTE: For an explanation of form numbers, see footnotes to Table 1, at the end of this article.

1040A, 1040EZ, and 1040PC, are projected to be filed in CY 1998, an increase of 0.6 percent from the number estimated for CY 1997. The volume is projected to grow at an average annual rate of 0.5 percent to reach 105.6 million returns in CY 2004 (Table 1). Based upon current projections under existing trends, "paper" individual return filings, as a percentage of the total Form 1040 series, will decrease from 87.4 percent in 1996 to 83.0 percent in CY 1998 and to 79.3 percent in CY 2004. The long-term decrease in "paper" returns is in accord with IRS intentions. However, other strategies are being pursued to increase the level of electronic filing even more.

### ■ "Paper" Form 1040

Historically, the *long* Form 1040 represents the lion's share of total "paper" returns, and this relationship is expected to continue. Even while declining, the "paper" Form 1040 will still dominate total "paper" return volumes. It is projected to increase by 0.5 percent in CY 1998. After 1999, the numbers of Forms 1040 filed are expected to decrease overall, at an average annual rate of 0.2 percent through CY 2004. The long-term estimated decline stems from the offsetting growth in the volume of electronically filed returns, along with the expected increase in the use of Form 1040PC, as explained below).

### ■ "Paper" Form 1040A

Form 1040A returns filed in CY 1998 are projected to decline 0.7 percent to 17.4 million. This drop is partly in response to a change in the Form 1040EZ filing requirements. These changes allow certain married taxpayers to use this simpler form instead of Form 1040A. Also contributing to the decline in "paper" Form 1040A returns is the projected growth in both Form 1040PC and "standard" electronic filings (see below). These effects are reflected in the overall continued average decline in "paper" Forms 1040A of 1.7 percent each year over the projection period CY 1998 through CY 2004.

### ■ "Paper" Form 1040EZ

Beginning in CY 1996, qualified taxpayers could report unemployment compensation as an income source on "paper" Form 1040EZ. This change increased the volume of Form 1040EZ filed by approximately 1.0 million returns above what would otherwise have been expected. Despite this impact, "paper" Form 1040EZ usage is predicted to continue declining in CY 1998, due to the expansion of TeleFile and the continued growth in "standard" electronic filing (described below). Through CY 2004, the average annual volume of "paper" Form 1040EZ returns filed is projected to decline by 0.96 percent.

### ■ "Paper" Form 1040PC

"Form" 1040PC is really a misnomer in that it actually represents "paper" tax returns filed by taxpayers using an IRS-approved, computer software-generated *format*, rather than a specific tax form. This compressed format allows taxpayers to file a computer-generated return using only one or two

## Projections of Returns To Be Filed in Calendar Years 1998-2004

sheets of paper, without regard to the number of schedules normally filed to report the same information. Form 1040PC has been available nationwide since 1992, as an alternative for taxpayers with access to personal computers who file the traditional “paper” returns, Forms 1040, 1040A, or 1040EZ.

The IRS estimates that 8.5 million returns filed in CY 1997 were based on this format, up from 7.0 million in CY 1996. This large 21-percent increase is due in part to the expanded use of the Form 1040PC format by professional tax preparers. The volume of Form 1040PC filed is projected to increase at an average annual rate of 9.6 percent through CY 2004. This strong growth is predicated on several financial and technological considerations, such as: (1) the rapid proliferation of personal computers; (2) the drop in the marginal cost of using tax preparation software; and (3) the growing sophistication of both computer software programs and taxpayers.

### ■ Forms 1040NR, 1040-PR, and 1040-SS

The combined volumes of the following returns are projected to increase at an average annual rate of 5.8 percent from CY 1998 through CY 2004: Form 1040NR, Form 1040-PR, and Form 1040-SS. The majority of the total of these forms reflects Form 1040NR. Typically, Form 1040NR is filed by nonresident aliens who have invested in U.S. limited partnerships.

### ■ Total Individual Electronic Returns

The most recent projections of electronically filed (ELF) individual income tax returns call for 21.0 million to be transmitted in CY 1998 and 22.3 million to be transmitted in CY 1999. These figures include 5.5 million TeleFile returns to be filed in CY 1998 and 5.9 million in CY 1999. Both these projections reflect expansion of IRS promotional efforts and the offering of TeleFile to wider sectors of the taxpaying public. In CY 2004, over 27.5 million individual income tax returns should be filed electronically, with 72.7 percent, or 20.0 million, expected to be “standard” electronic filings, i.e., non-TeleFile returns. Through CY 2004, the volume of ELF returns processed is projected to increase, while the volume of paper Forms 1040A and 1040EZ filed is expected to continue to decline.

Figure D presents insights into the return characteristics of electronic filings. Of the 21.0 million returns

expected in CY 1998, about 18.7 percent, or 3.9 million, would otherwise have been filed on “paper” Form 1040; about 41.0 percent, or 8.6 million, would have been filed on “paper” Form 1040A; and the remaining 40.4 percent, 8.5 million, would have been filed on “paper” Form 1040EZ [8].

### ■ "Standard" Electronic Returns

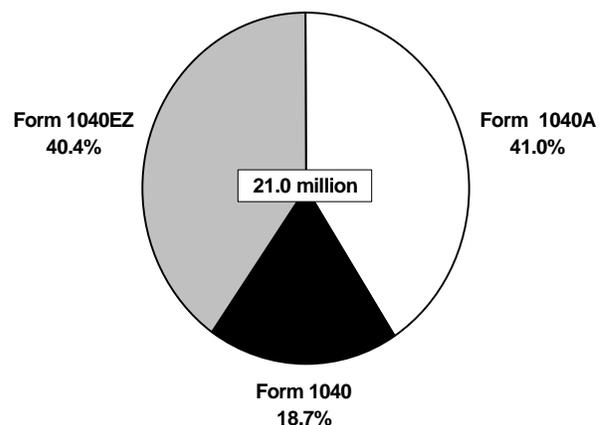
“Standard” electronic (ELF) returns are defined as non-TeleFile returns typically transmitted through an authorized third party, termed an *electronic return originator*. In CY 1998, about 15.4 million ELF tax returns are expected to be filed. In general, these projections are based on time-series techniques that extrapolate existing trends in the growth of geographic participation rates (i.e., the proportion of standard ELF returns to the individual series return total) at the IRS district office level.

### ■ TeleFile

Beginning with the 1997 filing season, the individual TeleFile program (i.e., the technology that enables taxpayers to file their individual tax returns via touch-tone telephones) was expanded to allow both the reporting of unemployment compensation and the use of the filing status, “married filing jointly.” Also beginning in 1997, taxpayers electing direct deposit of

Figure D

### Electronically Filed Individual Income Tax Returns by Type of Form, Projections for Calendar Year 1998



NOTE: Detail may not add to totals because of rounding.

## Projections of Returns To Be Filed in Calendar Years 1998-2004

their refunds to a checking or savings account could use TeleFile. Due to the continuation of these expansions, plus new promotional strategies, the IRS projects that the 5.5 million TeleFile returns expected in CY 1998 will grow to 7.5 million returns by CY 2004.

### Partnership Returns

The taxpayer has to use *U.S. Partnership Return of Income*, Form 1065, to report income, deductions, tax credits, and losses from the operation of a partnership. A major purpose of this form is to show each partner's distributive share, which is then reported on the individual's (or some other type of partner's) income tax return. The expectation is for the number of partnership returns filed to increase at an average annual 1.7 percent through CY 2004 (see Figure C). This forecast, based on a time-trend model, assumes a resumption of a gradual long-term growth pattern after several years of decline during the late 1980's and the early 1990's. That decline resulted from the Tax Reform Act of 1986, which curbed the use of limited partnerships as "tax shelters."

### Corporation Income Tax Returns

Corporation income tax returns are the aggregate of: (1) the *U.S. Corporation Income Tax Return* (Form 1120); (2) *U.S. Short-Form Corporation Income Tax Return* (Form 1120A); (3) *U.S. Income Tax Return for an S-Corporation* (Form 1120S); and various other forms. Corporate returns are filed by numerous entities, including investment and insurance companies, homeowners' associations, and real estate investment trusts. Approximately 5.4 million corporation returns should be filed in CY 1998. The projected average annual percentage change in the number of returns filed through CY 2004 is 3.1. This projection reflects the results of a combination of econometric regression models using GDP and time series techniques. In CY 1997, Forms 1120, 1120S, and 1120A are projected to represent 42.0 percent, 48.8 percent, and 6.1 percent, respectively, of total corporation returns filed.

### Estate Tax Returns

The *U.S. Estate Tax Return* (Form 706) is filed to report transfers of property at death. In CY 1997, Form 706 is required for those estates whose gross assets exceed \$600,000. Because of the Taxpayer Relief Act of 1997, that amount will gradually change beginning in CY 1998. By CY 2004, it will become \$850,000. Between CY 1998 and CY 2004, the number of estate tax returns filed is to

grow at an average annual rate of 5.5 percent. The total forecast is based on underlying historical trend models.

### Gift Tax Returns

The *United States Gift Tax Return* (Form 709) is required for the gratuitous transfer of real or personal property, which exceeds a certain dollar amount. Generally, the individual making the gift (i.e., *the donor*) must file Form 709 in order to pay the tax. The projected average annual rate of growth in gift tax return filing between CY 1998 and CY 2004 is 4.2 percent. Regression techniques were used to create these projections.

### Employment Tax Returns

The total forecast of employment tax returns filed is the summation of the individual forecasts of five primary forms. These are: (1) *Employer's Annual Federal Unemployment (FUTA) Tax Return* (Forms 940 and 940EZ); (2) *Employer's Quarterly Federal Tax Return* (Form 941, including Form 941PR for employees in Puerto Rico; Form 941SS for employees in the U.S. Virgin Islands, Guam, American Samoa, or the Commonwealth of the Northern Mariana Islands (CNMI); and Form 941E for State and Local Government Employees); (3) *Employer's Annual Tax Return for Agricultural Employees* (Forms 943 and 943PR); (4) *Annual Return of Federal Withheld Income Tax* (Form 945); and (5) *Employer's Annual Railroad Tax Return* (Form CT-1).

Current projections for total employment tax returns to be filed in CY 1998 and CY 1999 are 30.2 and 30.4 million, respectively. The projected annual growth rate is 0.6 percent from CY 1998 through CY 2004. Form 941 generates nearly 80 percent of the employment tax return totals each year, with 24.1 million Forms 941 expected in CY 1998.

The IRS has expanded the TeleFile program into the employment tax area. Using a gradual phase-in approach involving certain time periods, IRS regions, and return conditions, the Service is implementing a new "Form 941-TEL" program in 1997. Forecasts of these new Form 941-TEL returns are also presented in Table 1.

Projections for the various employment tax forms used regression, weighted moving average, exponential smoothing, and similar growth rate techniques.

### Excise Tax Returns

The total of excise tax returns filed is the sum of four return categories. The categories of returns are: (1) *Special Tax Return and Application for Registry-Wagering* (Form 11C); (2) *Quarterly Federal Excise Tax Return*

## Projections of Returns To Be Filed in Calendar Years 1998-2004

(Form 720); (3) *Tax on Wagering* (Form 730); and (4) *Heavy Vehicle Use Tax Return* (Form 2290). Form 720 and Form 2290 together represent 92.4 percent of the IRS excise tax return total expected for CY 1998. The average annual projected rate of growth of excise tax returns filed is 2.4 percent from CY 1998 through CY 2004. (Excise tax returns filed with the Bureau of Alcohol, Tobacco and Firearms are *not* included in these projections.)

### Supplemental Documents

The projected total number of supplemental documents filed includes amended corporate and individual tax returns (Forms 1120X and 1040X) and requests for filing extensions. Taxpayers are expected to file over 13.9 million and 14.2 million supplemental documents in CY 1998 and CY 1999, respectively. The average annual rate of growth through CY 2004 is 1.8 percent.

### Notes and References

- [1] The number of returns filed (as used in this article) represents returns processed at IRS service centers and recorded in the IRS Master File system during a calendar year. The Master File system includes the Individual Master File (IMF), the Business Master File (BMF), and the Employee Plans Master File (EPMF). These figures do *not* include the 1.2 billion information and withholding documents processed by the IRS, such as Interest and Dividend Statements on Forms 1099 and Wage and Tax Withholding Statements on Form W-2. Information and withholding documents provide data for use in the IRS's "information matching" programs in which amounts reported by payers on their information statements are compared with the amounts actually reported by taxpayers on their income tax returns. These documents are *not* tax returns. Magnetic tape filed by payers transmits most of the information documents processed at the IRS Martinsburg, West Virginia, Computing Center. For additional information, see the Internal Revenue Service, Compliance Research, *Calendar Year Projections of Information and Withholding Documents for the United States and Service Centers: 1997-2004*, Documents 6961 (Revision 5-97).
- [2] All statistics, unless otherwise noted, are for the Calendar Year (CY) in which the Internal Revenue Service processed the tax return. Table 1 presents the principal projections discussed in this article, which are based on figures produced by IRS Compliance Research (see *Calendar Year Return Projections for the United States and Service Centers: 1997 - 2004*, Document 6186 (Revision 11-97)). At the time this article was written, final CY 1997 counts of returns filed were not complete. Final CY 1996 counts, unavailable at the time projections were published in the *Statistics of Income Bulletin*, Winter 1996-1997, Volume 16, Number 3, are reflected in all statistics.
- [3] The Alaska Permanent Fund Corporation was created through an amendment to the Alaska state constitution to make sure that, in the future, its residents benefited from the development of the state's natural resources. The Fund created an investment base, which generates income to pay the cost of basic State Government services in the future. The Fund removed oil revenues, generated from the development of Alaska's North Slope oil field, from the legislative spending stream. The permanent Fund has two parts: principal and income. The investment of the principal is permanent. Annual distributions from the Fund's income can become a dividend to each permanent resident of the State of Alaska. Each year the Legislature and the Governor of Alaska decide on the uses of the Fund's income.
- [4] U.S. Government sources provided the economic and demographic variables, which were also published by Data Resources, Incorporated, June 1997.
- [5] "Dummy variables" are especially constructed artificial variables, with the value of "unity," i.e., "one," whenever the qualitative phenomenon represented in the regression occurs, and with the value of "zero," (0), in all other instances. See: Kennedy, Peter, "Dummy Variables," *A Guide to Econometrics*, Cambridge, MA: The MIT Press, p. 216, 1993.
- [6] Supplemental documents include Forms 1040X, *Individual Amended Return*; 4868, *Individual Request for Automatic Filing Extension*; 2688, *Individual Request for Additional Filing Extension*; 1120X, *Corporation Amended Return*; and 7004, *Application for Automatic Extension of Time To File Corporation Income Tax Return*.
- [7] For a further explanation of return types, see U.S. Department of the Treasury, Internal Revenue Service, Compliance Research, *Calendar Year Return Projections for the United States and Service Centers: 1997-2004*, Document 6186 (Revision 11-97).
- [8] U.S. Department of the Treasury, Internal Revenue Service, Compliance Research, *Calendar Year Projections of Individual Returns by Major Processing Categories, Selected Years and Areas, Fall 1997 Update*, Document 6187 (Revision 10-97).

# Projections of Returns To Be Filed in Calendar Years 1998-2004

**Table 1.--Number of Returns Filed, or To Be Filed, with the Internal Revenue Service, Calendar Years 1996-2004**

[Numbers of returns are in thousands]

Type of return	Actual 1996	Estimated 1997 <sup>1</sup>	Projected						
			1998	1999	2000	2001	2002	2003	2004
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Grand total</b> <sup>2</sup> .....	<b>212,042</b>	<b>219,264</b>	<b>223,149</b>	<b>226,548</b>	<b>229,293</b>	<b>231,733</b>	<b>234,159</b>	<b>236,563</b>	<b>239,025</b>
<b>Primary returns, total</b> .....	<b>198,453</b>	<b>205,527</b>	<b>209,217</b>	<b>212,376</b>	<b>214,866</b>	<b>217,048</b>	<b>219,205</b>	<b>221,332</b>	<b>223,508</b>
Individual income tax, total.....	118,784	121,427	123,951	126,239	127,964	129,433	130,904	132,369	133,840
Total paper and electronic returns <sup>3</sup> .....	118,363	120,964	123,454	125,716	127,410	128,847	130,285	131,716	133,153
Paper returns, total.....	103,394	101,823	102,475	103,435	104,029	104,424	104,832	105,233	105,638
Paper Form 1040.....	60,274	61,259	61,584	61,717	61,569	61,258	60,957	60,654	60,356
Paper Form 1040A.....	19,004	17,482	17,363	17,080	16,759	16,412	16,097	15,799	15,520
Paper Form 1040EZ.....	17,100	14,585	13,955	13,918	13,861	13,794	13,739	13,683	13,627
Paper Form 1040PC.....	7,017	8,497	9,573	10,719	11,841	12,960	14,039	15,097	16,135
Electronic returns, total.....	14,968	19,142	20,980	22,281	23,382	24,423	25,453	26,484	27,516
Standard electronic filing.....	12,129	14,450	15,433	16,344	17,119	17,865	18,595	19,317	20,033
TeleFile.....	2,839	4,692	5,547	5,937	6,262	6,558	6,858	7,167	7,483
Forms 1040NR, 1040-PR, 1040-SS <sup>4</sup> .....	422	463	496	523	554	586	649	652	687
Individual estimated tax, Form 1040-ES.....	37,569	40,104	40,501	40,795	41,024	41,215	41,380	41,528	41,664
Fiduciary income tax, Form 1041 <sup>5</sup> .....	3,267	3,422	3,518	3,623	3,726	3,829	3,931	4,034	4,138
Fiduciary estimated tax, Form 1041-ES.....	702	829	852	878	903	928	952	977	1,003
Partnership, Form 1065.....	1,679	1,712	1,746	1,775	1,805	1,835	1,865	1,897	1,928
Corporation income tax <sup>6</sup> .....	5,006	5,199	5,374	5,550	5,727	5,902	6,077	6,251	6,425
Estate tax, Forms 706 and 706NA.....	91	99	106	111	118	124	131	137	143
Gift tax, Form 709.....	232	250	262	274	286	297	309	321	333
Employment tax, total <sup>7</sup> .....	28,699	29,799	30,185	30,373	30,520	30,651	30,782	30,903	31,074
Form 941-TEL (TeleFile) <sup>8</sup> .....	--	215	1,210	1,673	1,786	1,853	1,874	1,908	1,942
Form 1042 <sup>9</sup> .....	24	25	25	26	26	27	27	28	28
Tax-exempt organizations <sup>10</sup> .....	578	589	604	619	635	651	668	684	701
Employee plans <sup>11</sup> .....	979	1,225	1,230	1,236	1,241	1,246	1,252	1,257	1,263
Excise tax <sup>12</sup> .....	786	791	811	828	846	866	886	908	932
Form 8752 <sup>13</sup> .....	58	55	52	50	47	44	42	39	37
<b>Supplemental documents, total</b> .....	<b>13,589</b>	<b>13,737</b>	<b>13,932</b>	<b>14,172</b>	<b>14,427</b>	<b>14,685</b>	<b>14,954</b>	<b>15,231</b>	<b>15,517</b>
Form 1040X <sup>14</sup> .....	2,455	2,459	2,463	2,499	2,537	2,575	2,612	2,649	2,685
Form 4868 <sup>15</sup> .....	6,461	6,467	6,475	6,477	6,482	6,488	6,493	6,498	6,503
Form 2688 <sup>16</sup> .....	2,281	2,304	2,361	2,434	2,511	2,583	2,659	2,738	2,818
Form 1120X <sup>17</sup> .....	18	18	17	17	16	16	16	15	15
Form 7004 <sup>18</sup> .....	2,375	2,491	2,615	2,745	2,881	3,024	3,174	3,331	3,497

<sup>1</sup> Estimate, including that for some corporations, is based on returns processed through part of 1997. The actual number filed in CY 1997 was unavailable when this table was compiled.

<sup>2</sup> Excluded from all totals are the following "Non-Master File" returns: Form CT-2, 941M, 990BL, and 1120-IC-DISC. Also excluded are withholding and information documents, including such forms as W-2 and the 1099 series and related forms.

<sup>3</sup> Total paper and electronic individual returns do not include Forms 1040NR, 1040-PR, and 1040-SS.

<sup>4</sup> Form 1040X is included under "Supplemental documents, total."

<sup>5</sup> Includes Forms 1041 and 1041S.

<sup>6</sup> Includes Forms 1120, 1120A, 1120F, 1120H, 1120L, 1120POL, 1120S, 1120DF, 1120FSC, 1120PC, 1120REIT, and 1120RIC; Form 1120X is included under "Supplemental documents, total."

<sup>7</sup> Includes Forms 940, 940EZ, 940PR, 941, 941E, 941PR, 941SS, 941-TEL, 942, 942PR, 943, 943PR, 945, and CT-1.

<sup>8</sup> Form 941-TEL was new in Calendar Year 1997; data are only available for 9 months at the Austin Service Center test site.

<sup>9</sup> Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and related Form 1042-S.

<sup>10</sup> Includes Forms 990, 990EZ, 990C, 990PF, 990T, 4720, and 5227.

<sup>11</sup> Includes Forms 5500, 5500C, 5500EZ, and 5500R.

<sup>12</sup> Includes Forms 11C, 720, 730, and 2290.

<sup>13</sup> Form 8752 is filed by all Partnerships and S-Corporations electing either to maintain or establish any taxable year other than the required calendar year.

<sup>14</sup> Amended U.S. Individual Income Tax Return.

<sup>15</sup> Application for Automatic Extension of Time To File U.S. Individual Income Tax Return. (4 additional months to file only; tax payment date unchanged.)

<sup>16</sup> Application for Additional Extension of Time To File U.S. Individual Income Tax Return. (6 additional months to file only; tax payment date unchanged.)

<sup>17</sup> Amended U.S. Corporation Income Tax Return.

<sup>18</sup> Application for Automatic Extension of Time To File Corporation Income Tax Return.

NOTE: Detail may not add to totals because of rounding.