



Individual Nationwide Analysis



TY 2009 Nationwide Analysis

**Presentation for the Office of Electronic Tax
Administration and Refundable Credits**



Project # 2-11-04-S-037

Research Group 2

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Background

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, they request information on the flow of returns through the 2010 filing season based on demographics and status. ETA will use this information to target particular populations for future marketing efforts.

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) 2009 by answering specific questions and requests posed by 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. This report reflects all TY 2009 returns processed through cycle 52 of 2010. It also analyzes historical data from a multi-year database.

Research Methodology

Wage & Investment Research and Analysis (WIRA) queried data needed for this project from the Electronic Tax Administration Individual Master File (ETA IMF) marketing database and Modernized Tax Return Database (MTRDB 1040_09). The individual databases for multi-tax years were used for analysis on population data (i.e., no samples were used). WIRA performed data analysis using Hummingbird software and Structured Query Language (SQL) programming, and used Microsoft Excel[®] to table the output and make supplementary calculations. All data queries and analyses were validated (i.e., duplicated) independently to ensure accuracy. The analysis addresses the five business questions by ETA for the TY 2009 update and includes segmentation based on age, filing status, market segment, business operating division (BOD), adjusted gross income (AGI) range, state, filing method, preparation method, balance due or refund amount, direct debit or deposit and Refund Anticipated Loan (RAL)/Refund Anticipated Check (RAC) indicator.

Filing Type Definitions

- **ELF:** Electronically filed return by a paid preparer.
- **Online:** Self-prepared, electronically filed return excluding Free File and Free File Fillable Form returns.
- **Free File:** Return filed under IRS's Free File Program. For TY 2009, the returns that qualify have the consortium indicator present, are online returns, have no RAL/RAC requested, and have an adjusted gross income of less than or equal to \$57,000 (consortium_ind = 'C' or 'S' and trdbty09 = '3' and trdbral = '0' and AGICOMP <= 57,000) or (M_consortium_ind = 'C' or 'S' and M_originator = 'OnlineFiler' and M_Ral = '0' and AGICOMP <= 57,000 from MTRDB_F1040_09).
- **Free File Fillable Form (FFFF):** Return filed under IRS's Free File Fillable Forms program. For TY 2009, this is indicated by the presence of the consortium indicator (consortium_ind = 'F').

Filing Type Definitions (cont.)

- ***Electronically filed, or “e-file”***: Generic term for any return filed by ELF, Online, Free File, or FFFF; sometimes used to describe the sum of all.
- ***V-code***: Computer generated return that is filed as paper.
- ***Hand-prepared***: Non-computer generated, hand-prepared return filed as paper.
- ***Paper***: Sum of V-code and Hand-prepared returns.

Business Question # 1

- **Identify migration patterns of taxpayers between the different methods of filing for Tax Years 2005 through 2009. Compare the percentage of taxpayers by method of filing in each base TY (2005 through 2009) to the method of filing in the subsequent year (i.e., using a ‘forward-looking’ approach).**

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

Note: WIRA used criteria V- code 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.

Table 1: Annual Individual Return Breakdown by ELF, Online, Free File, Free File Fillable Form, V-code, and Hand-prepared

Tax Year	Total Returns	ELF	Online	Free File	FFFF	V-Code	Hand-prepared
2005	130,354,745	52,855,625 (40.5%)	16,471,115 (12.6%)	3,783,306 (2.9%)		38,336,964 (29.4%)	18,907,735 (14.5%)
2006	134,381,430	57,360,987 (42.7%)	18,741,012 (13.9%)	3,854,549 (2.9%)		36,559,559 (27.2%)	17,865,323 (13.3%)
2007	149,329,739	62,911,373 (42.1%)	22,177,241 (14.9%)	4,768,474 (3.2%)		35,446,303 (23.8%)	24,006,348 (16.0%)
2008	138,863,722	63,232,209 (45.5%)	28,931,122 (20.3%)	3,009,614 (2.2%)	272,600 (0.2%)	28,868,451 (20.8%)	14,549,726 (10.5%)
2009	136,579,042	63,831,993 (46.7%)	31,624,150 (23.2%)	2,932,766 (2.1%)	295,273 (0.2%)	25,797,634 (18.9%)	12,097,226 (8.9%)

Source: ETA Marketing Database

Electronic Filers: Migration and Repeat Rate Percentages for TY 2005 through TY 2009

- The repeat rate for electronic filers (a.k.a. e-filers) has consistently been around 80% for base years 2005 through 2008, with the highest rate (86.0%) in base year 2006. (See Table 2.)
- On average over the four year period, 7% of e-filers switched to paper (5.5% to V-code and 1.5% to hand-prepared), which represents about 5.9 million returns.
- The hand-prepared returns segment represents the lowest rate of migration from other methods over the period.
- Migration to V-code has a 1.2 percentage point decrease from TY 2005 to TY 2009.

Table 2: e-filers' Inter-Modal Migration and Repeat Rate for TY 2005 through TY 2009

Base Tax Year	Base Year e-file Volume	e-filer's subsequent year filing method *			
		e-file	V-code	Hand-prep.	Didn't File
2005	73,110,046	61,417,788	4,641,506	1,346,989	5,703,763
		84.0%	6.3%	1.8%	7.8%
2006	79,956,548	68,787,432	4,627,093	1,430,557	5,111,466
		86.0%	5.8%	1.8%	6.4%
2007	89,857,088	75,387,465	4,145,631	1,230,217	9,093,775
		83.9%	4.6%	1.4%	10.1%
2008	95,445,545	80,947,134	4,909,190	1,010,943	8,578,278
		84.8%	5.1%	1.1%	9.0%
Average		84.7%	5.5%	1.5%	8.3%
2005-2008 Change		0.8%	-1.2%	-0.7%	1.2%

Source: ETA IMF Marketing Databases.

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

V-code Filers: Migration and Repeat Rate Percentages for TY 2005 through TY 2009

- The total number of V-code repeaters decreased from 25.9 million in the TY 2005 to TY 2006 period to 17.1 million in the TY 2008 to TY 2009 period. (See Table 3.)
- Of those migrating away from V-code, e-file was the largest target. V-code to e-file migration increased from 20.9% in the base year 2005 to 27.3% in the base year 2008.
- The hand-prepared returns segment was the lowest migration target compared to other filing methods, starting at a rate of 2.8% from TY 2005 to TY 2006, and declining marginally to 2.6% from TY 2008 to TY 2009.

Table 3: V-code Filers' Inter-Modal Migration and Repeat Rate for TY 2005 through TY 2009

Base Tax Year	Base Year V-code Volume	V-code filer's subsequent year filing method *			
		e-file	V-code	Hand-prep.	Didn't File
2005	38,336,964	8,013,065	25,888,059	1,089,414	3,346,426
		20.9%	67.5%	2.8%	8.7%
2006	36,559,437	8,126,014	24,577,963	1,120,057	2,735,403
		22.2%	67.2%	3.1%	7.5%
2007	35,466,303	9,877,611	20,486,205	875,881	4,226,606
		27.9%	57.8%	2.5%	11.9%
2008	28,868,451	7,882,732	17,065,574	748,283	3,171,862
		27.3%	59.1%	2.6%	11.0%
Average		24.6%	62.9%	2.8%	9.8%
2005-2008					
Change		6.4%	-8.4%	-0.2%	2.3%

Source: ETA IMF Marketing Database

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



Hand-prepared Filers: Migration and Repeat Rate Percentages for TY 2005 through TY 2009

- The repeat rate for hand-prepared returns decreased from 66.6% in the base year 2005 to 62.1% in the base year 2008. The total number of hand-prepared returns decreased from 12.6 million to 9.0 million in the same period. (See Table 4.)
- There was a 2.2 percentage point increase in e-filing migration rate. However, the total number of hand-prepared returns switching to e-file decreased marginally from 2.8 million in the base year 2005 to 2.5 million in the base year 2008.
- The migration rate to V-code decreased from 8.6% in the base year 2005 to 6.9% in the base year 2008. This represents a decrease of 1.6 million returns to just 1.0 million returns.

Table 4: Hand-Prepared Filers' Inter-Modal Migration and Repeat Rate for TY 2005 through TY 2009

Base Tax Year	Base Year Hand-prep. Volume	Hand-prepared filer's subsequent year filing method *			
		e-file	V-code	Hand-prep.	Didn't File
2005	18,907,735	2,787,958	1,624,776	12,593,189	1,901,812
		14.7%	8.6%	66.6%	10.1%
2006	17,865,445	2,960,854	1,395,464	12,034,955	1,474,172
		16.6%	7.8%	67.4%	8.3%
2007	24,006,348	2,777,579	1,233,149	10,756,423	9,239,197
		11.6%	5.1%	44.8%	38.6%
2008	14,549,726	2,464,421	1,008,258	9,035,463	2,041,584
		16.9%	6.9%	62.1%	14.0%
Average		15.0%	7.1%	60.2%	17.8%
2005-2008 Change		2.2%	-1.7%	-4.5%	3.9%

Source: ETA IMF Marketing Database

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

Repeat Rate Percentages for TY 2005 through TY 2009

- The repeat rate is the highest for each filing method for the four years, meaning taxpayers are most likely to file using the same method as the previous year. (See Table 5.)
- The repeat rate for all e-file has consistently been around 80% from base years 2005 to 2008.
- Compared to other filing methods, the repeat rate of V-code saw the highest percentage point decrease over the years of the study.
- Repeat hand-prepared filers also decreased (66.6% in 2005 to 2006 to 62.1% in 2008 to 2009). Correspondingly, the total number of hand-prepared returns decreased from 12.6 million to 9.0 million.

Table 5: Repeat Rates for TY 2005 through TY 2009

Year	Repeat ELF	Repeat Online	Repeat V-code	Repeat Hand-prep.	Repeat Free File	Repeat FFFF
2005 to 2006	42,722,023 (80.8%)	11,595,986 (70.4%)	25,888,059 (67.5%)	12,593,189 (66.6%)	1,284,781 (34.0%)	
2006 to 2007	47,131,052 (82.2%)	13,737,346 (70.4%)	24,577,963 (67.2%)	12,034,955 (67.4%)	1,425,205 (37.0%)	
2007 to 2008	49,762,727 (79.1%)	16,681,567 (75.2%)	20,486,205 (57.8%)	10,756,423 (44.8%)	1,195,128 (25.1%)	
2008 to 2009	50,670,685 (80.1%)	21,584,456 (74.6%)	17,065,574 (59.1%)	9,035,463 (62.1%)	1,019,785 (33.9%)	73,762 (27.1%)
Average	80.6%	72.7%	62.9%	60.2%	32.5%	
2005 to 2009 Change	-0.7%	4.2%	-8.4%	-4.5%	-0.1%	

Source: ETA IMF Marketing Database.

Other Findings on Inter-Modal Migration and Repeat Filing

- In the period TY 2005 – TY 2009, repeat rates on ELF are highest for each base year; combined Online filing and Free Filing repeat rates were next highest and the V-code repeat rate followed for each base year. The hand-prepared repeat rate is lowest compared to other filing methods.
- The migration rate to V-code filing from other e-filing methods is the highest. The migration rate from V-code filing to ELF is significantly higher than V-code migration to combined Online filing and Free Filing.
- The lowest migration rate is to hand-prepared from other filing methods.
- The total number of ELF users who did not file in the subsequent year increased from 4.1 million in the base year 2005 to 5.7 million in the base year 2008.

Business Question # 2

- **What are the return volumes by six market segments (paid simple, paid intermediate, paid complex, self simple, self intermediate and self complex) and by filing method (Hand-prepared, V-code, ELF, Online, Free File and Free File Fillable Form) for TY 2009?**
 - Break out return counts by the following demographic attributes: age, filing status, AGI (including a new range of \$50,001 to \$57,000 in order to segregate traditional free file taxpayers), refund/balance due range, return full paid status, BOD code, direct deposit (for refund returns), direct debit (for balance due returns), and RAL/RAC indicators.

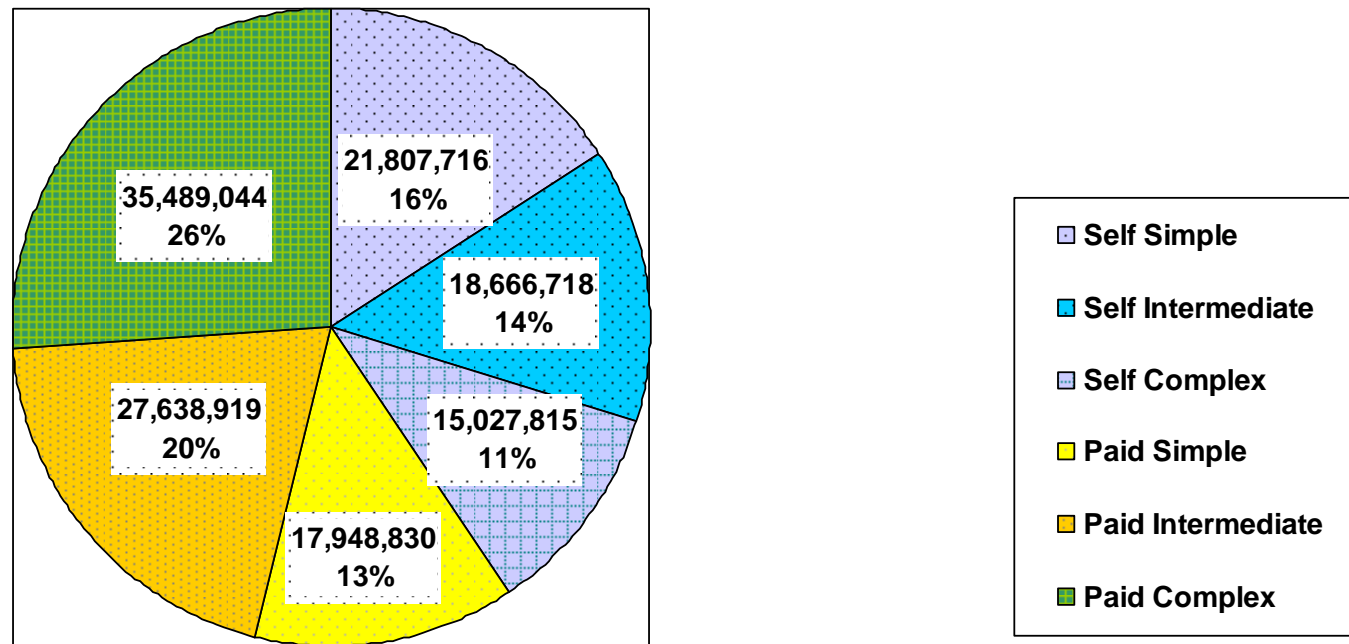
Market Segment Definitions

- **Self-Prepared:** No paid-preparer identification number on the return.
- **Paid-Preparer:** 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 Schedule C, E, F and/or other schedule and all other specific Forms 1040, e.g., 1040 PR, etc.

Filing Method Findings

- Approximately 54.9% of all TY 2009 simple returns were self-prepared, while only 29.7% of all complex returns were self-prepared.
- Approximately 77.8% of all TY 2009 paid-prepared returns were ELF.
- Of the self-prepared paper returns in TY 2009, 57.1% were simple returns.

Figure 1: Volumes and Shares of TY 2009 Returns by Market Segment



Source: ETA Marketing Database

Approximately 59% of all returns are paid-prepared.

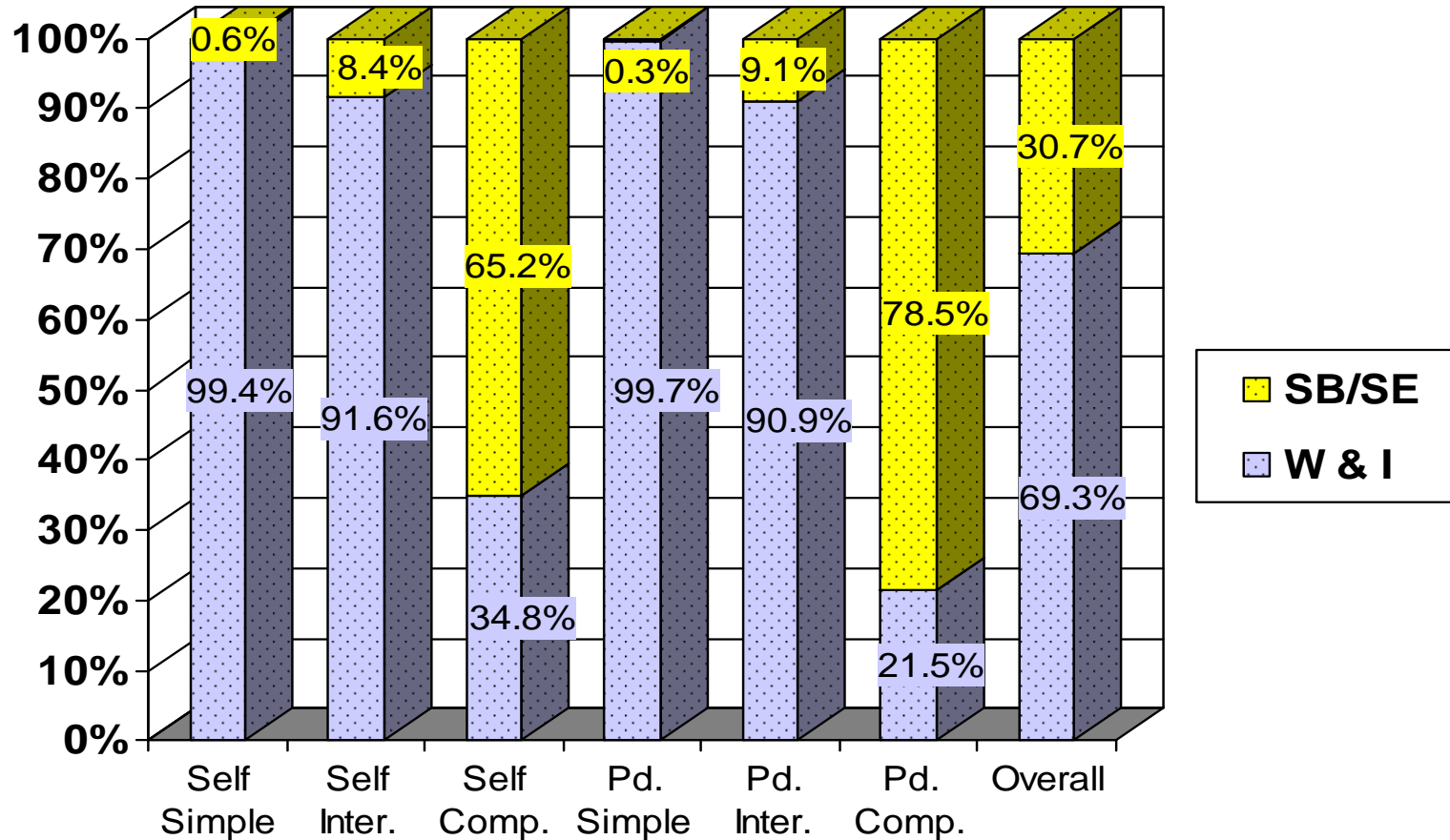
Demographic Findings in the Six Market Segments: TY 2009

- 44.4% of returns in the 35-64 taxpayer age group are complex, compared to 27.7% in other age groups.
- 69.6% of all simple returns were filed by single taxpayers, while 54.2% of all complex returns were filed by married filing jointly.
- Self-simple has the highest percentage (46.0%) of taxpayers in the low income range of \$0 - \$17,000. Paid-simple has 42.0% of taxpayers in that income range.
- Paid-complex has the highest percentage (22.2%) of taxpayers with income \$100,000 and over, compared to the self-complex market segment which has approximately 20.8% of taxpayers with income \$100,000 and over.

Demographic Findings in the Six Market Segments: TY 2009 (cont'd.)

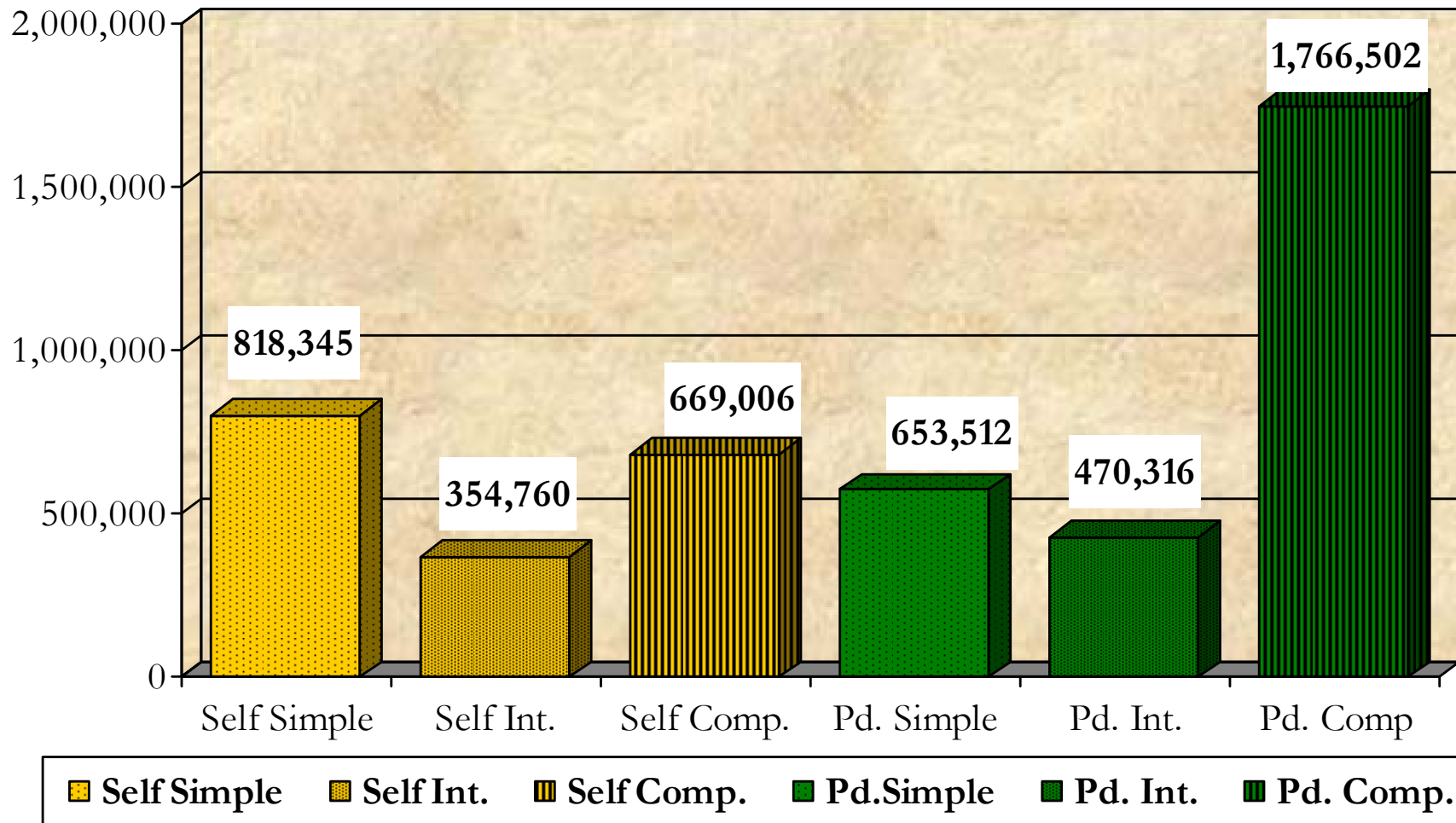
- For intermediate and complex returns (regardless of preparer type), the highest percentage have a refund of \$2,500 and over.
- For simple returns (regardless of preparer type), the highest percentage have a refund of \$500 - \$1,499.
- The paid-complex market segment has the highest percentage of returns with balance due (23.8%). In the self-complex market segment, 20.1% of returns have a balance due.

Figure 2: TY 2009 Return Volume Shares by Operating Division and Market Segment



Source: ETA IMF Marketing Database

Figure 3: TY 2009 Volume of Unpaid Balance Due Returns by Market Segment



Source: ETA Marketing Database

TY 2009 Direct Deposit Trends

- Intermediate returns had the highest direct deposit acceptance rates (77.0%) compared to any other type of return.
- The acceptance rates for simple and intermediate returns for self-prepared and paid-preparers are almost the same; except the acceptance rate for self-prepared complex returns (76.8%) is significantly higher than paid-preparer complex returns (58.0%).

Business Question # 3

- **What are the profiles of taxpayers for each of the six market segments (paid simple, paid intermediate, paid complex, self simple, self intermediate and self complex) for TY 2009?**
 - Analysis of attributes by market segment and filing method (ELF, Online, Free File and Free File Fillable Form, V-code, Hand-prepared), using the same demographic attributes identified in Business Question #2.

Findings for TY 2009 ELF and Online in the Six Market Segments

ELF

- 57.3% of ELF filers are between 25 and 54 years old; while 56.1% of all filers fall into this age group.
- 36.8% of all ELF filers are in the paid-intermediate market segment. Only 20.2% of all filers are in the paid-intermediate market segment.

Online

- 38.9% of all Online filers are in the self-intermediate market segment.
- 64.8% of all Online filers are in the 25 to 54 age group.

TY 2009 V-code Filing Percentages by AGI in the Six Market Segments

- In the simple return segments, the lower and middle AGI returns are more likely to be V-code.
- As return complexity increases and AGI increases above \$100,000, the percentage of V-code increases for both self-prepared and paid-preparer segments.

Table 6: TY 2009 V-code by AGI Range

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	V-code Volume
Self Simple	0.1%	49.5%	12.1%	11.8%	11.5%	9.6%	3.6%	1.8%	0.0%	3,326,232
Self Intermed.	1.1%	19.1%	9.0%	11.0%	13.4%	17.1%	12.4%	16.6%	0.3%	2,751,360
Self Complex	2.8%	23.1%	8.5%	8.7%	10.6%	13.1%	9.0%	19.4%	4.8%	3,210,023
Paid Simple	0.1%	44.9%	14.9%	12.6%	11.8%	10.2%	3.8%	1.7%	0.0%	3,595,334
Paid Intermed.	2.0%	20.4%	9.5%	11.2%	13.7%	17.9%	11.9%	13.1%	0.3%	3,858,506
Paid Complex	5.0%	19.6%	7.6%	8.3%	10.4%	13.6%	9.2%	18.7%	7.6%	9,056,179



Source: ETA Marketing Database

Table 7: TY 2009 V-code by Age Range

Market Segment	0 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 and Over	V-code Volume
Self Simple	32.8%	18.0%	11.9%	12.1%	9.7%	15.5%	3,326,232
Self Intermed.	8.9%	18.2%	17.1%	21.1%	17.3%	17.4%	2,751,360
Self Complex	7.5%	15.1%	18.2%	24.4%	20.3%	14.5%	3,210,023
Paid Simple	26.6%	17.0%	11.9%	11.5%	11.0%	22.1%	3,595,334
Paid Intermed.	8.0%	13.9%	14.5%	18.3%	17.5%	27.8%	3,858,506
Paid Complex	5.2%	10.1%	16.0%	22.7%	21.5%	24.6%	9,056,179

Source: ETA Marketing Database

Findings for TY 2009 Hand-Prepared in the Six Market Segments

- 37.5% of all hand-prepared returns are filed by taxpayers who are either under the age of 25 years or over 65 years.
- 87.8% of all hand-prepared returns are self-prepared. 50.1% of all hand-prepared returns are filed by the self-prepared, simple market segment.

Analysis of TY 2009 ELF, V-code and Hand-Prepared Returns by Market Segment and Filing Status

- The married filing joint return category has the highest number of ELF returns (14.1 million) in the paid-prepared complex market segment.
- The married filing joint return category has the highest number of V-code (5.2 million) in the paid-prepared complex market segment.
- The single taxpayer category has the highest number of hand-prepared (5.0 million) in the self-prepared simple market segment.

Business Question # 4

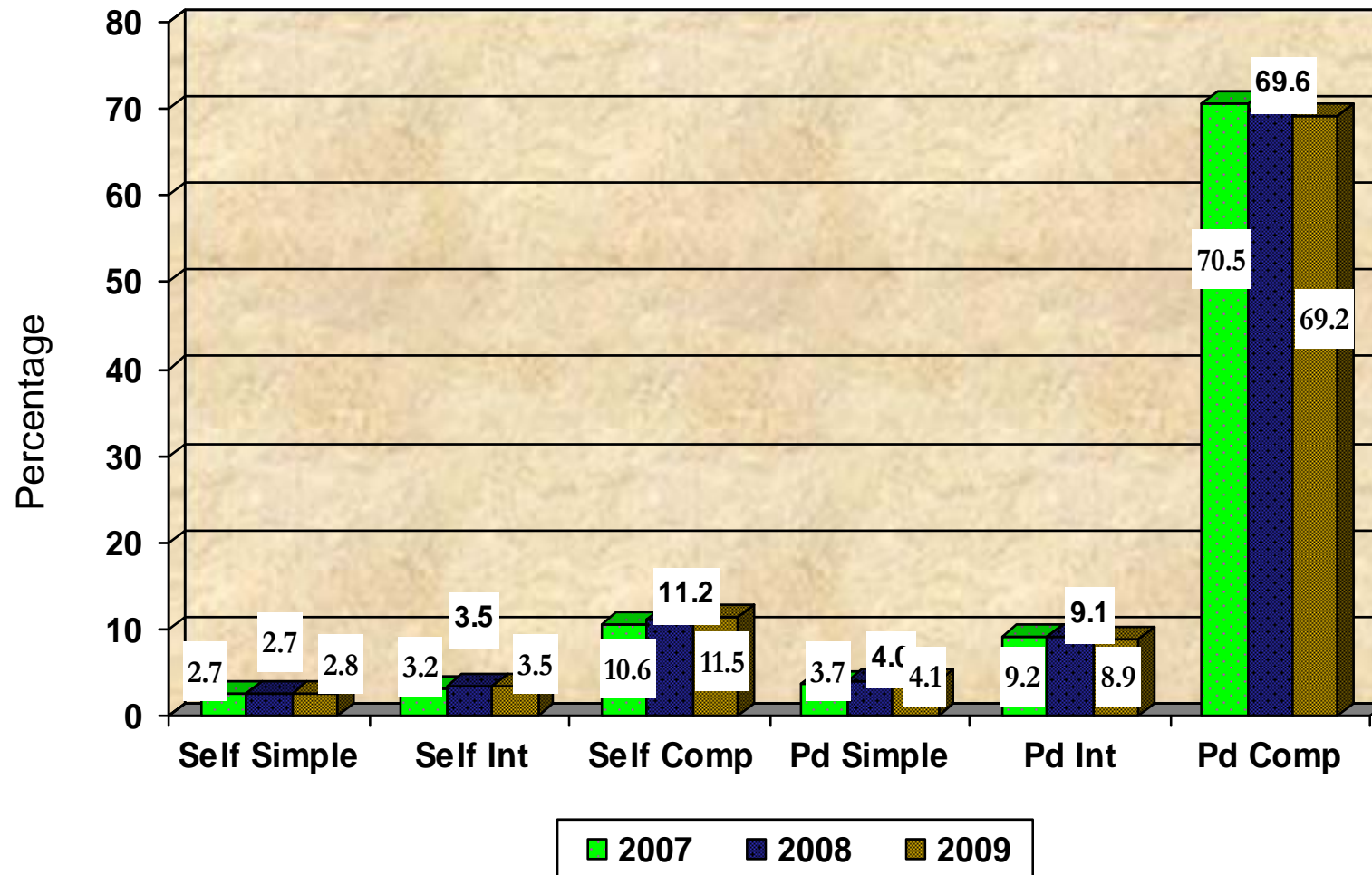
- **What are the differences in profiles of extension filers and last minute filers for TY 2007, 2008, and 2009?**
 - Last minute filers are defined as taxpayers whose returns have a transaction date of up to ten working days prior to the filing due date (April 15, or after if April 15 falls on a weekend). Extension filers are defined as taxpayers who filed Form 4868 (Extension of Time to File).

Table 8: Volume of Extension Filers by Tax Year

	TY 2007	TY 2008	TY 2009
Extension Filers	7,162,411	7,524,114	7,549,265
% Change	-	5.1%	0.3%

Source: ETA Marketing Database

Figure 4: TY 2007-TY2009 Extension Filers by Market Segment



Source: ETA Marketing Database

Table 9: Distribution of Extension Filers by Age and Tax Year

Age	TY 2007	TY 2008	TY 2009
0 to 24	7.6%	7.3%	6.5%
25 to 34	9.8%	9.7%	9.6%
35 to 44	18.8%	18.1%	17.6%
45 to 54	24.9%	24.7%	24.7%
55 to 64	20.5%	21.0%	21.7%
65 and Over	18.4%	19.2%	19.9%
Total	100.0% (7,162,411)	100.0% (7,524,114)	100.0% (7,549,265)

Source: ETA Marketing Database

Filing distribution among the different age groups remained fairly steady over the three years, with the most notable change being a marginal increase in older taxpayers filing extensions in TY 2009.

**Table 10 : Distribution of Extension Filers by
AGI Range and Tax Year**

Adjusted Gross Income	TY 2007	TY 2008	TY 2009
Negative AGI	5.2%	6.4%	7.2%
\$0 to \$17,000	18.5%	18.7%	19.0%
\$17,001 to \$25,000	5.8%	5.9%	6.1%
\$25,001 to \$35,000	6.5%	6.5%	6.7%
\$35,001 to \$50,000	8.7%	8.9%	9.0%
\$50,001 to \$75,000	12.5%	12.6%	12.7%
\$75,001 to \$100,000	9.4%	9.4%	9.4%
\$100,001 to \$250,000	20.9%	20.6%	20.2%
\$250,001 and Over	12.5%	11.1%	9.8%
Total	100.0% (7,162,411)	100.0% (7,524,114)	100.0% (7,549,265)

Source: ETA Marketing Database

Distribution among the AGI ranges remained fairly consistent over the three years, with the largest change being a 2.7 percentage point reduction in the volume of extension filers in the \$250,000 and over range.



Table 11: Distribution of Extension Filers by Balance Due/Refund and Tax Year

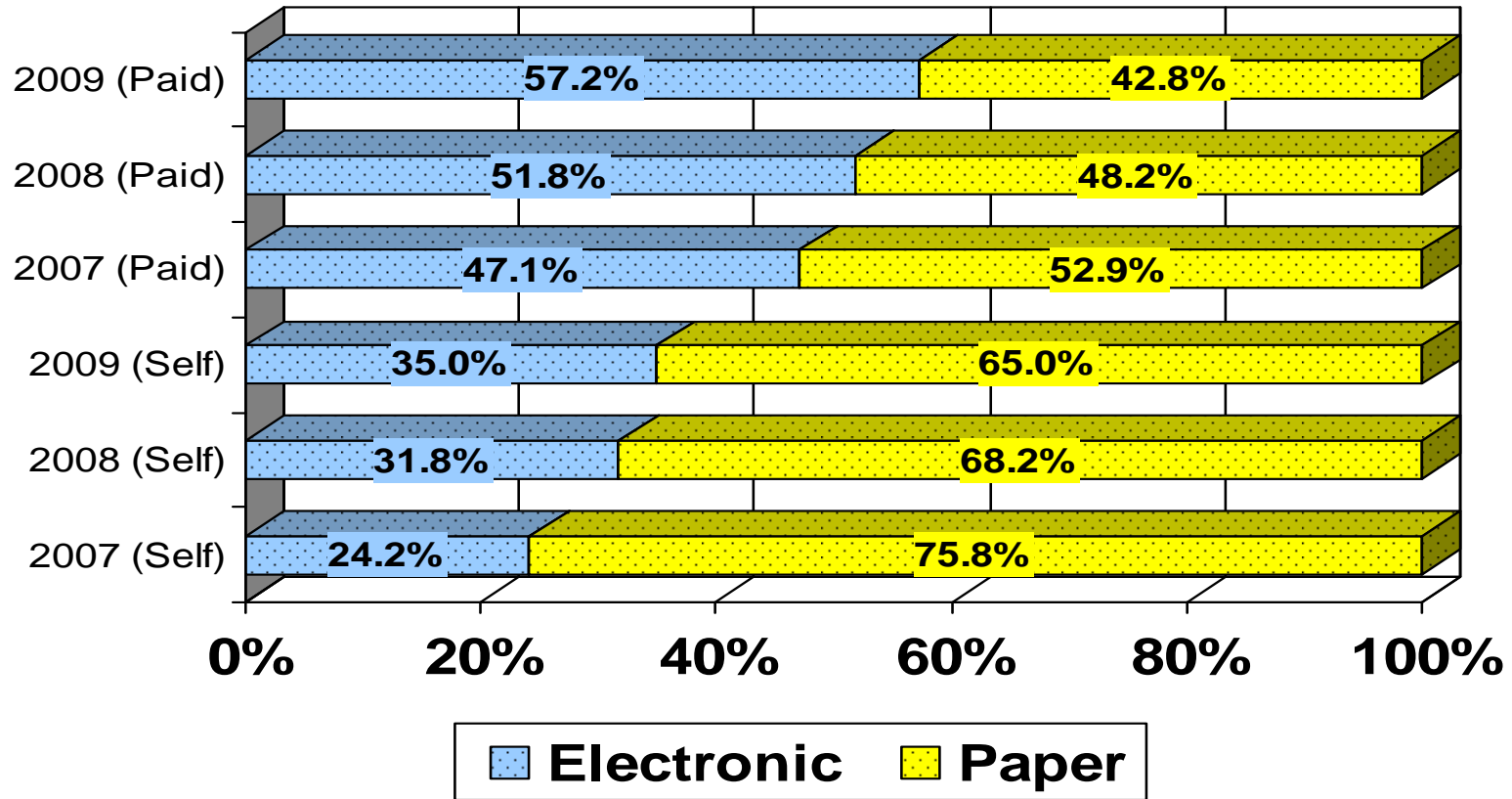
Balance Due or Refund Range	TY 2007	TY 2008	TY 2009
Balance Due \$2,500 and Over	15.2%	13.3%	12.9%
Balance Due \$1,500 - \$2,499	3.8%	3.3%	3.3%
Balance Due \$500 - \$1,499	6.3%	5.5%	5.5%
Balance Due Under \$500	6.7%	5.6%	6.0%
Even Returns	7.7%	8.0%	8.9%
Refund Under \$500	11.7%	11.3%	10.7%
Refund \$500 - \$1,499	11.9%	12.2%	12.0%
Refund \$1,500 -\$2,499	7.3%	7.8%	7.8%
Refund \$2,500 and Over	29.5%	33.0%	33.0%
Total	100.0% (7,162,411)	100.0% (7,524,114)	100.0% (7,549,265)

Source: ETA Marketing Database



Nearly two-thirds of Extension returns filed were owed a refund in each of the previous three years.

Figure 5: Extension Filers: Paper* vs. Electronic**

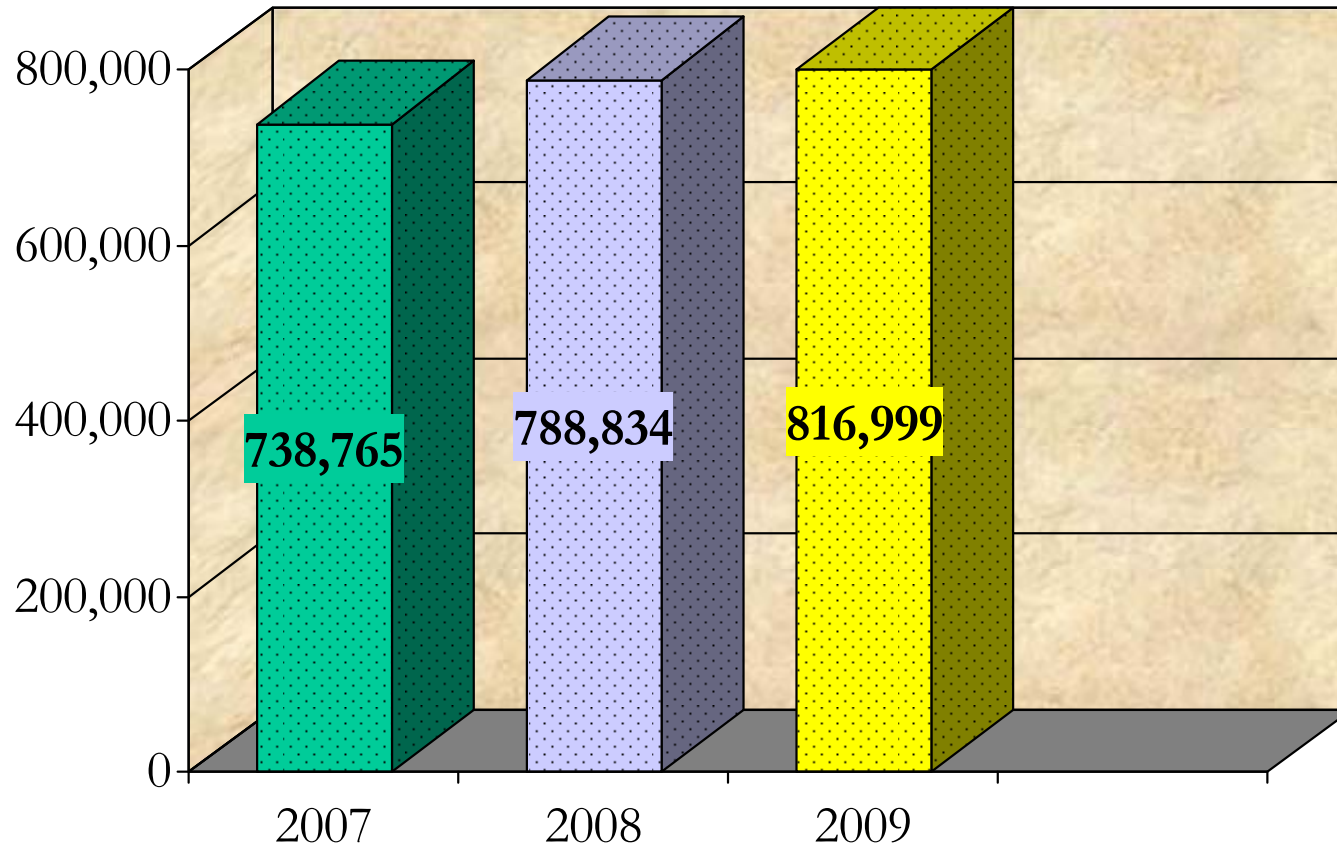


Source: ETA Marketing Database

*Paper Returns include V-code and True Paper.

**Electronic Returns include ELF, Online, Free File and FFFF.

Figure 6: Volume of Extension Filers with Unpaid Balance: TY 2007 to TY 2009



Source: ETA Marketing Database

Extension Filer Trends

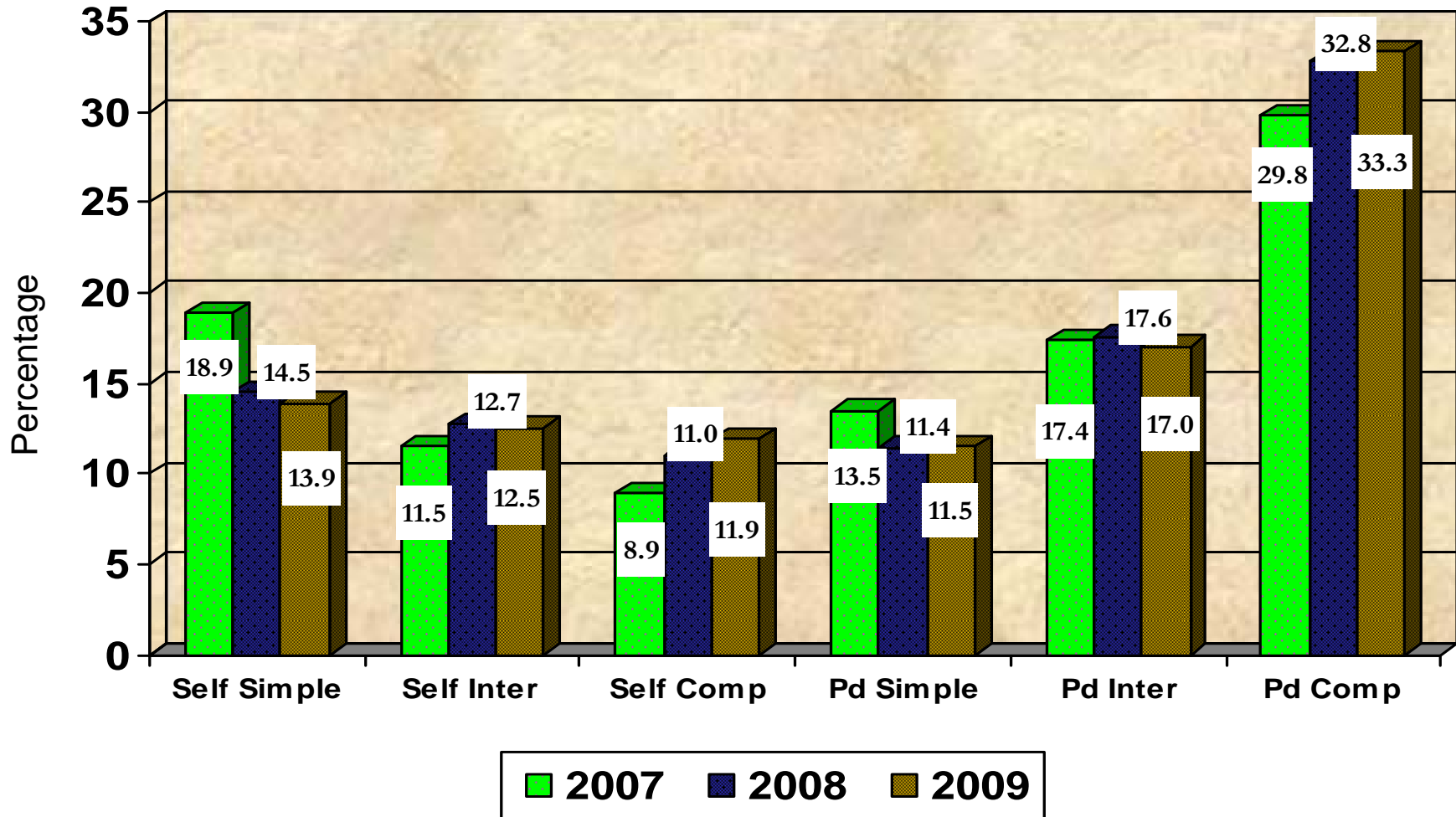
- In TY 2009, 36.5% of simple, self-prepared extension returns were paper (compared to 40.2% in TY 2007).
- 52.7% and 53.7% of extension filers repeated in 2008 and 2009, respectively.
- 34.4% of 2007 extension filers filed a return without an extension in 2008. This increased marginally to 34.5% of 2008 extension filers who filed in 2009.

Table 12: Volume of Last Minute Filers by Tax Year

	TY 2007	TY 2008	TY 2009
Last Minute Filers	24,218,395	22,579,598	22,769,201
% Change	-	-6.8%	0.8%

Source: ETA Marketing Database

Figure 7 : TY 2007-2009 Last Minute Filers by Market Segment



**Table 13: Distribution of Last Minute Filers
by Age and Tax Year**

Age	TY 2007	TY 2008	TY 2009
0 to 24	14.4%	14.7%	13.3%
25 to 34	14.8%	15.3%	15.5%
35 to 44	15.7%	15.8%	15.6%
45 to 54	18.4%	19.0%	19.2%
55 to 64	15.5%	16.3%	17.0%
65 and Over	21.2%	18.9%	19.3%
Total	100.0% (24,218,395)	100.0% (22,579,598)	100.0% (22,769,201)

Source: ETA Marketing Database

**Table 14: Distribution of Last Minute Filers
by AGI Range and Tax Year**

Adjusted Gross Income	TY 2007	TY 2008	TY 2009
Negative AGI	1.2%	1.6%	1.9%
\$0 to \$17,000	32.3%	25.5%	25.7%
\$17,001 to \$25,000	8.1%	8.3%	8.7%
\$25,001 to \$35,000	8.9%	9.1%	9.3%
\$35,001 to \$50,000	11.0%	11.6%	11.7%
\$50,001 to \$75,000	13.4%	14.7%	14.7%
\$75,001 to \$100,000	9.0%	10.1%	9.9%
\$100,001 to \$250,000	13.5%	16.0%	15.4%
\$250,001 and Over	2.6%	3.0%	2.7%
Total	100.0% (24,218,395)	100.0% (22,579,598)	100.0% (22,769,201)

Source: ETA Marketing Database

AGI ranges remained fairly steady over the three year period, with the most notable change being a 6.6 percentage point reduction in AGI between \$0 and \$17,000 from TY 2007 to TY 2009.

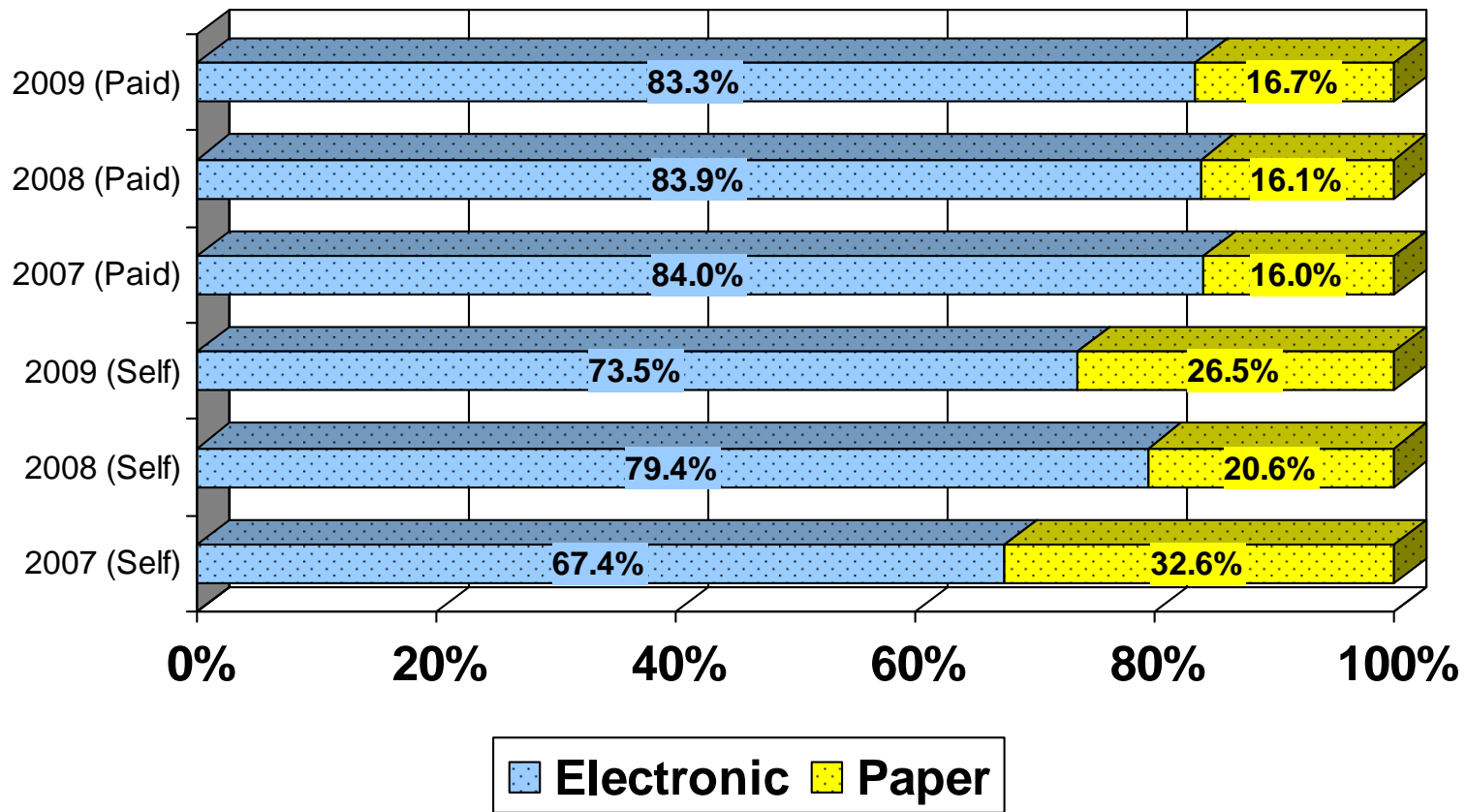
Table 15: Distribution of Last Minute Filers by Balance Due/Refund Range and Tax Year

Balance Due or Refund Range	TY 2007	TY 2008	TY2009
Balance Due \$2,500 and Over	7.2%	6.5%	6.3%
Balance Due \$1,500 - \$2,499	2.9%	2.7%	2.7%
Balance Due \$500 - \$1,499	5.9%	5.7%	5.6%
Balance Due Under \$500	7.4%	7.1%	7.6%
Even Returns	11.7%	4.9%	5.6%
Refund Under \$500	18.8%	18.3%	15.9%
Refund \$500 - \$1,499	19.0%	20.8%	20.7%
Refund \$1,500 - \$2,499	9.1%	10.7%	11.1%
Refund \$2,500 and Over	18.0%	23.3%	24.6%
Total	100.0% (24,218,395)	100.0% (22,579,598)	100.0% (22,769,201)

Source: ETA Marketing Database

On average over the three years, more than two-thirds of returns filed Last Minute were owed a refund

Figure 8: Last Minute Filers: Paper* vs. Electronic**

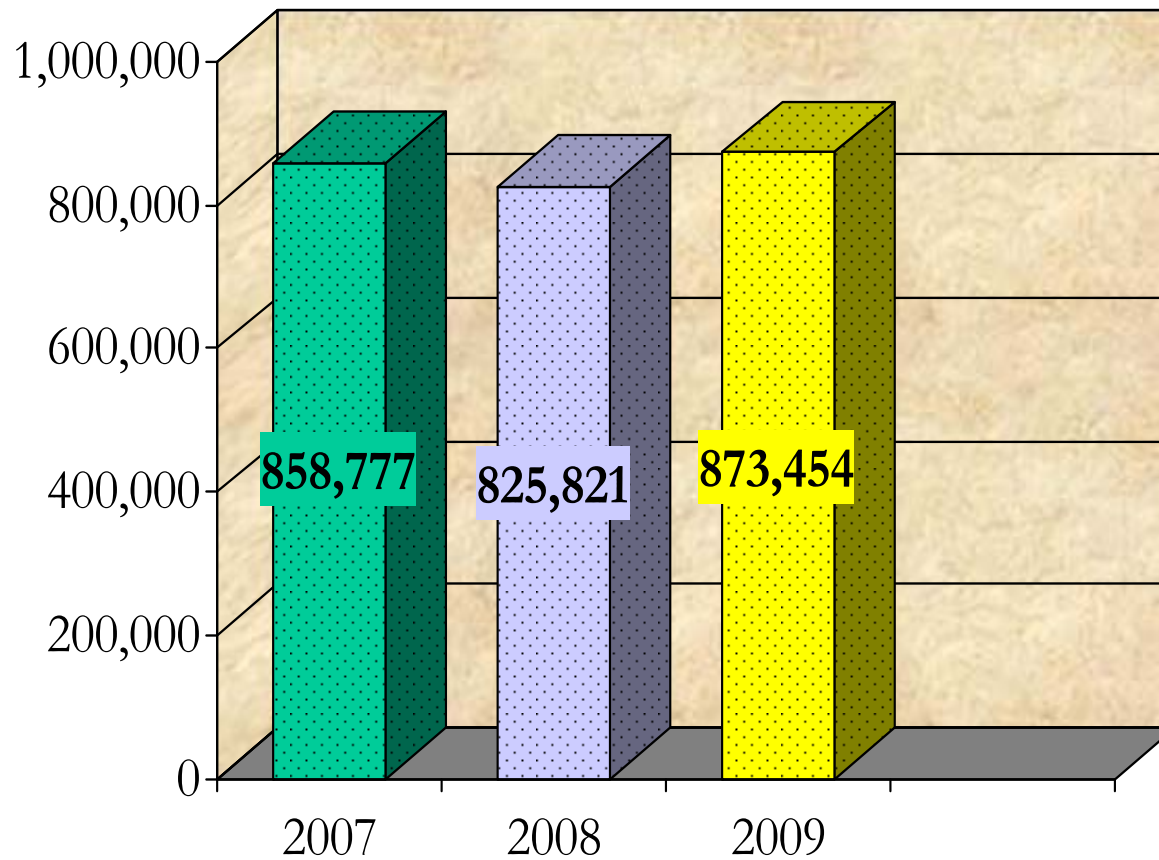


Source: ETA Marketing Database

*Paper Returns include V-code and True Paper.

**Electronic Returns include ELF, Online, Free File and FFFF.

Figure 9: Volume of Last Minute Filers with Unpaid Balance: TY 2007 to TY 2009



Source: ETA Marketing Database

Last Minute Filer Trends

- 31.7% of the TY 2007 last minute filers repeated, while 34.3% filed more than ten days before the filing deadline in TY 2008. 18.4% of TY 2007 last minute filers filed after the deadline in TY 2008. These trends were similar from TY 2008 to TY 2009.
- Paid-preparers filing last minute continue to use electronic means. On average over the three years, 80.0% used ELF.
- Electronic channel use among self-prepared last minute filers increased from 67.4% in TY 2007 to 73.5% in TY 2009.

Table 16: Comparison of Extension Filers to Last Minute Filers for TY 2007

Category	Extension Filers	Last Minute Filers	TY 2007 Total Filing Population
Age			
35 to 44	18.8%	15.7%	17.5%
45 to 54	24.9%	18.4%	18.0%
55 to 64	20.5%	15.5%	13.7%
AGI			
\$0 to \$50,000	39.5%	60.3%	66.9%
\$50,001 to \$100,000	21.8%	22.5%	20.3%
\$100,001 and Over	33.4%	16.1%	11.8%
Filing Status			
Joint Return	53.3%	40.1%	36.5%
Market Segment			
Paid Complex	70.5%	29.8%	23.6%
Tax Liability			
Refund	65.5%	64.9%	72.0%
Balance Due Not Paid	10.3%	3.5%	3.2%



Source: ETA Marketing Database

Table 17: Comparison of Extension Filers to Last Minute Filers for TY 2008

Category	Extension Filers	Last Minute Filers	TY 2008 Total Filing Population
Age			
35 to 44	18.1%	17.8%	17.9%
45 to 54	24.7%	20.3%	18.6%
55 to 64	21.0%	15.3%	14.0%
AGI			
\$0 to \$50,000	29.9%	21.9%	64.0%
\$50,001 to \$100,000	22.0%	24.8%	21.9%
\$100,001 and Over	31.7%	19.0%	12.8%
Filing Status			
Joint Return	53.4%	43.1%	37.9%
Market Segment			
Paid Complex	69.6%	32.8%	25.3%
Tax Liability			
Refund	64.3%	73.1%	81.0%
Balance Due Not Paid	10.5%	3.7%	3.3%



Wage and Investment

Source: ETA Marketing Database

Table 18: Comparison of Extension Filers to Last Minute Filers for TY 2009

Category	Extension Filers	Last Minute Filers	TY 2009 Total Filing Population
Age			
35 to 44	17.6%	15.6%	17.8%
45 to 54	24.7%	19.2%	18.8%
55 to 64	21.7%	17.0%	14.6%
AGI			
\$0 to \$50,000	40.8%	55.4%	64.5%
\$50,001 to \$100,000	22.1%	24.6%	21.0%
\$100,001 and Over	29.9%	18.2%	12.5%
Filing Status			
Joint Return	53.6%	43.3%	38.5%
Market Segment			
Paid Complex	69.2%	33.3%	26.0%
Tax Liability			
Refund	64.3%	73.1%	81.0%
Balance Due Not Paid	10.8%	3.8%	3.5%

Summary of Findings

Repeat Filing and Inter-Modal Migration:

- 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 2005 – TY 2009, repeat rates on ELF are highest for each base year. Combined Online and Free Filing repeat rates are the next highest for each base year, followed by the V-code repeat rate. The hand-prepared repeat rate is lowest among the filing methods.
- The migration rate to V-code from other filing methods is highest. The migration rate from V-code to ELF is much higher than V-Code migration to combined Online and Free File.
- The lowest migration rate is to hand-prepared from other filing methods.

Summary of Findings (cont'd.)

Extension Filers:

- Of the self-prepared extension filers who hand-prepared, most filed simple returns.
- Though the repeat rate remained almost the same over three years (average 53.2%), the total number of extension filers increased from 3.8 million in TY 2007 to 4.0 million in TY 2009.
- Over two-thirds of extension filers are paid-complex.

Last Minute Filers:

- Paid-preparers filing last minute continue to use electronic means. On average over the three years, 80.0% used ELF.
- Electronic channel use among self-preparing last minute filers increased from 67.4% in 2007 to 73.4% in 2009.
- Almost one-third of last minute filers are paid-complex.

Approval Page

Approval Statement:

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