

Projections of Federal Tax Return Filings: Calendar Years 2008-2015

by Jeff Matsuo

Projections of tax return filings prepared by Internal Revenue Service (IRS) research staff show that a grand total of 240 million tax returns are expected to be filed with IRS during Calendar Year (CY) 2009. This number represents a decrease of 4.3 percent from estimated CY 2008 filings of 250.8 million returns. The primary cause of the large decrease in total returns from 2008 to 2009 is the Economic Stimulus Act of 2008. In February 2008, the stimulus program was signed into law. As a result, the volume of Form 1040, 1040A and 1040EZ returns are estimated to have increased by approximately 14.4 million returns above baseline projections in CY 2008. Adjusting for spillover effects of the Economic Stimulus Package, the projected total volume decreases back to its historical trend at the national level.

This decrease in return counts also reflects the expected recessionary period in the U.S. economy and its implications on tax returns. Historically, recessionary periods have shown increases in unemployment which result in decreases in taxable income. Hence, overall individual tax return filings may decrease as projections indicate.

After CY 2009, grand total return filings are projected to grow at a more common average annual rate of 1.1 percent and are expected to reach 256.9 million returns by 2015. The average rate of growth is derived mainly by projected trends for major return categories that comprise grand total filings, including individual income tax returns and business tax returns such as employment tax returns, corporation tax returns, partnership returns, and estate tax returns.

In addition, projections for total electronic returns continue to show a steady increase over the forecast. This growth of electronic filing furthers IRS's strategic goal to improve taxpayer service. For example, according to the most recent forecast, total individual electronic returns are projected to be 58 percent of all

individual income tax returns filed in 2008 and to constitute 78 percent of all returns in 2015.

Trend in Grand Total Returns

Table 1 shows the most current forecasts for major form types for Calendar Years 2008 to 2015. In preparing these forecasts, partial-year data through late summer 2008 were used to derive estimates for the year. Various elements that may affect the IRS workload are carefully considered during estimation. These include economic and demographic trends, recent filing patterns, legislation, and administrative changes. The total number of returns consists of two filing mediums—paper and electronic. The “grand total” category includes individual, fiduciary, corporation, employment, partnership, exempt organization, government entity, political organization, estate, gift, excise, estimated tax vouchers, and other forms as described in Table 1.^{1,2}

“Total primary returns” include the three major tax return categories that represent the bulk of the forms processed by the IRS operations. Individual income tax returns comprise 58.3 percent of the grand total. Employment tax returns comprise 12.9 percent, and individual estimated tax payment vouchers make up 13 percent. In 2007, these three categories constituted approximately 84 percent of total return filings.

Figure A presents a list of growth rates for selected form types from 2008 to 2009 and the average annual change over the period 2009 to 2015. In CY 2009, approximately 240 million returns are projected to be filed. This is a 4.3-percent decrease over estimated 2008 filings of 250.8 million. The decrease in grand total reflects a decrease in paper filings of 11.5 percent for a total of 132.8 million returns from 150 million returns in 2008.

Figure A also shows average annual growth rate over the period 2009-2015. The average annual growth rate is expected to be 1.1 percent, reaching 256.9 million in 2015. This growth rate in grand total reflects a general shift among taxpayers from paper filing to electronic filing. According to current trends, decreasing paper filing patterns will continue,

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¹ Most of the values in Table 1 are reported in *Calendar Year Return Projections for the United States and IRS Campuses: 2007-2015*, IRS Document 6186, October 2008, National Headquarters Office of Research, Analysis, and Statistics, Internal Revenue Service, U.S. Department of the Treasury.

² Throughout the year, the Forecasting and Service Analysis (FSA) under IRS National Headquarters Office of Research publishes forecasts of a large number of tax return filings and other IRS workload categories. These projections provide a foundation for IRS workload estimates/resource requirements contained in budget submissions and also help with other major IRS planning and analysis efforts.

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Figure A

Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015

Type of return	Estimated 2008	Projected 2009	Percentage increase over 2008	Projected 2015	Average annual percentage increase 2009-2015
	(1)	(2)	(3)	(4)	(5)
Grand total	250,786,600	239,998,500	-4.3	256,914,600	1.1
Paper grand total	150,004,200	132,797,000	-11.5	121,050,200	-1.5
Electronic grand total	100,782,400	107,201,500	6.4	135,864,400	4.0
Individual, total	153,544,200	141,166,300	-8.1	146,740,600	0.6
Forms 1040, 1040A, and 1040EZ	152,661,500	140,240,900	-8.1	145,599,200	0.6
Total individual paper returns	64,209,500	46,946,300	-26.9	31,112,400	-6.6
Form 1040	38,899,700	36,312,500	-6.7	21,672,100	-8.2
Form 1040A	16,157,300	4,899,800	-69.7	5,118,400	0.8
Form 1040EZ	9,152,500	5,734,000	-37.4	4,321,900	-4.5
Total individual electronic returns	88,452,000	93,294,600	5.5	114,486,800	3.5
Online filing	26,511,000	29,583,800	11.6	36,554,000	3.6
Practitioner electronic filing	61,941,000	63,710,800	2.9	77,932,800	3.4
Form 1040NR/NR-EZ/C	655,500	684,700	4.5	819,700	3.0
Forms 1040PR and 1040SS	227,200	240,700	5.9	321,700	5.0
Individual estimated tax, Form 1040-ES, total	29,275,600	29,401,000	0.4	31,742,700	1.3
Form 1040-ES, paper	29,174,200	29,286,900	0.4	31,543,400	1.2
Form 1040-ES, electronic (credit card)	101,400	114,100	12.5	199,300	9.7
Partnership, Forms 1065/1065B, total	3,356,000	3,561,900	6.1	4,650,500	4.5
Paper partnership returns	2,681,100	2,675,300	-0.2	3,040,300	2.2
Electronic partnership returns	674,900	886,600	31.4	1,610,300	10.6
Corporation, total	6,820,400	7,022,000	3.0	8,199,600	2.6
Paper corporation returns, total	5,502,500	5,135,300	-6.7	4,512,600	-2.1
Electronic corporation returns, total	1,317,900	1,886,700	43.2	3,687,000	12.1
Form 1120 and 1120-A total	2,193,600	2,184,900	-0.4	2,141,200	-0.3
Form 1120/1120-A electronic	350,500	495,600	41.4	867,900	10.1
Form 1120F, total	28,600	29,300	2.4	33,600	2.3
Form 1120FSC, total	600	0	-100.0	0	0
Form 1120H, total	216,200	227,700	5.3	297,000	4.5
Form 1120RIC, total	11,600	11,800	1.7	12,900	1.5
Form 1120S, total	4,353,700	4,551,700	4.5	5,695,200	3.8
Form 1120S, electronic	967,500	1,391,100	43.8	2,819,100	12.8
Forms 1120L/ND/PC/REIT/SF, total	12,500	13,100	4.8	16,300	3.7
Form 1120C, total	3,500	3,500	0	3,200	-1.5
Employment, total	30,578,400	30,641,900	0.2	31,604,400	0.5
Paper employment returns	24,396,300	24,274,900	-0.5	23,886,400	-0.3
Electronic employment returns	6,182,000	6,367,000	3.0	7,718,100	3.3
Forms 940, 940EZ, and 940PR, total	6,154,100	6,183,800	0.5	6,558,100	1.0
Forms 940, 940EZ, and 940PR, paper	4,972,000	4,939,000	-0.7	4,875,900	-0.2
Form 940, e-file/online/XML	1,182,100	1,244,800	5.3	1,682,300	5.1
Forms 941, 941PR/SS/E, total	23,623,900	23,549,200	-0.3	23,955,100	0.3
Forms 941, 941PR/SS/E, paper	18,636,400	18,442,800	-1.0	17,941,400	-0.5
Form 941, e-file/online/XML	4,987,600	5,106,500	2.4	6,013,700	2.8
Forms 943, 943PR and 943SS	243,500	237,400	-2.5	213,400	-1.8
Form 944, total	425,300	543,900	27.9	765,200	6.0
Form 944 paper	412,900	528,200	27.9	743,100	6.0
Form 944 e-file	12,400	15,700	26.6	22,100	6.0
Form 945	129,700	125,600	-3.2	110,700	-2.1
Form CT-1	1,900	1,900	0	1,900	0
Exempt organization, total	1,132,700	1,143,700	1.0	1,359,200	3.0
Paper exempt organization, total	855,800	841,100	-1.7	718,900	-2.5
Electronic exempt organization, total	276,900	302,600	9.3	640,300	13.3
Form 990, total	423,000	325,000	-23.2	481,400	7.0
Form 990, electronic	44,800	47,300	5.6	184,300	26.1
Form 990EZ, total	156,800	269,200	71.7	107,100	-9.9
Form 990EZ, electronic	10,300	25,200	144.7	29,400	7.5

Footnotes at end of figure.

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Figure A—Continued

Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015—Continued

Type of return	Estimated 2008	Projected 2009	Percentage increase over 2008	Projected 2015	Average annual percentage increase 2009-2015
	(1)	(2)	(3)	(4)	(5)
Exempt organization total--continued					
Form 990-N	217,000	222,600	2.6	400,700	10.4
Form 990PF	90,700	91,700	1.1	97,900	1.1
Form 990PF, electronic	4,700	7,500	59.6	26,000	23.3
Form 990T	117,000	106,800	-8.7	143,100	5.0
Form 4720	2,200	2,300	4.5	2,700	2.7
Form 5227	126,000	126,100	0.1	126,300	0.0
Supplemental documents, total	20,301,400	21,205,300	4.5	26,202,700	3.6
Form 1040X, total	4,517,200	4,728,300	4.7	5,412,700	2.3
Form 4868, total	9,482,700	9,921,000	4.6	12,433,900	3.8
Form 4868, paper	7,700,500	8,011,200	4.0	9,067,800	2.1
Form 4868, electronic	1,782,200	1,909,800	7.2	3,366,100	9.9
Credit card	66,400	69,200	4.2	81,300	2.7
E-file	1,715,800	1,840,600	7.3	3,284,800	10.1
Form 1120X	3,100	3,100	0	3,000	-0.5
Form 5558	402,000	402,000	0	402,000	0
Form 7004, total	5,367,800	5,610,600	4.5	7,389,200	4.7
Form 7004, electronic	1,176,000	1,563,400	32.9	2,810,900	10.4
Form 8868, total	528,500	540,200	2.2	561,900	0.7
Form 8868, electronic	56,400	84,300	49.5	228,400	18.4

NOTES: For definitions of most of the form numbers, see the text discussion and the footnotes to Table 1, at the end of this article. Detail may not add to total due to rounding.

with an average annual rate of 1.5 percent for a total of 121.1 million by 2015. Meanwhile, electronic filings or “e-file” will increase at an average rate of 4.0 percent to reach 135.9 million within the same timeframe.

Telephone Excise Tax Refund, Economic Stimulus Package, and Their Impact on the Grand Total

Telephone Excise Tax Refund

The Treasury Department stopped collecting Federal excise tax for long-distance telephone service on August 1, 2006. In 2007, the IRS implemented a program for taxpayers to receive refunds for the portion of their excise taxes collected on long-distance service billed between February 28, 2003, and August 1, 2006. This program is known as the Telephone Excise Tax Refund (TETR). Eligible individuals without tax filing requirements were directed to use Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*. However, some of the “TETR only” (filing only to receive the TETR)

population requested their TETR claims using traditional Forms 1040, 1040A, or 1040EZ instead of the simpler Form 1040EZ-T specifically designed for those without tax filing requirements. Therefore, the reported volumes include some marginal effects of TETR claims on estimated CY 2008 returns. This is shown by the greater than expected increase in the Form 1040 series in CY 2007. Taxpayers who subsequently wish to claim TETR may file an amended tax return for 2006 by filing Form 1040X, *Amended U.S. Individual Income Tax Return*. Those who did not have a filing requirement in 2006 can still use Form 1040EZ-T to request the refund. Qualified taxpayers among exempt organizations may also file Form 990-T to request the refund.

Economic Stimulus Package

In an effort to stimulate the economy, the Economic Stimulus Act of 2008 was signed into law in February 2008. It provides tax rebates to qualifying low- and middle-income taxpayers. An estimated 130 million households are expected to have received rebates during Processing Year 2008. Eligible taxpayers would trigger them by filing a Tax Year

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(TY) 2007 individual income tax return. Eligibility requirements mainly consist of having a valid Social Security number and either an income tax liability or qualifying income of at least \$3,000. Qualifying income includes earned income and certain benefits from Social Security, Veterans Affairs and/or Railroad Retirement. Eligible individuals who claimed rebates by filing a Federal income tax return for TY 2007 (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) are estimated to have increased by around 14.4 million to generate about 152.7 million returns in 2008. CY 2009 projections of approximately 140.2 million presented in the tables contain adjustments for residual spillover effects of the stimulus program, since those individuals not eligible or who did not participate still have an opportunity to claim the tax credit in 2009. Other adjustments include some longer-term spillover effects on EITC participants and corresponding requisite filing among otherwise nonfiling taxpayers.

Changes in Forms 990, 990-N, 5500SF and Their Impact on the Grand Total

Form 990 and New Form 990-N

The IRS has revised the requirement to file the Form 990 series starting from TY 2008 over a 3-year period. Filers will be allowed to file Form 990-EZ in lieu of Form 990. For Tax Year 2008 (returns filed in 2009), organizations with gross receipts less than \$1.0 million and total assets less than \$2.5 million may file Form 990-EZ. For Tax Year 2009 (returns filed in 2010), organizations with gross receipts less than \$500,000 and total assets less than \$1.25 million may file Form 990-EZ. The Form 990-EZ filing thresholds will be adjusted permanently to gross receipts less than \$200,000 and total assets less than \$500,000, beginning with Tax Year 2010.

Figure A shows an estimated total of 423,000 Forms 990, *Return of Organization Exempt From Income Tax*, to be filed in 2008. In 2009, this total will decline to 325,000 returns, a reduction of approximately 98,000. However, from 2008 to 2009, Forms 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, are estimated to be 157,000 to 269,000 returns. In summary, the projected level reflects a 2.5-percent increase.

Beginning in CY 2008, the Pension Protection Act of 2006 requires small organizations with gross receipts of less than \$25,000 to file new Form 990-N, also known as the “e-Postcard” on an annual basis. If organizations fail to file Form 990-N for 3 consecutive years, their tax-exempt status will be revoked. Form 990-N can only be filed electronically.

As Table 1 shows, approximately 217,000 returns are expected to be filed in 2008. As a result, the participation rate of “total electronic exempt organizations returns” to “total exempt organizations” dramatically increases from 4.1 percent in 2007 to 24.5 percent in 2008. This increase in e-file volume contributed to the increase in “electronic grand total” over the same period.

New Form 5500-SF

The Form 5500 series includes multiagency information returns filed to satisfy reporting requirements to the Internal Revenue Service, the Department of Labor (DOL), and the Pension Benefit Guaranty Corporation. The Form 5500 series has been processed by DOL since CY 2000. However, DOL is creating a system to support the electronic filing mandate for Form 5500 returns satisfying reporting requirements under Title I of ERISA. Since some necessary IRS data fall outside the scope of Title I, IRS will regain responsibility for processing portions of Form 5500 data in the future.

As part of revisions to the Form 5500 series, Form 5500-SF, *Short Form Annual Return/Report of Employee Benefit Plan*, was introduced to certain small pension and welfare benefit plans. Form 5500-SF is generally available to plans that: 1) have fewer than 100 participants; 2) are eligible for the small plan audit waiver; 3) hold no employer securities; 4) have 100 percent of assets in investments that have a readily determinable fair market value; and 5) are not multiemployer plans. Most Form 5500-SF filers will not be required to file any schedules. Form 5500-SF must be filed electronically from Plan Year 2009.

Trend in Individual Tax Returns

“Individual, Total” returns include paper and electronic portions of the major individual tax returns. These are Forms 1040 and 1040-A, *U.S. Individual Income Tax Return*, 1040EZ, *Income Tax Return for*

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Single and Joint Filers with No Dependents, Form 1040NR, *U.S. Non-Resident Alien Income Tax Return*, Form 1040-PR, *Planilla para la Declaracion de la Contribucion Federal Sobre El Trabajo Por Cuenta Propia—Puerto Rico*, and Form 1040-SS, *U.S. Self-Employment Tax Return*. This category excludes Form 1040X, *Amended U.S. Individual Income Tax Return*, which is included under the “supplemental documents” heading.

This category constitutes the largest volume of tax return filings. The number of individual tax returns filed is projected to reach 153.5 million in 2008. As mentioned earlier, this estimate delineates an unusually large increase of 10.9 percent over CY 2007 filings of 139.2 million mainly due to the Economic Stimulus Act of 2008. Since projections for 2009 only include residual spillover effects of the stimulus program, the projection for 2009 will decline to a total of 141.2 million.

After 2009, this series is expected to grow at an average annual rate of 0.6 percent until 2015. This projected growth is tied mainly to the expected increase in U.S. employment over the same period. At this rate, the projected number of total individual returns filed will be 146.7 million by 2015.

Trend in Individual Estimated Tax Returns

Form 1040-ES, *U.S. Estimated Tax for Individuals*, is used by individual taxpayers who need to make advance tax payments. Such filers are typically those who expect their tax withholding to be less than 90 percent of their federal tax liability for the year due to additional income, such as earnings from self-employment, interest, dividends, rents, and alimony. Individual taxpayers who make estimated tax payments often file more than one voucher (Form 1040-ES) during the course of the year, usually one per quarter.

Form 1040-ES represents the third largest share of the 2008 grand total. Although the initial Form 1040-ES filing experience from 2007 to 2008 indicates a decrease in return volume, the number of Form 1040-ES filings is projected to grow beyond 2008, based on the underlying long-term trend. In 2009, approximately 29.4 million individual estimated tax vouchers are expected to be filed, an increase of 0.4 percent over the 29.3 million vouchers expected in 2008. A total of 31.7 million returns are projected to be filed by 2015, indicating an average annual growth rate of 1.3 percent from 2008 to 2015.

Trend in Business and Other Tax Returns

Employment Tax Returns

Paper and electronic versions of several business-related tax forms fall under the heading of “Employment, Total” returns. These forms include: Form 940 series, *Employer’s Annual Federal Unemployment (FUTA) Tax Return*; Form 941 series, *Employer’s Quarterly Federal Tax Return*; Form 943 series, *Employer’s Annual Federal Tax Return for Agricultural Employees*; Form 944, *Employer’s Annual Federal Tax Return* which will be an annualized version of Form 941; Form 945, *Annual Return of Withheld Federal Income Tax*; and Form CT-1, *Employer’s Annual Railroad Tax Return*.

In 2007 and 2008, the employment tax returns constitute the second largest share of the grand total. The interplay between the introduction of the annual Form 944, and the scaling back of the quarterly Form 941 combined with the decreasing trend of Form 943 and Form 945 results in a projected 0.5-percent drop in total employment return filings from 2007 to 2008. Beyond this point, the projected annual rate of growth over the entire forecast is a more typical 0.5 percent. Projected filings of Forms 940 and 941 comprise the bulk of employment tax returns. Their projected growth over the 2008-2015 period is tied mainly to expected trends in U.S. employment and real gross domestic product.

Corporation Tax Returns

Corporation income tax returns include a number of form types. The vast majority of these returns use Form 1120, *U.S. Corporation Income Tax Return*; Form 1120A, *U.S. Corporation Short-Form Income Tax Return*; or Form 1120S, *U.S. Income Tax Return for an S Corporation* (returns filed by qualifying corporations electing to be taxed through shareholders). The remainder of corporation income tax returns is filed by such entities as homeowners’ associations (Form 1120H), foreign corporations (Form 1120F), and real estate investment trusts (Form 1120REIT), among others. Amended returns (Form 1120X) are not included under corporation income tax returns, but are instead listed under “supplemental documents.” In CY 2008, the projected number of corporation returns filed is 6.8 million. This is nearly a 3.0-percent increase over CY 2007. It is expected that these returns will continue

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to increase, to 8.2 million by CY 2015, as shown in Table 1.

Partnership Returns

Form 1065, *U.S. Partnership Return of Income*, is filed by a partnership to report income, deductions, tax credits, or losses. The projected number of these returns expected in CY 2008 is 3.4 million. This number, an increase of 6.6 percent over CY 2007, is projected to keep increasing at an average rate of 4.5 percent per year. The number of partnership returns filed is expected to increase to 4.7 million by CY 2015. Form 1065B, *U.S. Large Partnership Return of Income*, is also included in partnership returns. This form was introduced in CY 1999, and a relatively small number of Form 1065B returns have been filed.

Estate Tax Returns

The estate tax and generation-skipping transfer (GST) taxes are scheduled to be repealed on January 1, 2010, under Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, the estate tax repeal and all other provisions of EGTRRA are scheduled to sunset on December 31, 2010. If the sunset provision is not repealed in 2011, estate tax law would return to the law in place prior to the enactment of EGTRRA on June 7, 2001. Accordingly, the estate tax exclusion amount would have risen to \$1 million under the prior law. Estimates developed in these projections reflect the provisions of EGTRRA.

Trends in Electronic Filing (E-file)

Individual Returns

As Table 1 indicates, 79.9 million individual income tax returns were filed electronically in 2007, and 88.5 million electronic returns are expected in 2008, representing a 10.8-percent increase. The projection for 2009 is 93.3 million returns, which represents another robust increase of 5.5 percent. E-file volume is expected to grow at an average rate of 3.5 percent per year, reaching a total of 114.5 million by 2015.

The projected e-file pattern for individual returns in 2008-2011 is stronger growth in the initial forecast years followed by somewhat slower growth in the later years. This growth pattern is typical for technology adoption and diffusion. Furthermore, pro-

jected growth in e-file is much steeper than overall growth in total individual return filings. Hence, under current trends, roughly 78 percent of individual income tax returns are projected to be filed electronically by 2015.

As reported in Table 1, "Total Individual Electronic Returns" are made up of two e-file categories: i) online filing and ii) practitioner e-file. Online filing enables taxpayers to use a computer, tax preparation software, and the Internet to file their returns. Online filing includes the "Free File" option, which is accessible from the IRS Web site and involves a public-private partnership between IRS and the Free File Alliance, a consortium of tax preparation software companies. In the case of practitioner electronic filing, taxpayers use a paid preparer to prepare and file their returns electronically.

Within the e-file categories, about 22.5 million people used online filing in 2007. That number has grown to 26.5 million in 2008, a 17.7-percent increase. Meanwhile, practitioners are expected to file 61.9 million returns electronically in 2008, up 8 percent over the 57.3 million returns filed in 2007.

Various initiatives further encourage the growth of individual electronic filing. One is the IRS "e-services" program. The e-services program is open to professional tax preparers who e-filed five or more accepted individual or business returns during a filing season. The program provides a suite of Web-based products that allow tax professionals to conduct business with the IRS electronically. These products include disclosure authorization, electronic account resolution, and transcript delivery system. Authorized agents who submit (any of six) information returns subject to backup withholding can also make use of TIN (Taxpayer Identification Number) matching with e-services.

Business Returns

IRS also continues to enhance its business e-file programs under the aegis of the Modernized e-File (MeF) platform. Most of the common business tax forms are now available for e-file either through MeF or other electronic filing systems. This includes fiduciary (Form 1041), partnership (Form 1065), corporation (Forms 1120, 1120S), employment (Forms 940, 941, and 944), and tax-exempt (Forms 990, 990-EZ, 990-PF, and 990-N) returns.

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Treasury regulations issued in 2005 mandate electronic filing of Federal returns for some large corporations and tax-exempt organizations whose assets exceed certain dollar thresholds. However, e-file mandates only apply to those corporations and tax-exempt entities that file at least 250 other returns with IRS during a calendar year, such as employment returns, excise tax returns, and information reporting documents like Forms W-2, 1099-DIV, and Schedules K-1. E-file mandates required corporations with gross assets of at least \$50 million to e-file their Forms 1120 or 1120S beginning in Calendar Year 2006. This requirement was expanded to corporations with at least \$10 million in gross assets, effective 2007.

Figure A shows that 350,500 Form 1120 and 967,500 Form 1120S returns are estimated to have been e-filed in 2008. Assuming growth patterns typical of innovative technology-based products, the forecast for 2009 is 495,600 for the former and 1.4 million for the latter. These represent increases of 41.4 percent for Form 1120 and 43.8 percent for Form 1120S. In subsequent years, e-filed Forms 1120/1120S are both expected to grow rapidly. About 867,900 Form 1120 returns and nearly 2.8 million Form 1120S returns are projected to be filed electronically by 2015.

Tax-exempt organizations with \$10 million or more in total assets were also required to file their Forms 990 electronically in 2007. Also impacted were private foundations and charitable trusts which were required to file their Forms 990-PF, *Return of Private Foundation*, electronically, starting in 2007, regardless of asset size. However, the additional criterion limiting its scope to only organizations filing at least 250 other tax returns results in a relatively small number of affected tax-exempt filers. Around 10,000 tax-exempt organizations were estimated to be covered by the e-file mandate in Filing Year 2007. The new Form 990-N will also be effective, starting from 2008. This will increase the modest e-filing percentage for exempt organizations by a noticeable amount.

Figure A shows that around 36,000 Forms 990, 990EZ, and 990-PF were filed electronically in 2007. With the help of the mandates and Form 990-N, tax-exempt e-file returns are expected to reach 276,900 for 2008. In the long term, 640,300 exempt organization returns are expected electronically by 2015.

In 2008, over 6.2 million employment returns were filed electronically. According to current projections, the number of e-filed returns is expected to grow steadily. Based on that trend, the total number of e-filed employment returns (i.e., Forms 940, 941, and 944) is expected to be 7.7 million by 2015, growing at an average annual rate of 3.3 percent over this period.

Data Sources

The reported actual volumes of returns filed in Calendar Year 2007 by form type and filing medium are based primarily on filings recorded on IRS master files. With few exceptions, these volumes are the same as those reported in the Internal Revenue Service Data Book (Publication 55B). However, master file counts were not available in a few instances. In these cases, tallies of actual filings were provided by program staff in IRS operating divisions, typically from data capture systems located in IRS processing campuses. For Calendar Year 2008, master file data through August were generally available. Partial-year data were extrapolated in order to generate estimates for Calendar Year 2008.

Projection Methodology

Each major form type is forecast separately using either a time series or linear regression model. Time series models use historical data for a form type to make predictions based on patterns exhibited by the data. Some of the most common time series models used were trended exponential smoothing and lower order Box-Jenkins ARIMA models. These models were applied for such return series as corporation (Forms 1120, 1120A, and 1120S), partnership (Form 1065), and excise (Forms 720, 730, and 2290) tax returns.

In other instances, models based on linear regression analysis were used with such independent (“predictor”) variables as gross domestic product and employment. For these models, forecasts of independent variables were provided by Global Insight, Inc. For example, linear regression models incorporating economic and demographic variables were used to project the individual income tax return series and employment Forms 940 and 941.

Legislative and administrative changes approved for future implementation and not captured in the sta-

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tistical models are also factored into tax return forecasts as “off-model adjustments.” This was the case in developing projections for the new exempt organization Form 990-N. Analysis of the impact of similar events in the past, as well as input from subject-matter experts, is used to develop these “off-model adjustments.” However, such adjustments are made

only for enacted tax law changes and confirmed (or reasonably certain) administrative plans and exclude initiatives that are simply under consideration. This is particularly true of e-filed returns. As a result, e-file forecasts presented in this article are not IRS goals and should not be interpreted as precluding an alternative e-file future.

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Table 1. Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2008-2015—Continued

Type of return	Actual 2007	Estimated 2008 [1]	Projected						
			2009	2010	2011	2012	2013	2014	2015
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Exempt organization, total [12]	877,450	1,132,700	1,143,700	1,168,100	1,119,000	1,166,000	1,222,400	1,296,200	1,359,200
Paper exempt organization, total	841,454	855,800	841,100	831,000	747,700	742,100	735,600	727,900	718,900
Electronic exempt organization, total	35,996	276,900	302,600	337,100	371,300	424,000	486,800	568,300	640,300
Form 990, total	413,881	423,000	325,000	359,700	440,500	450,700	460,900	471,100	481,400
Form 990, electronic	27,465	44,800	47,300	66,600	98,900	119,100	140,000	161,700	184,300
Form 990EZ, total	152,203	156,800	269,200	249,000	98,000	100,300	102,600	104,900	107,100
Form 990EZ, electronic	5,376	10,300	25,200	29,700	14,300	17,600	21,100	25,100	29,400
Form 990-N [13]	N.A.	217,000	222,600	230,100	244,600	271,200	306,500	359,100	400,700
Form 990PF, total	89,661	90,700	91,700	92,700	93,800	94,800	95,900	96,900	97,900
Form 990PF, electronic	3,155	4,700	7,500	10,700	13,400	16,200	19,200	22,500	26,000
Form 990T	93,559	117,000	106,800	108,100	113,500	120,300	127,800	135,400	143,100
Form 4720	2,179	2,200	2,300	2,400	2,400	2,500	2,600	2,600	2,700
Form 5227	125,967	126,000	126,100	126,100	126,100	126,200	126,200	126,300	126,300
Government entities, total	46,886	47,200	47,100	47,100	47,100	47,100	47,100	47,100	47,100
Form 8038	4,888	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Form 8038G	29,757	29,700	29,700	29,700	29,700	29,700	29,700	29,700	29,700
Form 8038GC	10,693	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Form 8038T	1,315	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Form 8328	233	200	200	200	200	300	300	300	300
Political organizations, total	9,289	11,900	9,900	12,100	10,000	12,100	10,000	12,100	10,000
Form 1120POL, total	5,971	6,200	6,300	6,300	6,300	6,400	6,400	6,400	6,400
Form 8871 [14]	1,366	2,200	1,500	2,200	1,500	2,200	1,500	2,200	1,500
Form 8872	1,952	3,600	2,200	3,600	2,200	3,600	2,200	3,600	2,200
Form 8872, electronic	1,323	2,500	1,600	2,700	1,700	2,900	1,800	3,000	1,900
Excise, total	895,388	878,600	899,600	904,800	922,500	936,200	947,900	959,000	969,600
Form 11-C	8,947	8,700	8,500	8,300	8,200	8,100	8,000	8,000	7,900
Form 720	102,435	100,500	98,800	97,300	95,900	94,800	93,800	92,900	92,200
Form 720, electronic	0	100	400	700	1,200	2,100	3,100	4,600	6,200
Form 730	40,876	39,500	38,500	37,600	36,800	36,000	35,300	34,700	34,100
Form 2290	743,130	729,900	753,800	761,600	781,600	797,300	810,700	823,400	835,400
Form 2290, electronic	1,500	15,500	21,500	28,900	43,400	68,000	97,600	140,900	187,900
Form 5330	23,800	23,800	23,800	23,800	23,800	23,800	23,800	23,800	23,800
Form 8752 [15]	39,627	44,400	44,400	44,400	44,400	44,400	44,400	44,400	44,400
Supplemental documents, total [16]	20,221,791	20,301,400	21,205,300	22,061,600	22,952,600	23,812,900	24,651,100	25,437,600	26,202,700
Form 1040X, total	4,056,377	4,517,200	4,728,300	4,887,600	5,016,200	5,126,600	5,226,800	5,321,200	5,412,700
Form 4868, total	9,978,958	9,482,700	9,921,000	10,343,600	10,861,600	11,310,700	11,735,300	12,100,800	12,433,900
Form 4868, paper	8,453,953	7,700,500	8,011,200	8,217,600	8,487,600	8,691,100	8,864,300	8,982,600	9,067,800
Form 4868, electronic	1,525,005	1,782,200	1,909,800	2,126,000	2,374,100	2,619,700	2,871,000	3,118,200	3,366,100
Credit card	63,374	66,400	69,200	71,600	73,800	75,800	77,700	79,500	81,300
E-file	1,461,631	1,715,800	1,840,600	2,054,400	2,300,300	2,543,900	2,793,300	3,038,700	3,284,800
Form 1120X	3,160	3,100	3,100	3,100	3,100	3,000	3,000	3,000	3,000
Form 5558	402,043	402,000	402,000	402,000	402,000	402,000	402,000	402,000	402,000
Form 7004, total	5,265,021	5,367,800	5,610,600	5,873,200	6,150,400	6,440,500	6,743,300	7,059,300	7,389,200
Form 7004, electronic	837,427	1,176,000	1,563,400	1,875,500	2,122,500	2,325,100	2,499,900	2,659,100	2,810,900
Form 8868, total	516,232	528,500	540,200	552,000	519,300	530,000	540,600	551,300	561,900
Form 8868, electronic	30,667	56,400	84,300	115,000	135,400	160,600	184,500	207,100	228,400

N.A.—Data are not available since relevant program areas have not commenced.

[1] Estimated based on information available as of August 2008.

[2] Grand total is the sum of total primary returns and supplemental documents.

[3] Total primary returns is the sum of all returns, excluding supplemental documents.

[4] "Individual, total" is the sum of paper and electronic Forms 1040, 1040A, 1040EZ, 1040EZ-T, 1040NR, 1040PR, and 1040SS.

[5] Forms 1040/A/EZ is the sum of the paper and electronic Forms 1040, 1040A, and 1040EZ.

[6] The Forms 1040, 1040A and 1040EZ Totals includes the marginal effects of the 2007 TETR and 2008 Economic Stimulus Package.

[7] Form 1120-A cannot be filed for tax years beginning after Dec. 31, 2006.

[8] 1120-ND return counts were estimated for CY2007.

[9] Form 1120-C includes Form 990-C.

[10] "Employment, total" includes paper, magnetic tape and electronic Forms 940, 940EZ, 940PR, 941, 941E, 941PR, 941SS, 943, 943PR, 943SS, 944, 944PR, 944SS, 945, and CT-1.

[11] Form 1042 is the Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

[12] "Exempt organization, total" includes Forms 990, 990EZ, 990N, 990PF, 990T, 4720, and 5227.

[13] Form 990-N is all electronic.

[14] Form 8871 is all electronic.

[15] Form 8752 is Required Payment or Refund Under Section 7519, a computation of payment or refund by partnership or S corporation.

[16] Supplemental documents consist mainly of applications for extensions of time to file and amended tax returns.

NOTES: Details may not add to totals because of rounding. Table does not contain the approximately 2,500 Non-Master File counts.