

FY 06 NATIONWIDE ANALYSIS

**Electronic Tax Administration
Business Master File Marketing Database**

SB/SE Research

March 2006

Publication 4425 (3/2006)

Project: ID BKN0045

Catalog No: 39407D

Forward

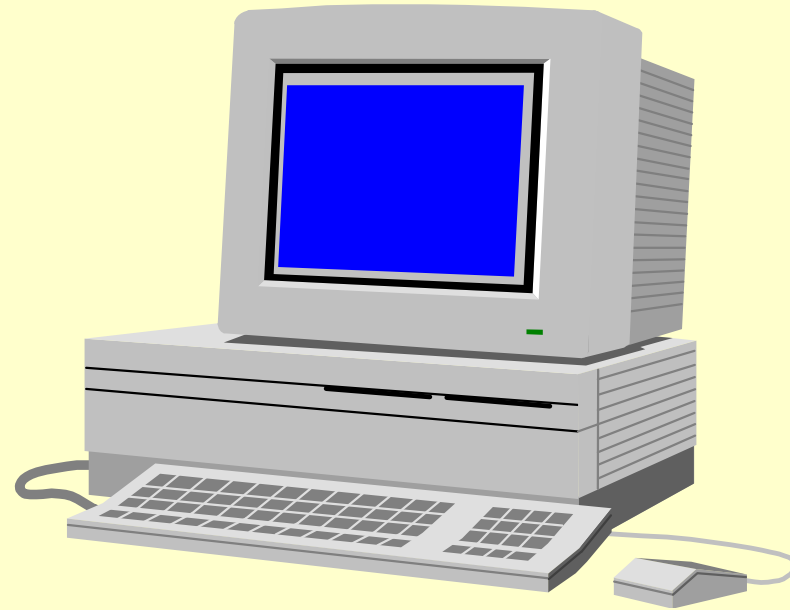
The Annual BMF Nationwide Analysis is similar to a State of the Union presentation for Electronic Tax Administration (ETA). It tells those involved in the ETA effort for business returns what has been accomplished and what still needs to be done.

The format of the Nationwide Analysis Research Report is different from most research reports. The entire product encompasses a collection of PowerPoint presentations along with a standard format Executive Overview. We include a separate standalone presentation (report) for each form series that we have researched. This format provides the customer with ready made presentations which can be offered to groups within the IRS or externally to tax practitioners.

This presentation provides a project summary with highlights from the other reports. The next three slides present contact information, data sources, and forms included in our research project. The remaining slides contain the project highlights.

Primary Data Sources

- All business tax returns filed for Processing Year 2005
- Returns processed through December 31, 2005 (cycle 200552)
- The BMF ETA Marketing Database contains variables from the TRDB (Tax Return Data Base) and TeleFile databases as well as the BRTF (Business Returns Transaction File)
- Includes over 30 million entities



Forms Studied

- **Form 940—Employer's Annual Federal Unemployment Tax Return**
- **Form 941—Employer's Quarterly Federal Tax Return**
- **Form 990—Exempt Organization Income Tax Return**
- **Form 1041—Fiduciary Income Tax Return**
- **Form 1065—Return of Partnership Income**
- **Form 1120—Corporation Income Tax Return**
- **Form 1120S—Small Business Corporation Income Tax Return**

Form 1120S Filers

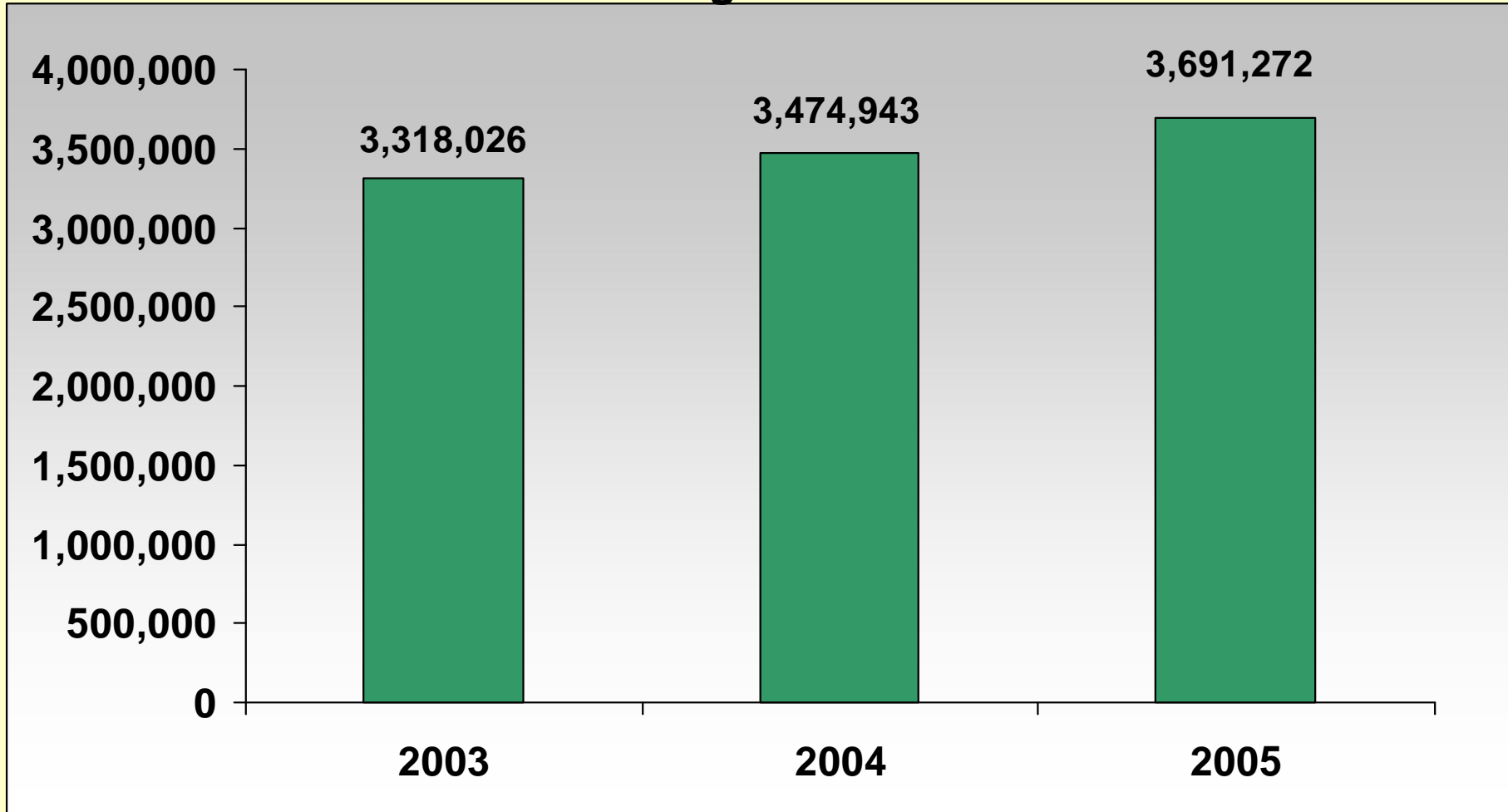
Small Business Corporation
Income Tax Return

Processing Year 2005

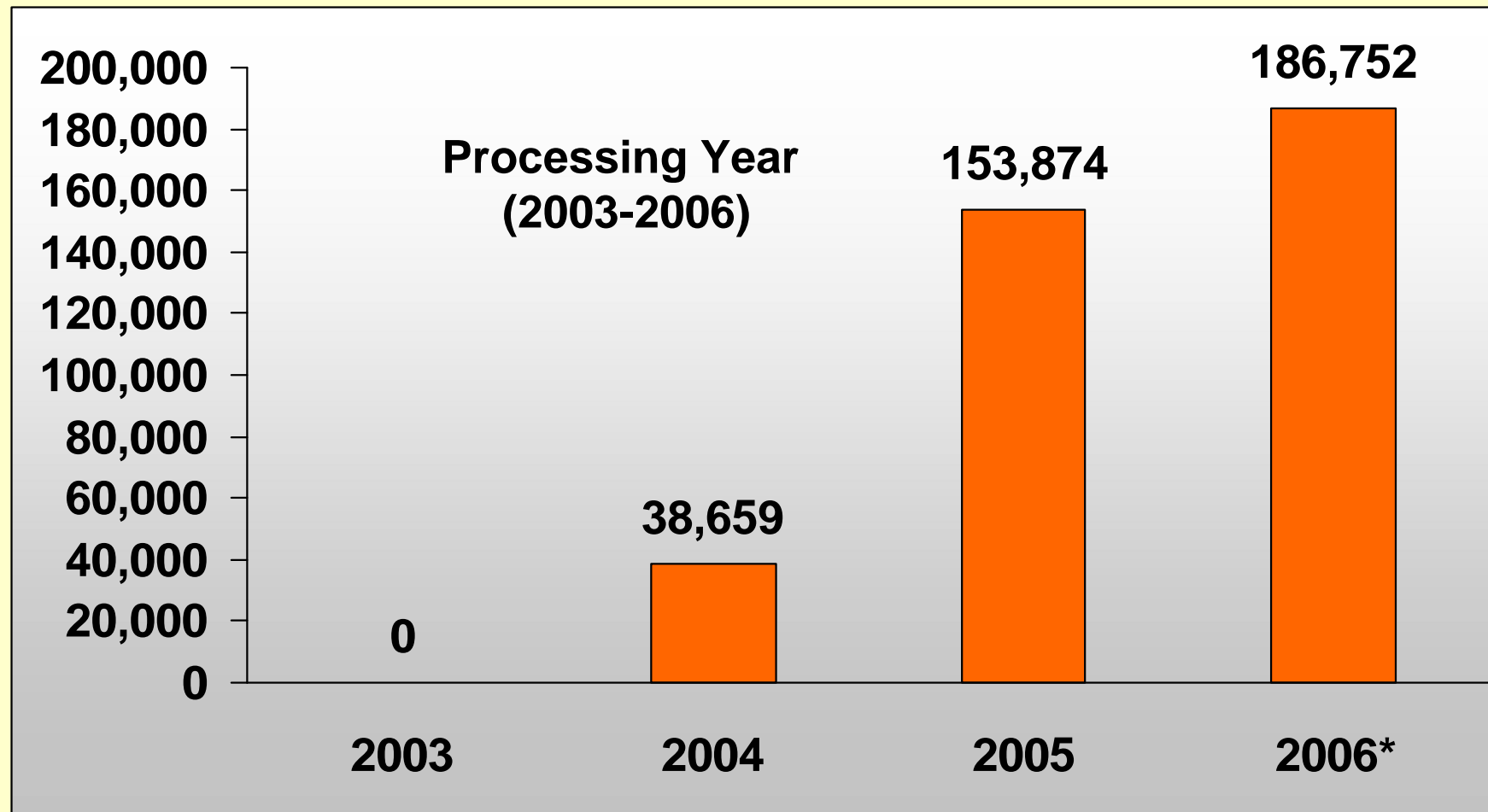


Form 1120S Annual Filing Volume

Processing Years 2003-2005



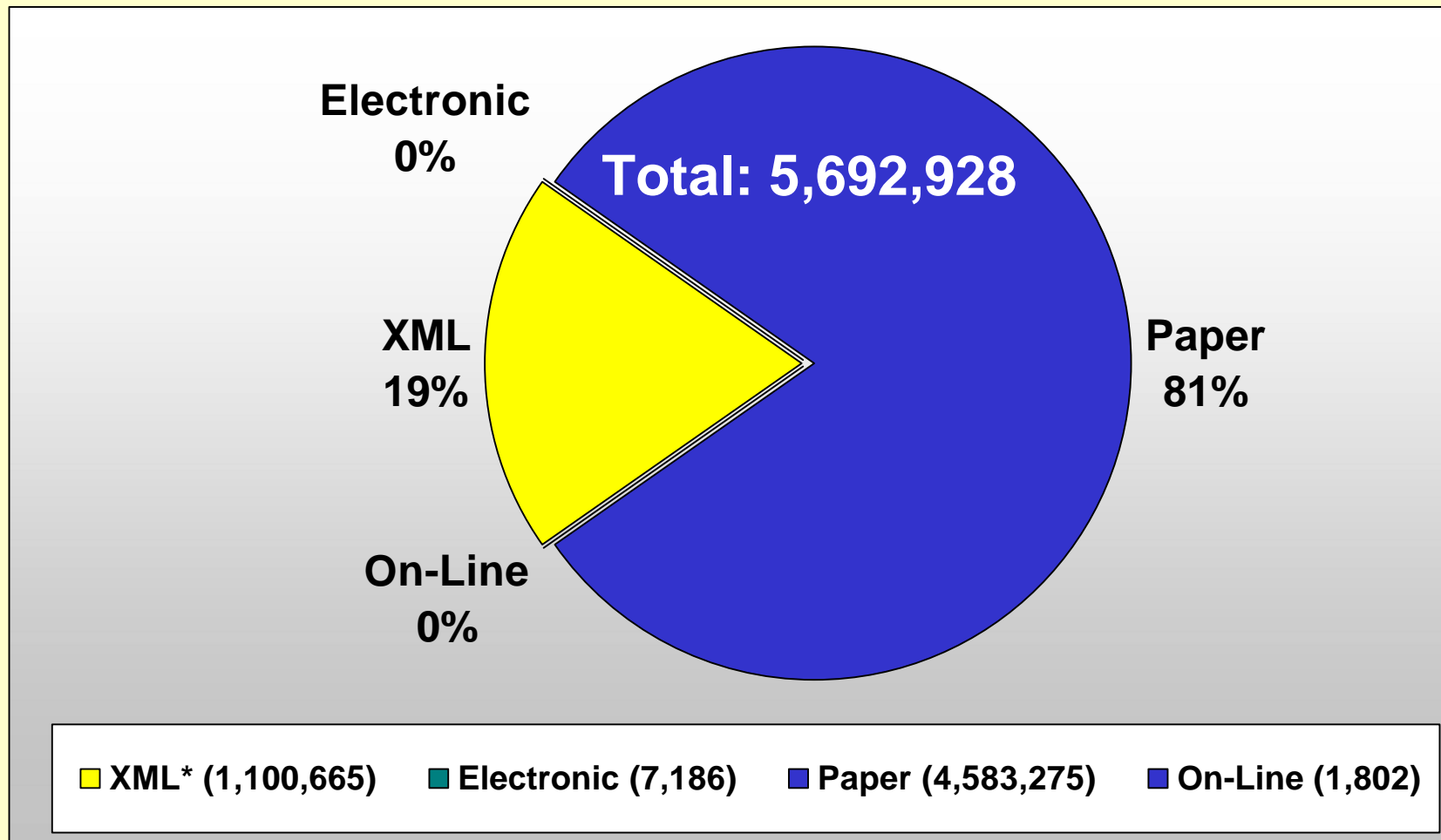
Annual Filing Volume for *e-file* Form 1120S



*As of 3/26/06

7

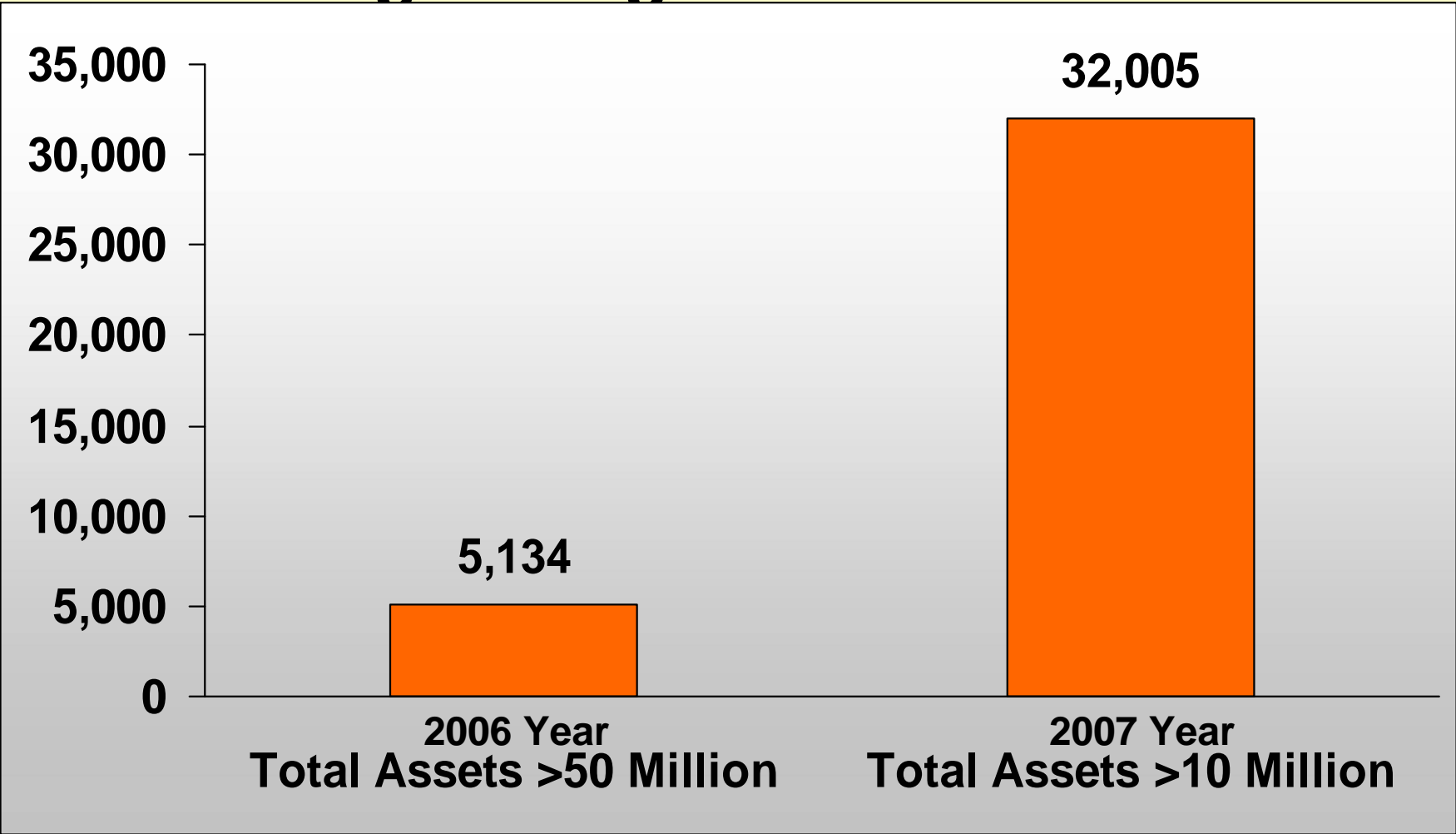
Forms 941 Volume – 3rd Quarter



* XML - modernized e-file/ prepared by either a preparer or taxpayer | Electronic - traditional e-file/preparer prepared | Online - traditional e-file/taxpayer prepared

Third Quarter 2005

Form 1120S Taxpayers Impacted by Mandating *e-filing* for Asset Thresholds



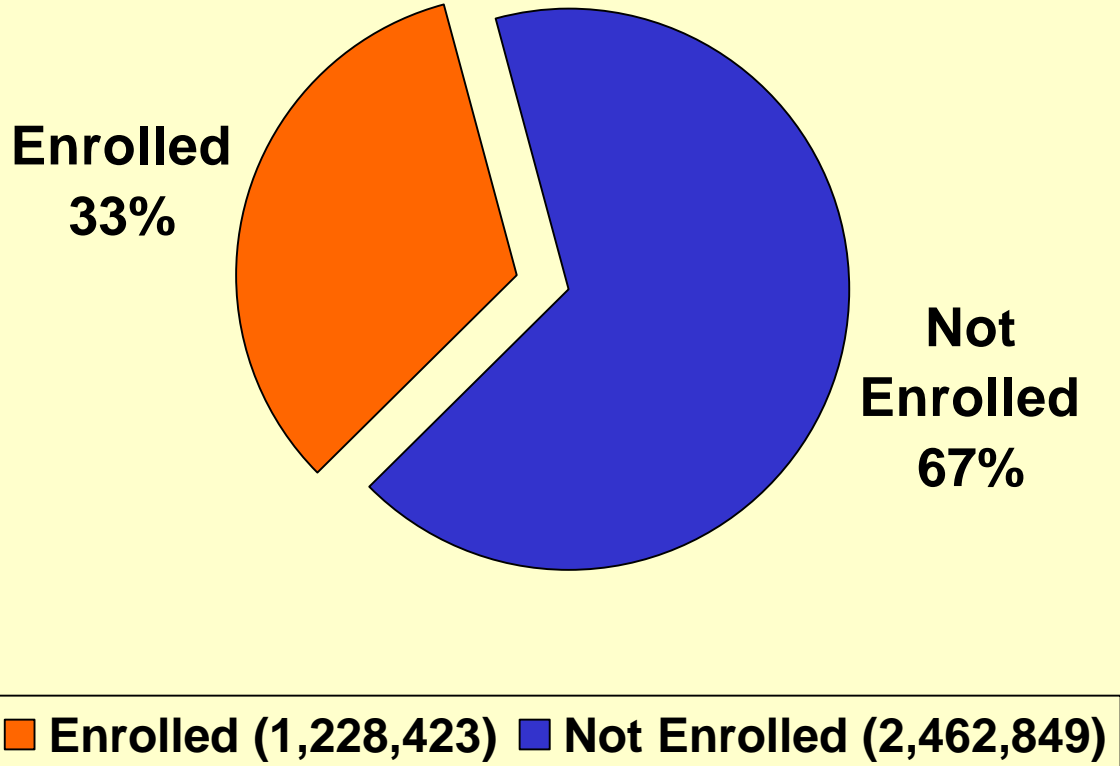
The electronic filing requirements only apply to entities that file at least 250 returns, including income tax, excise tax, information and employment tax returns, during a calendar year.

IRS Mandated Returns

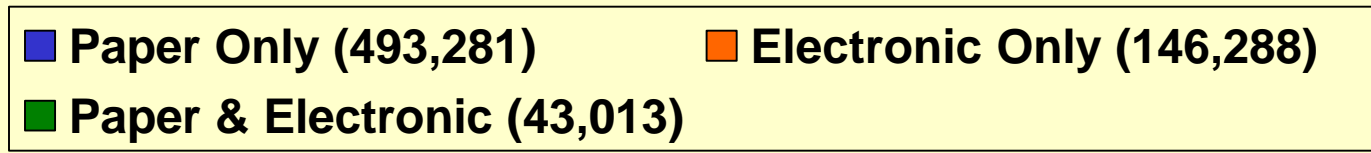
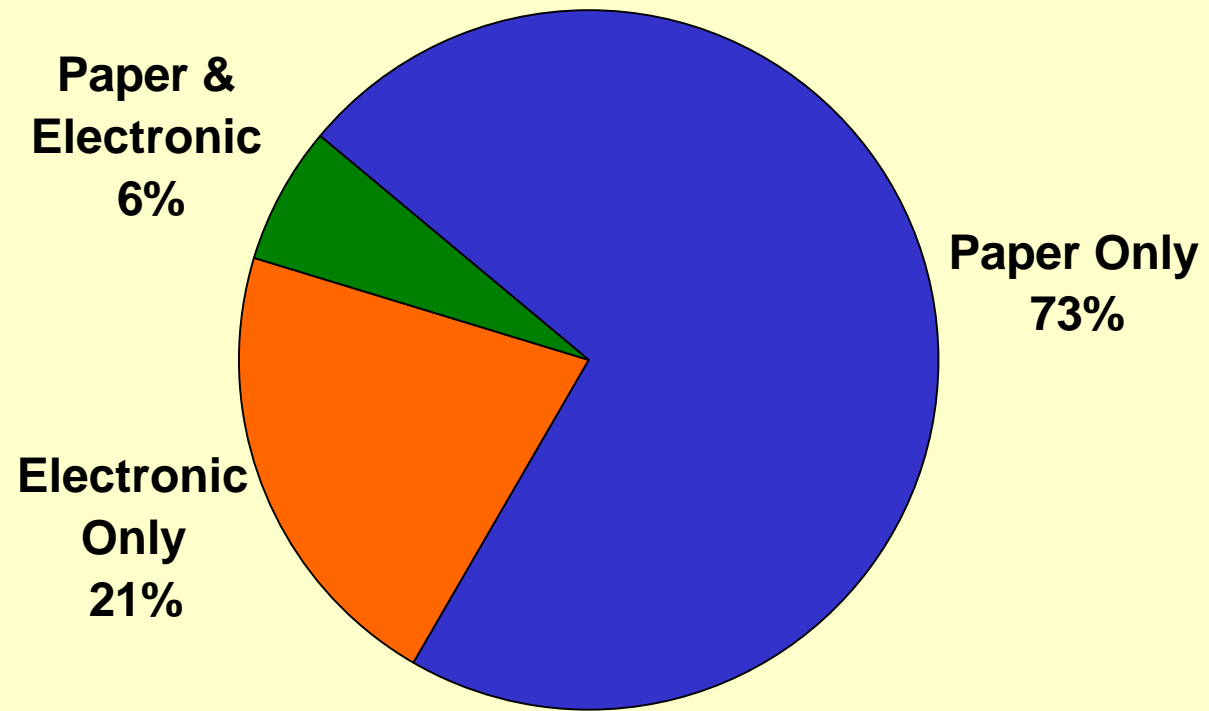
- The IRS has mandated that any Form 1065 with over 100 partners must be submitted electronically; only 7% of 1065 returns (180K) were e-filed in PY 2005.
- IRS is has mandated corporations with total assets of \$50 million or more must file their Forms 1120 and 1120S electronically.
- If the Service mandated that all preparers who file over 100 business returns transmit them electronically to the IRS, we estimate the following *e-file* volume based on PY 2004 filings:
 - Form 1065: 687,000 returns (27% of all Partnerships)
 - Form 1120: 365,000 returns (16% of all Corporations)
 - Form 1120S: 990,000 returns (28% of all S-Corps)

Form 1120S Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

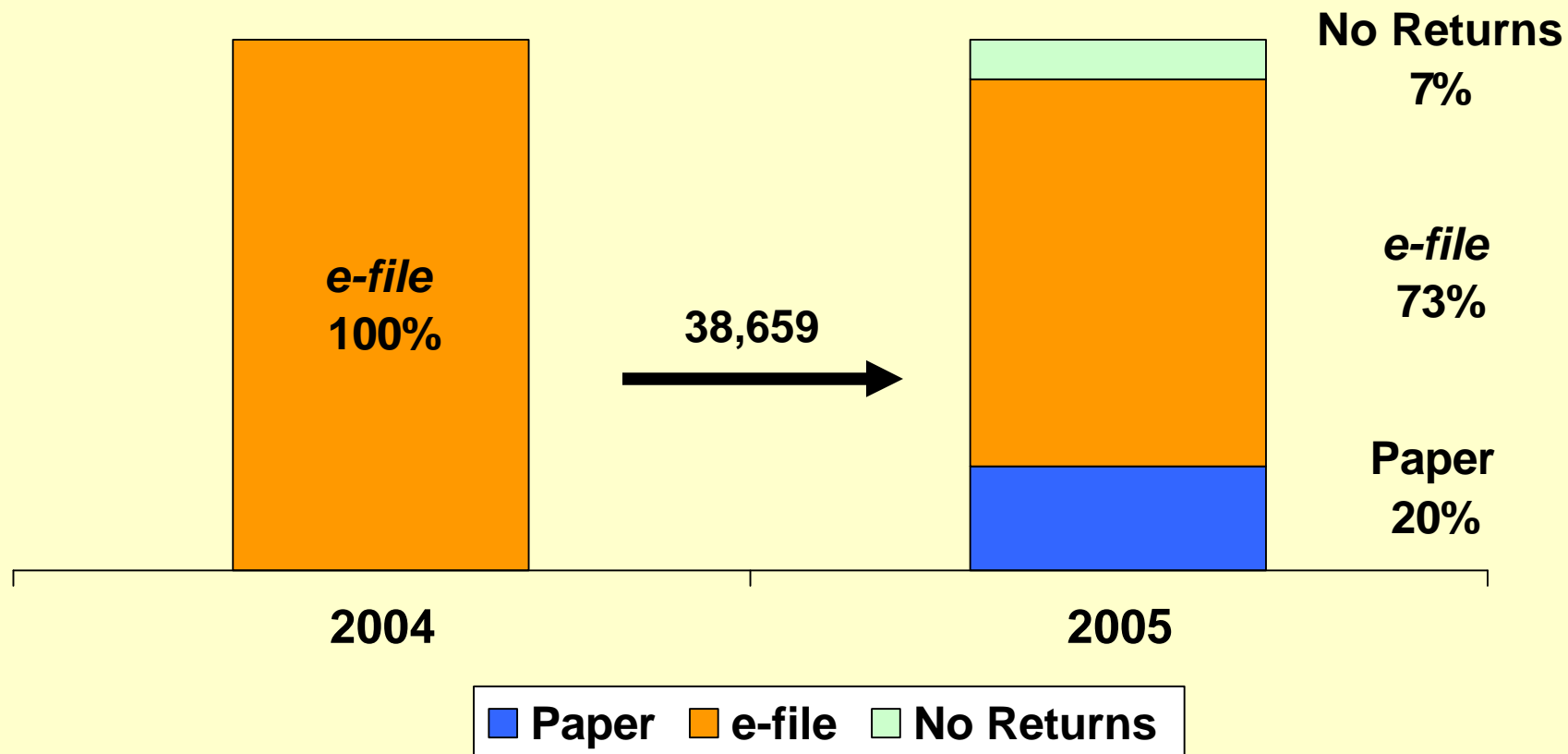
Processing Year 2005



Total Number of 1120 Series Taxpayers Making Payments



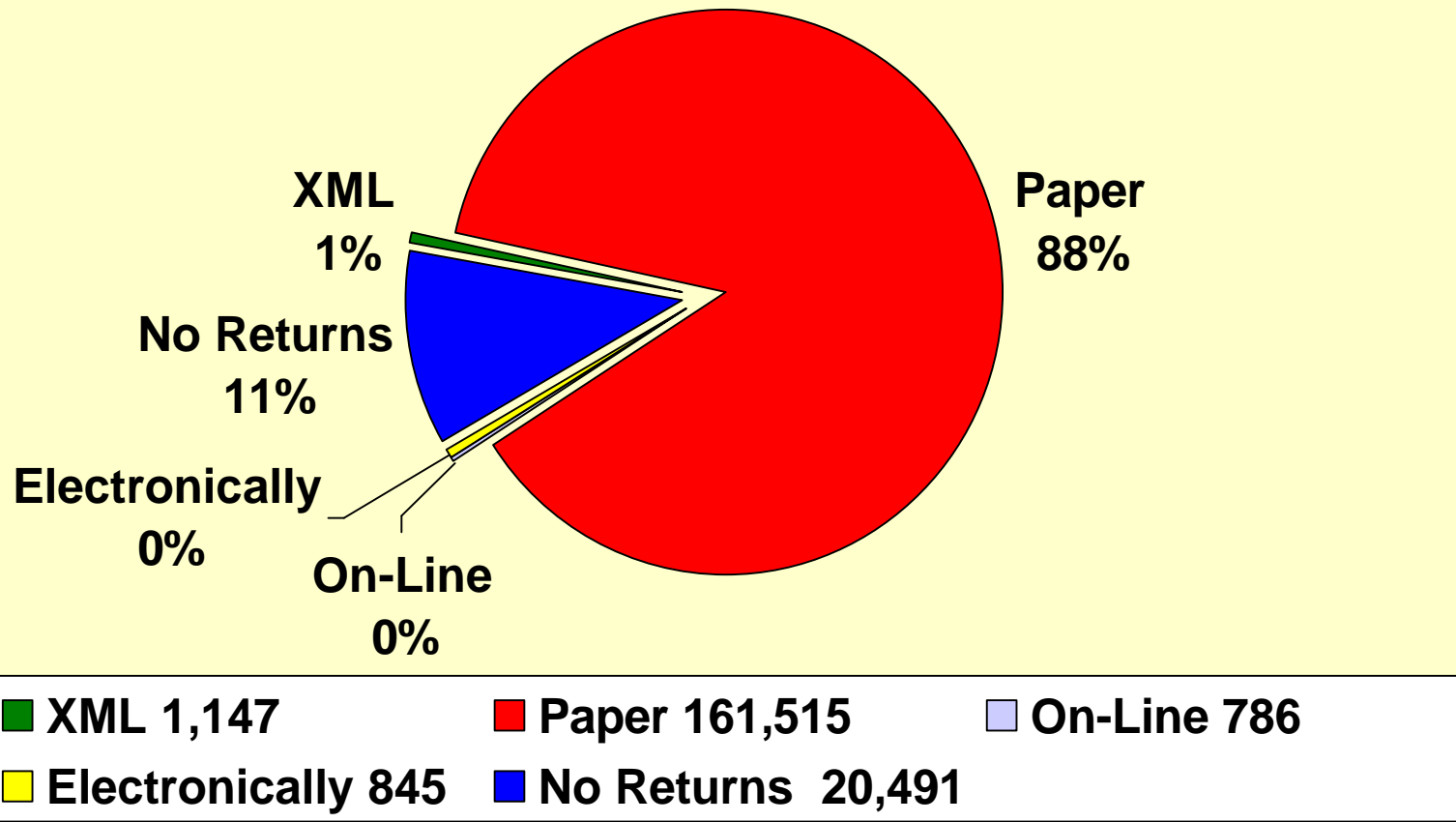
e-file Migration Between Filing Options



73% of Form 1120S *e-file* Users Remained Loyal¹³

Source: 2005 ETA Marketing Database

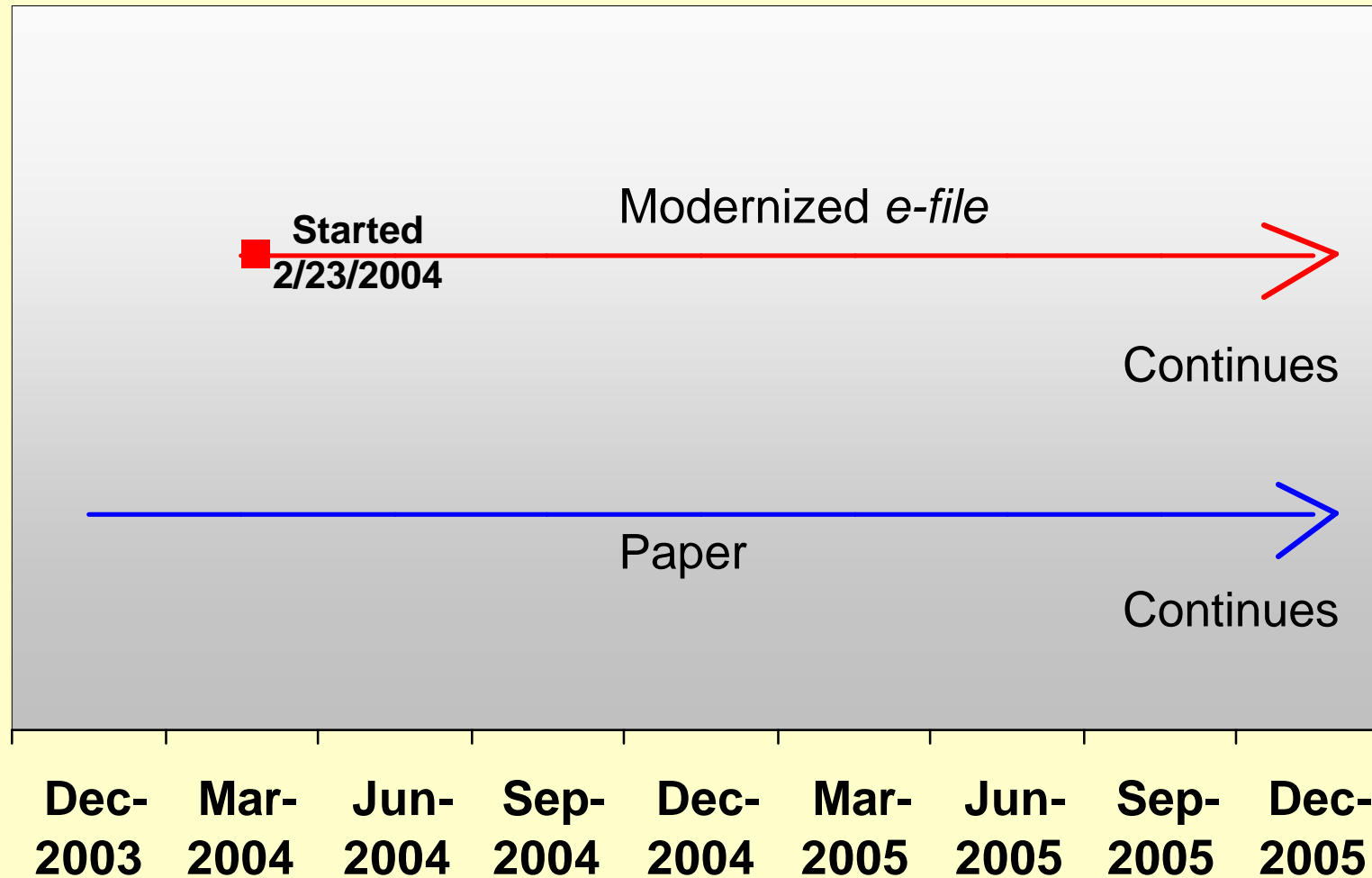
Forms 941: Telefile Migration to New Filing Options



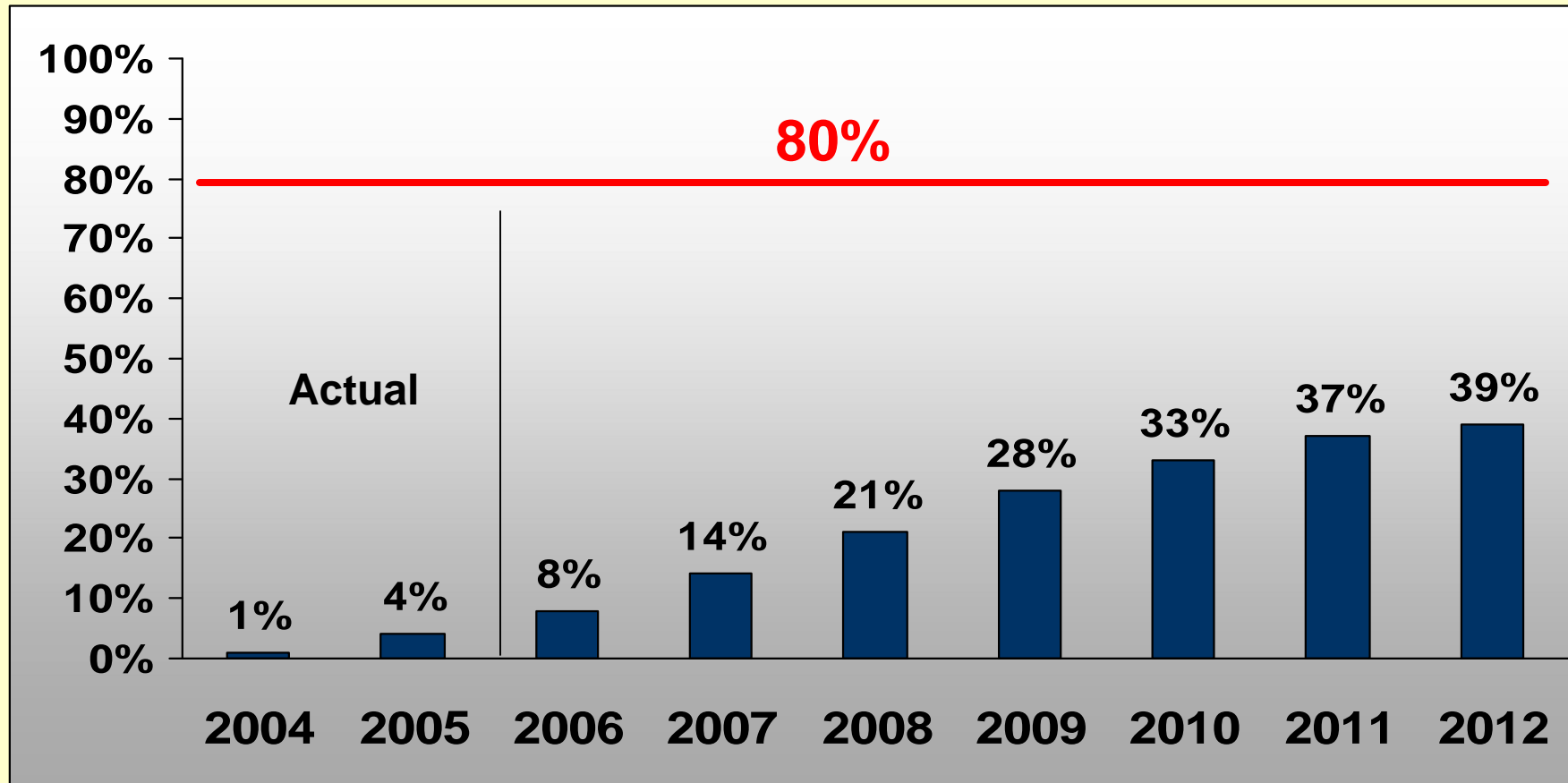
1.5% of Telefile Users Migrated to e-file

Source: 2005 ETA Marketing Database

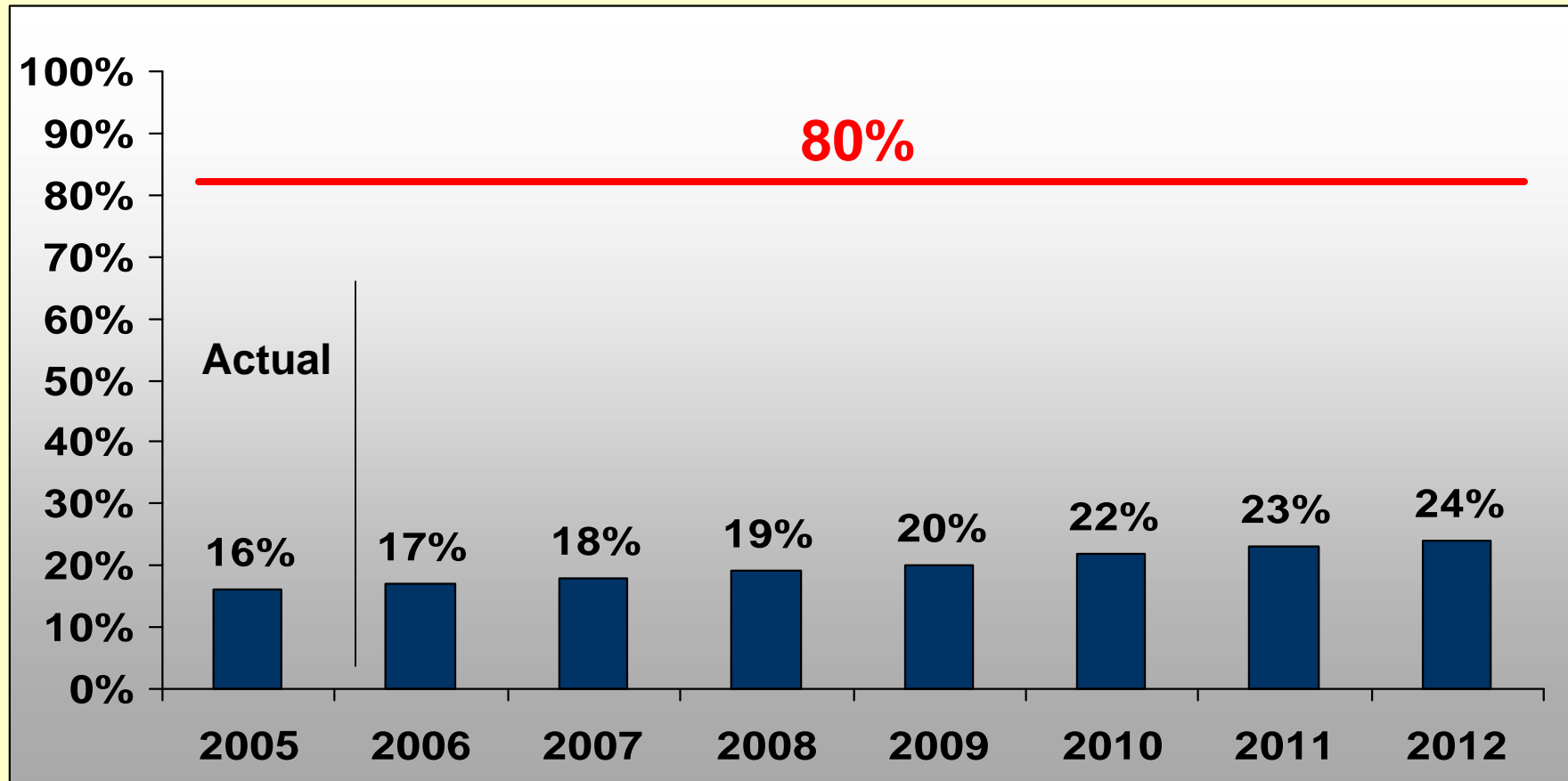
Form 1120S: Implementation Schedule



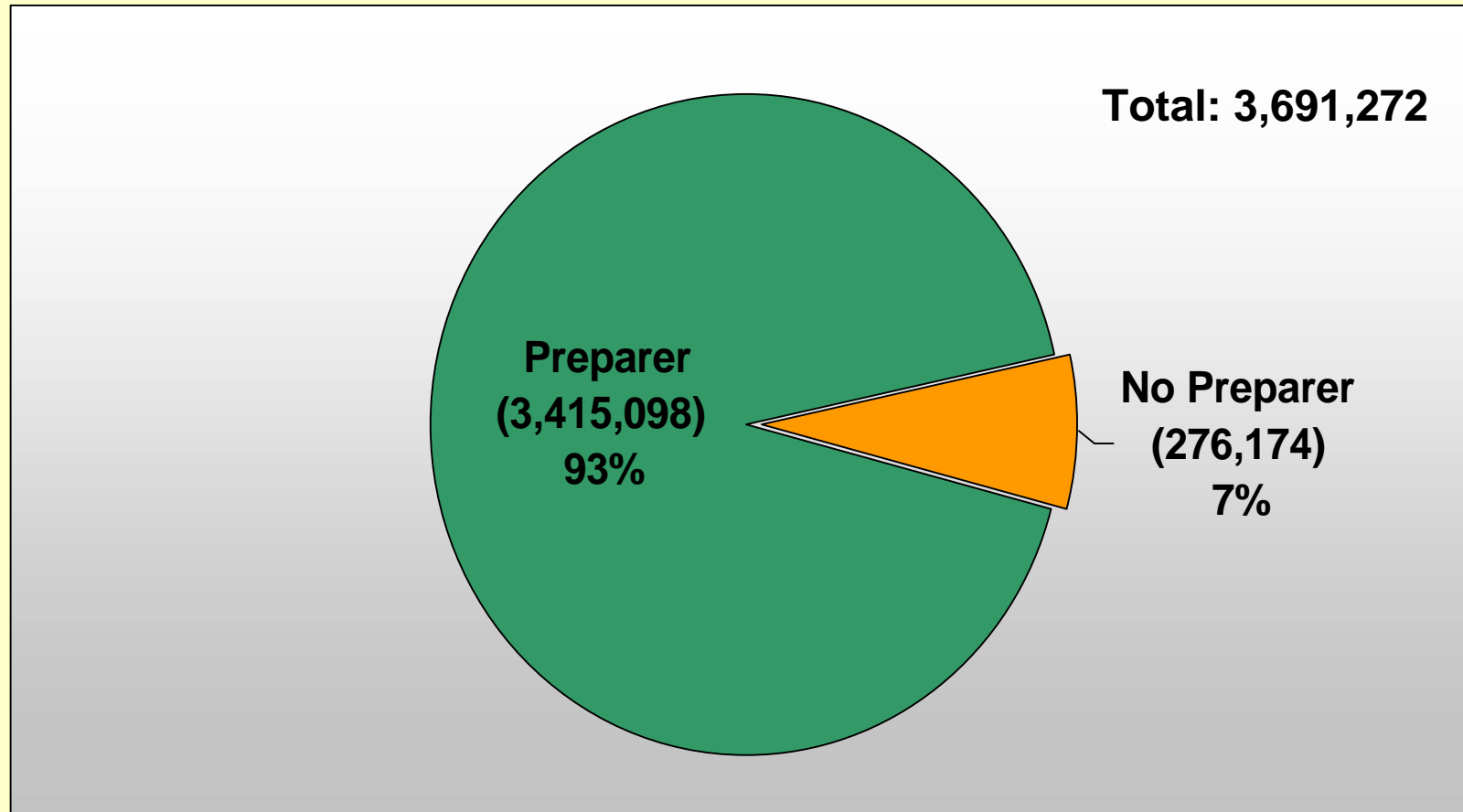
Form 1120S Projected *e-file* Penetration Rate



Form 940 Projected *e-file* Penetration Rate

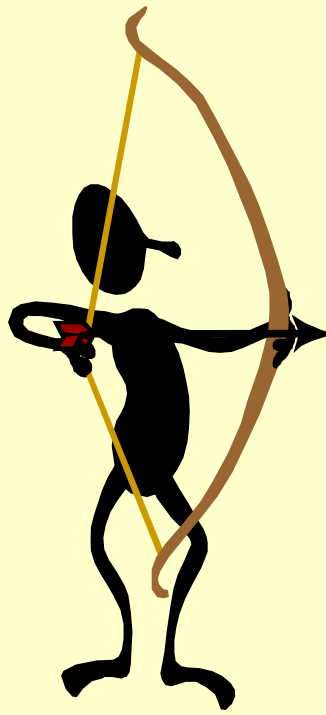


Form 1120S Preparer/No Preparer



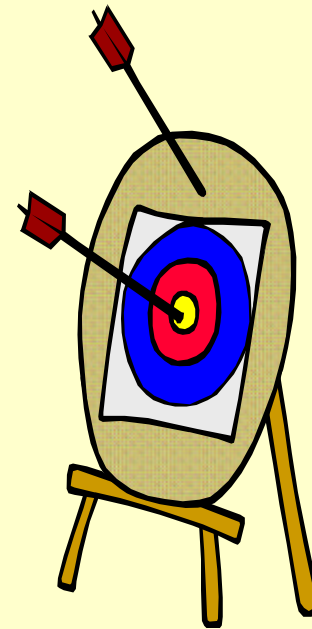
Processing Year 2005

Recommended Target Market for Form 1120S Electronic Filing

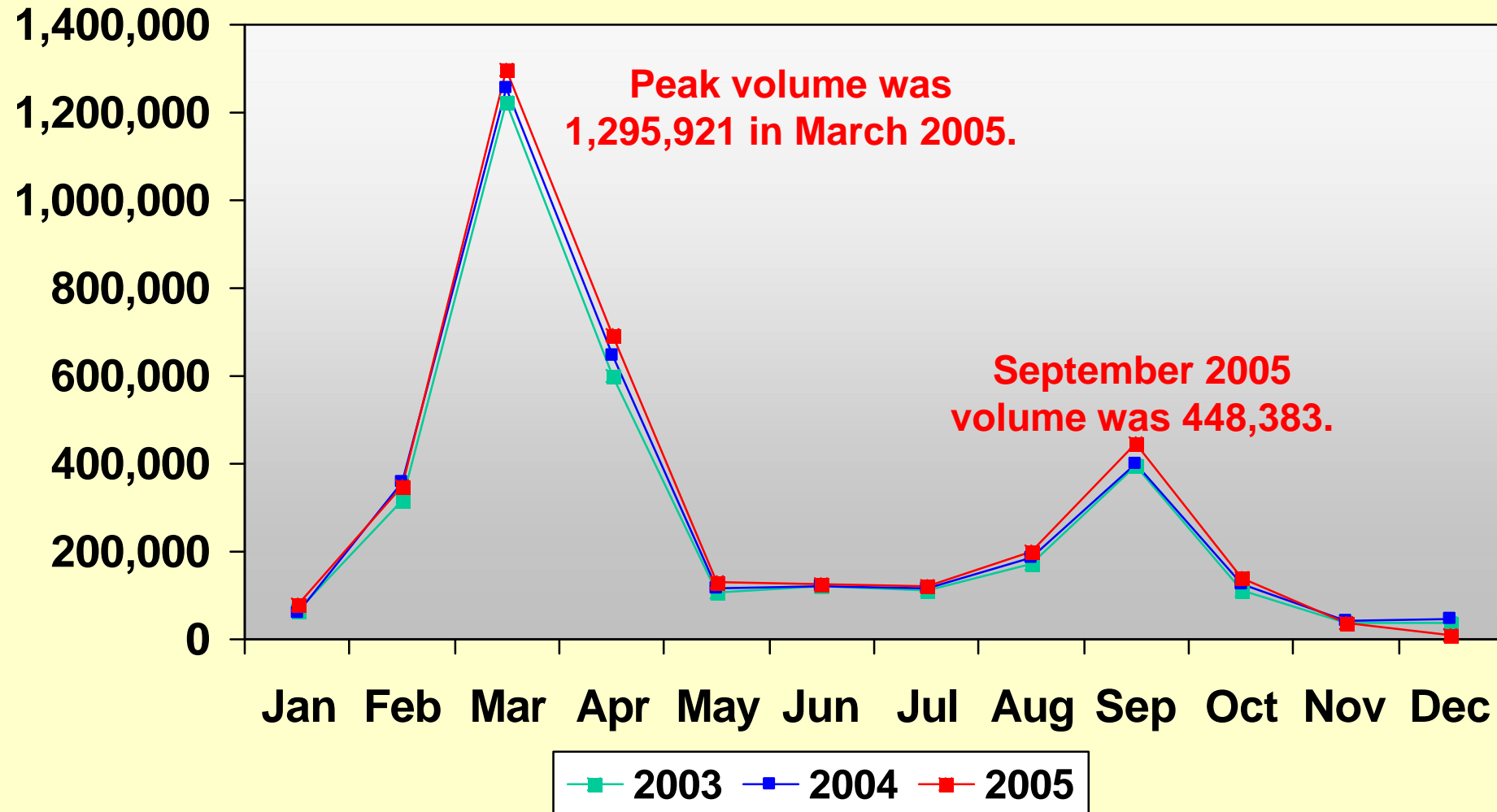


***8,078 EROs* filing more
than 50 e-file 1040 & more
than 50 1120S returns filed
979,278
S Corporation returns***

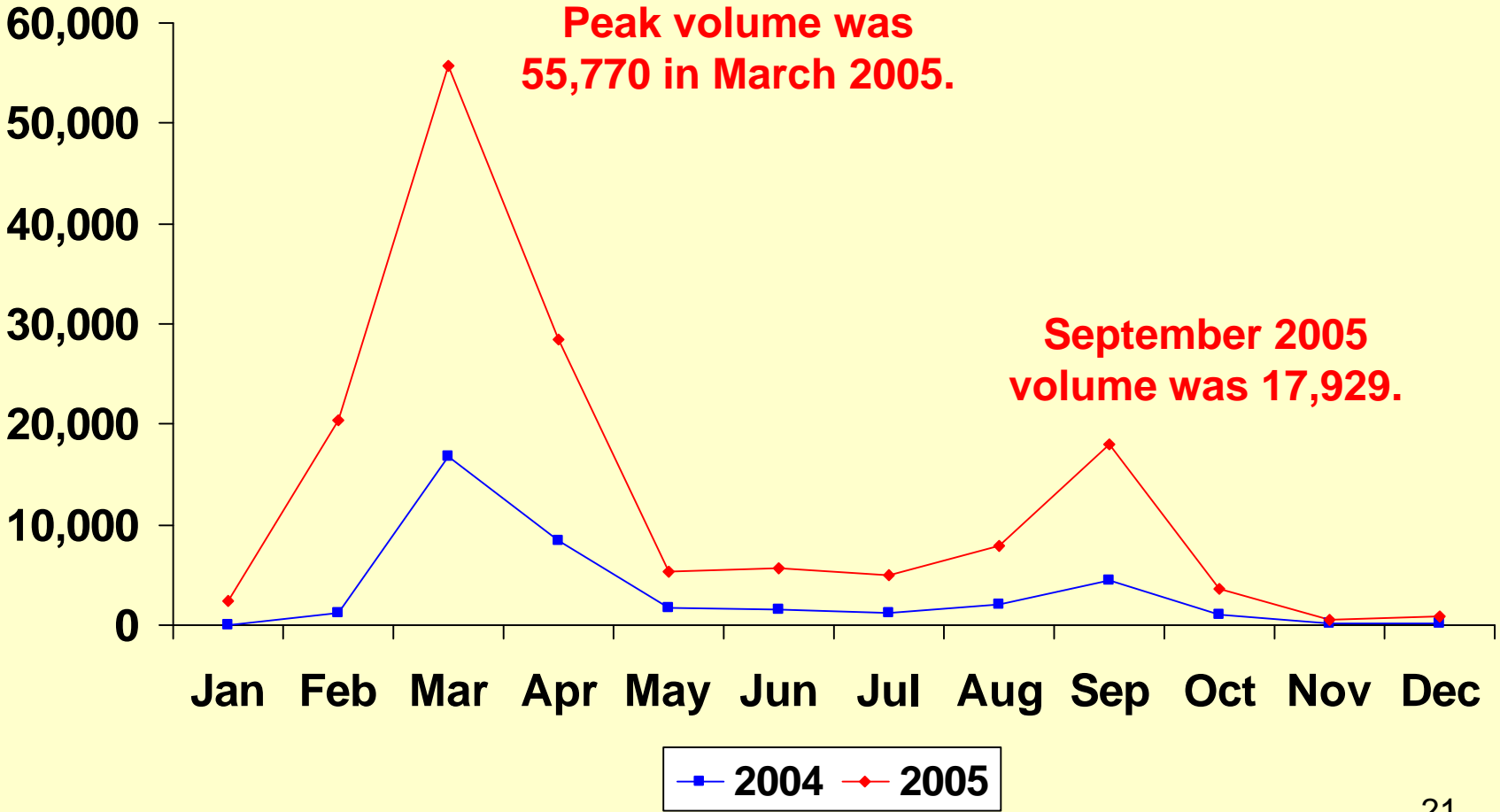
****Electronic Return Originators***



Form 1120S: Monthly Filing Patterns

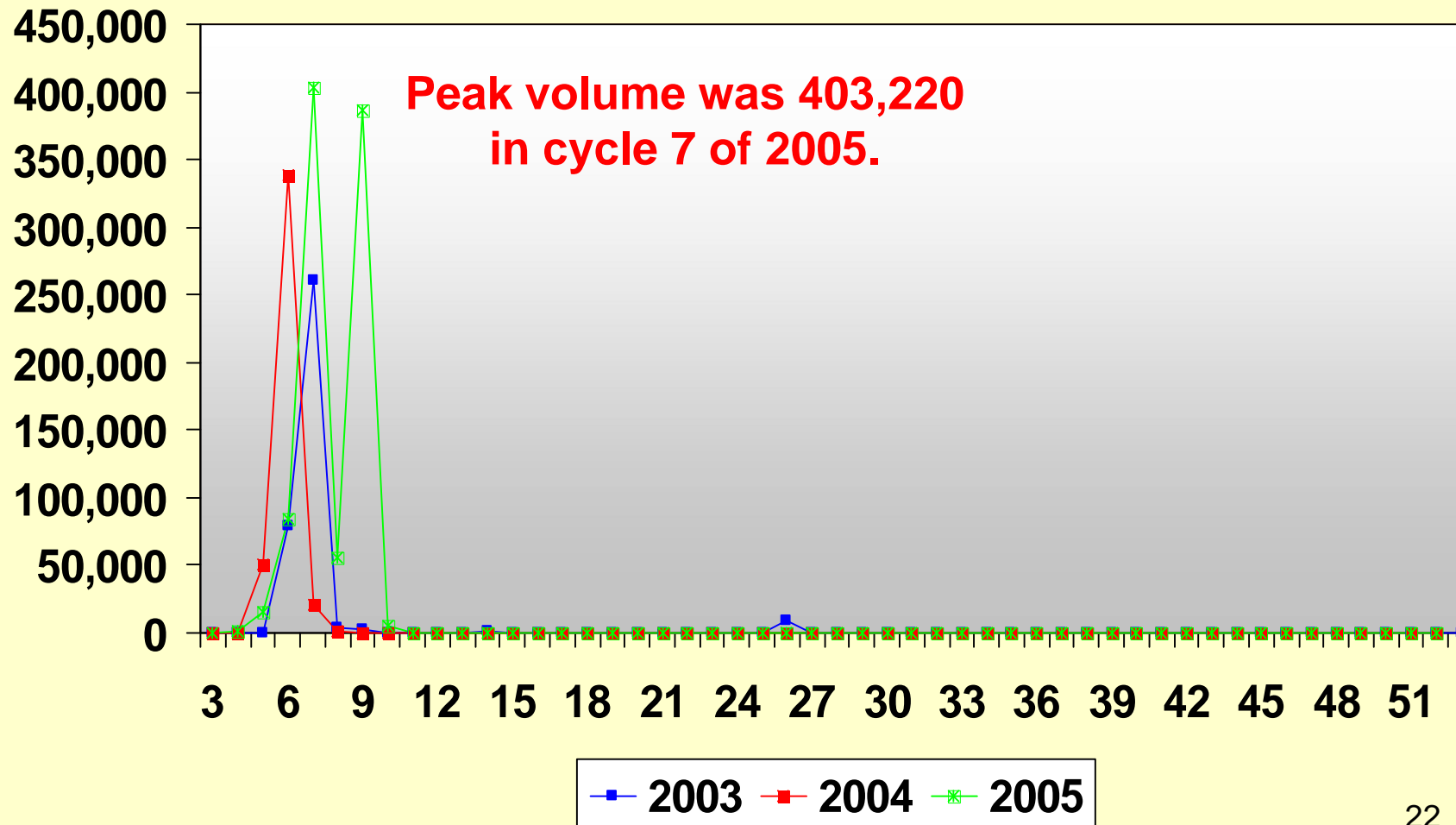


e-file Form 1120S Monthly Filing Patterns

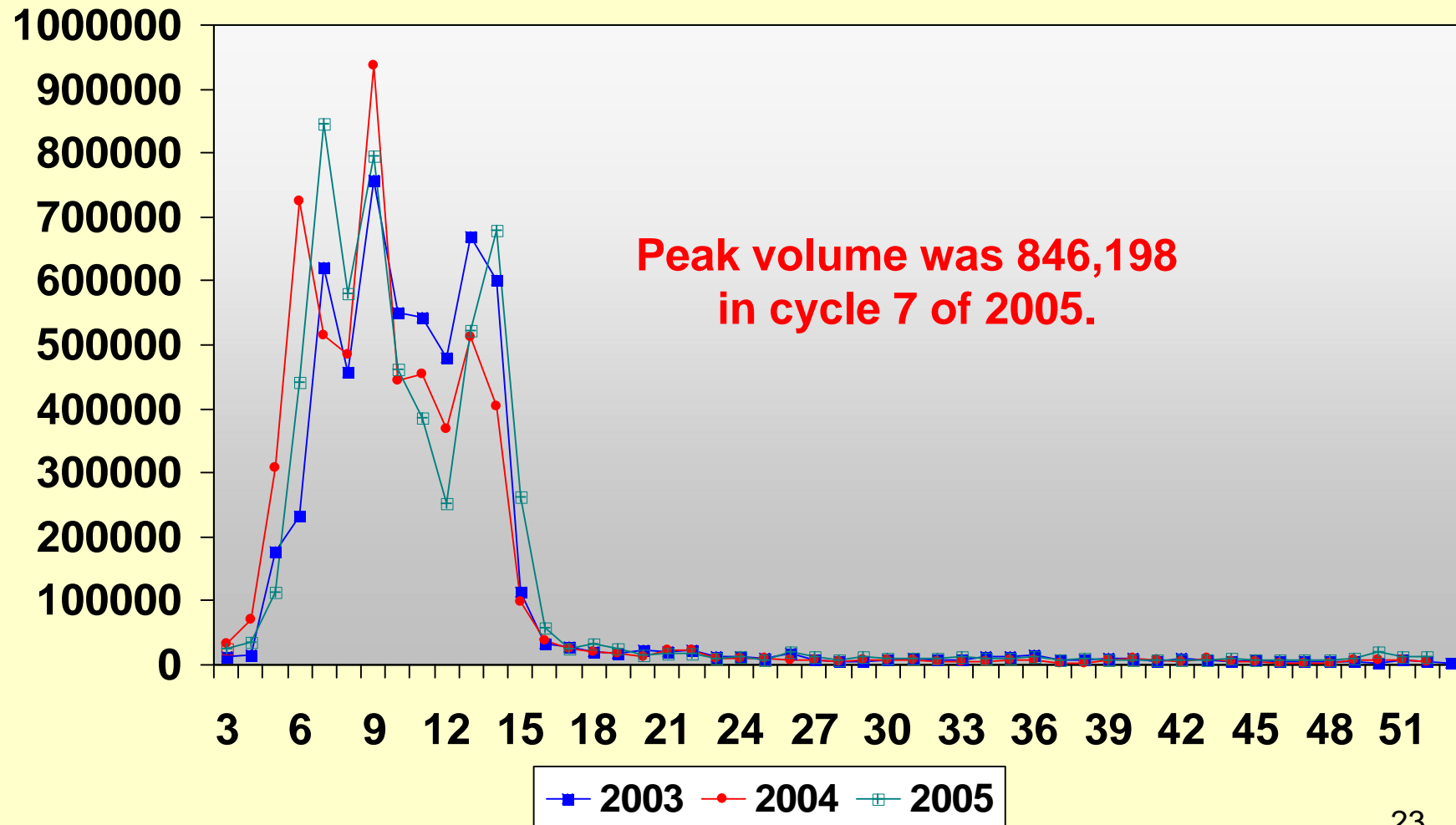


Source: 2005 ETA Marketing Database

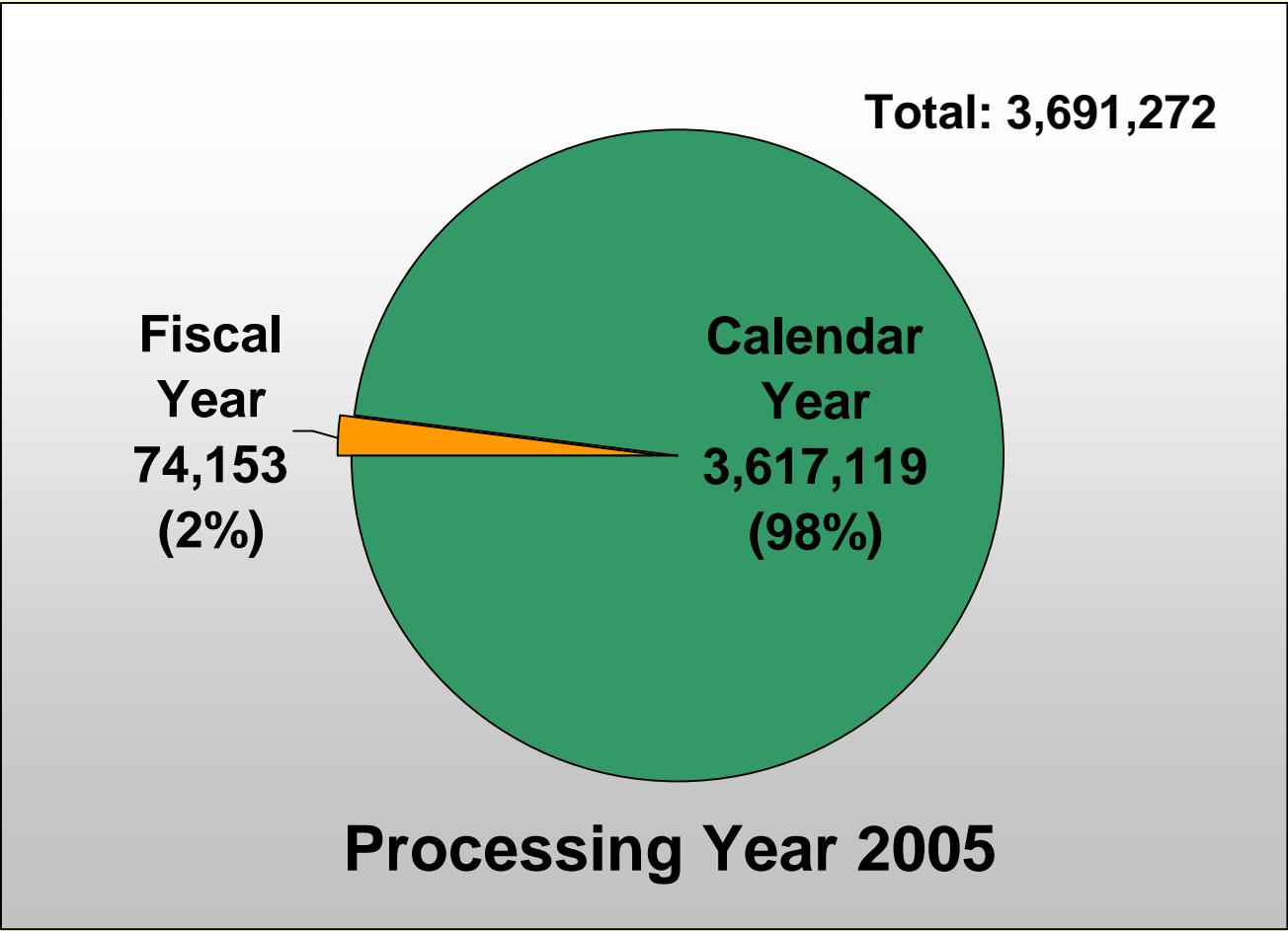
Filing Patterns for *e-file* Form 940 by Cycle Posted



Filing Patterns Form 940 by Cycle Posted

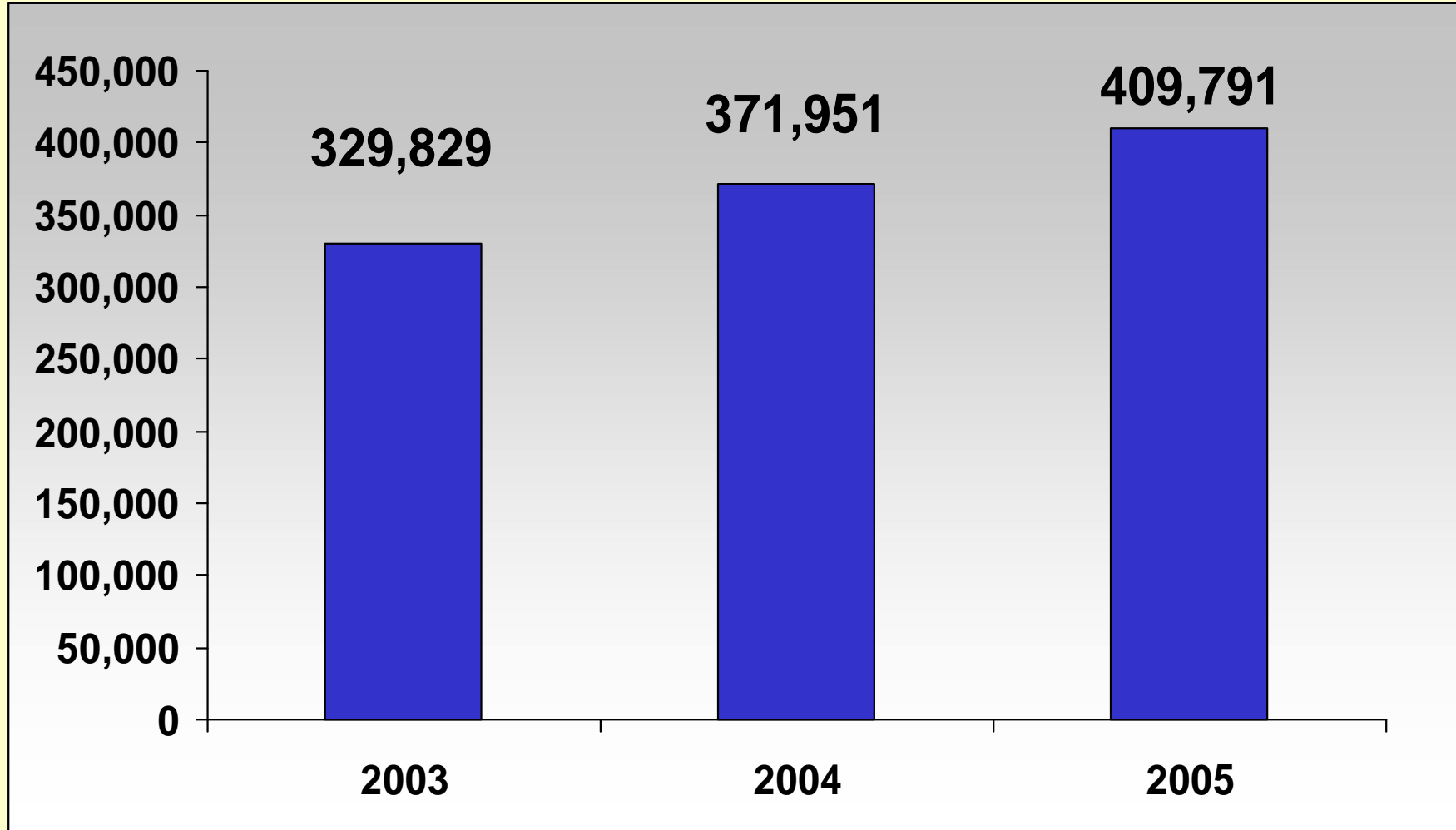


Form 1120S Fiscal Year Returns vs. Calendar Year Returns



Source: 2005 ETA Marketing Database

Form 1120S Initial Corporation Filings



Processing Years 2003-2005

Forms 1120S by Industry

(The North American Industry Classification System - NAICS)

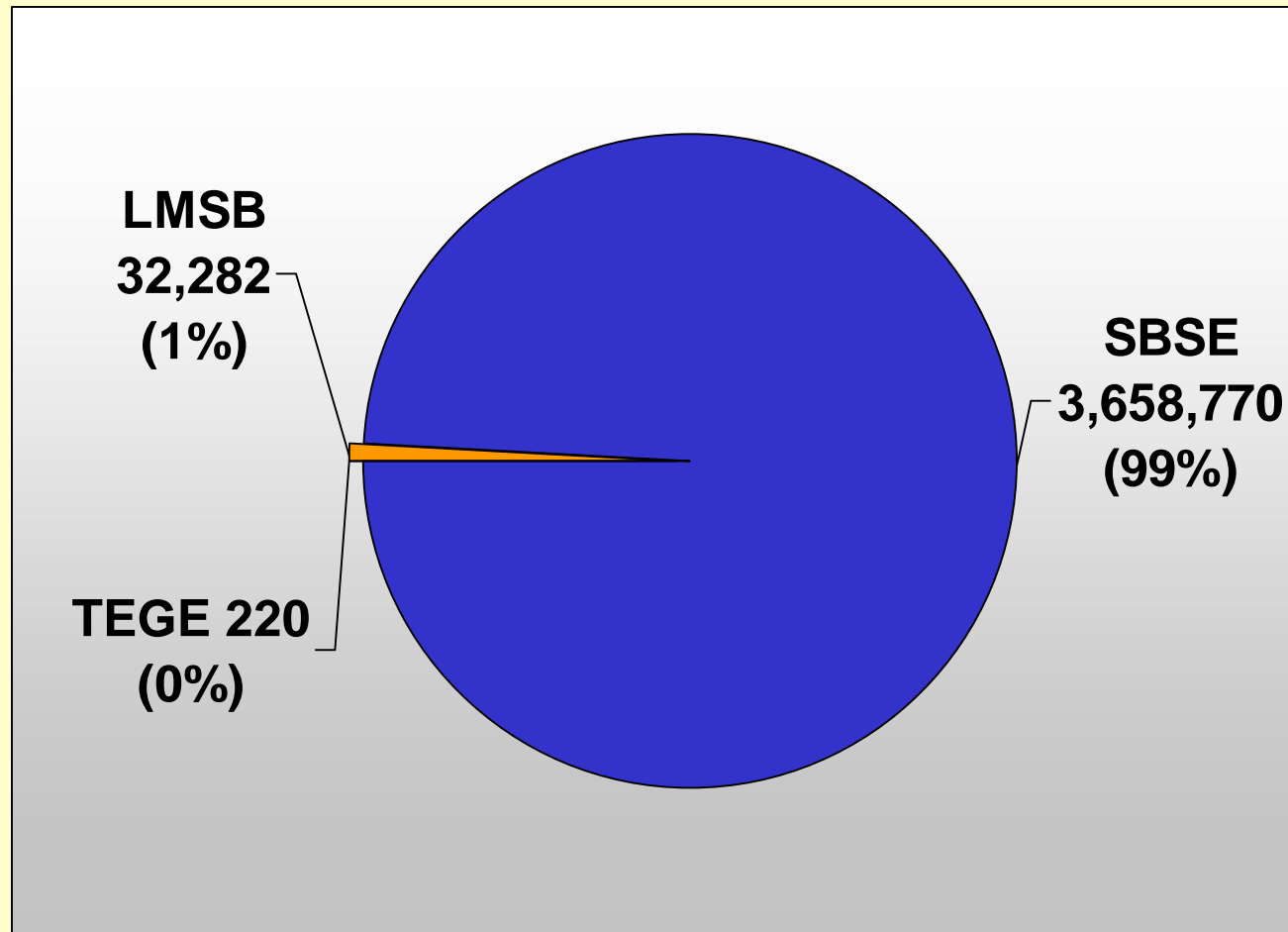
<u>CODE</u>	<u>NAICS TITLE</u>	<u>COUNT</u>	<u>%</u>
541990	All Other Professional, Scientific, & Technical Services	123,072	3%
531390	Other Activities Related to Real Estate	114,103	3%
236110	Residential Building Construction	90,708	2%
238900	Other Specialty Trade Contractors	88,208	2%
531120	Lessors of Nonresidential Buildings	84,633	2%
722110	Full-Service Restaurants	76,860	2%
812990	All Other Personal Services	76,856	2%
531210	Offices of Real Estate Agents & Brokers	68,039	2%
621111	Offices of Physicians	66,326	2%
541600	Management, Scientific, & Technical Consulting	65,272	2%

Three of the top 10 NAICS codes involve real estate returns.

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Forms 1120S by Business Operating Division

Total: 3,691,272



Forms 1120S by Assets & Method

	Paper	<i>e-file</i>	Total
Under \$200,000	2,675,971	111,204	2,787,175
\$200,000 to under \$10 Million	830,406	41,686	872,092
\$10 Million or More	31,021	984	32,005
Total	3,537,398	153,874	3,691,272

Processing Year 2005

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Forms 1120 by Assets & Method

	Paper	<i>e-file</i>	Total
Under \$250,000	1,561,157	38,582	1,599,739
\$250,000 Under \$1 Million	363,689	12,207	375,896
\$1 Million Under \$5 Million	169,535	5,379	174,914
\$5 Million Under \$10 Million	27,544	574	28,118
\$10 Million Under \$50 Million	26,601	196	26,797
\$50 Million or More	17,610	21	17,631
Total	2,166,136	56,959	2,223,095

Processing Year 2005

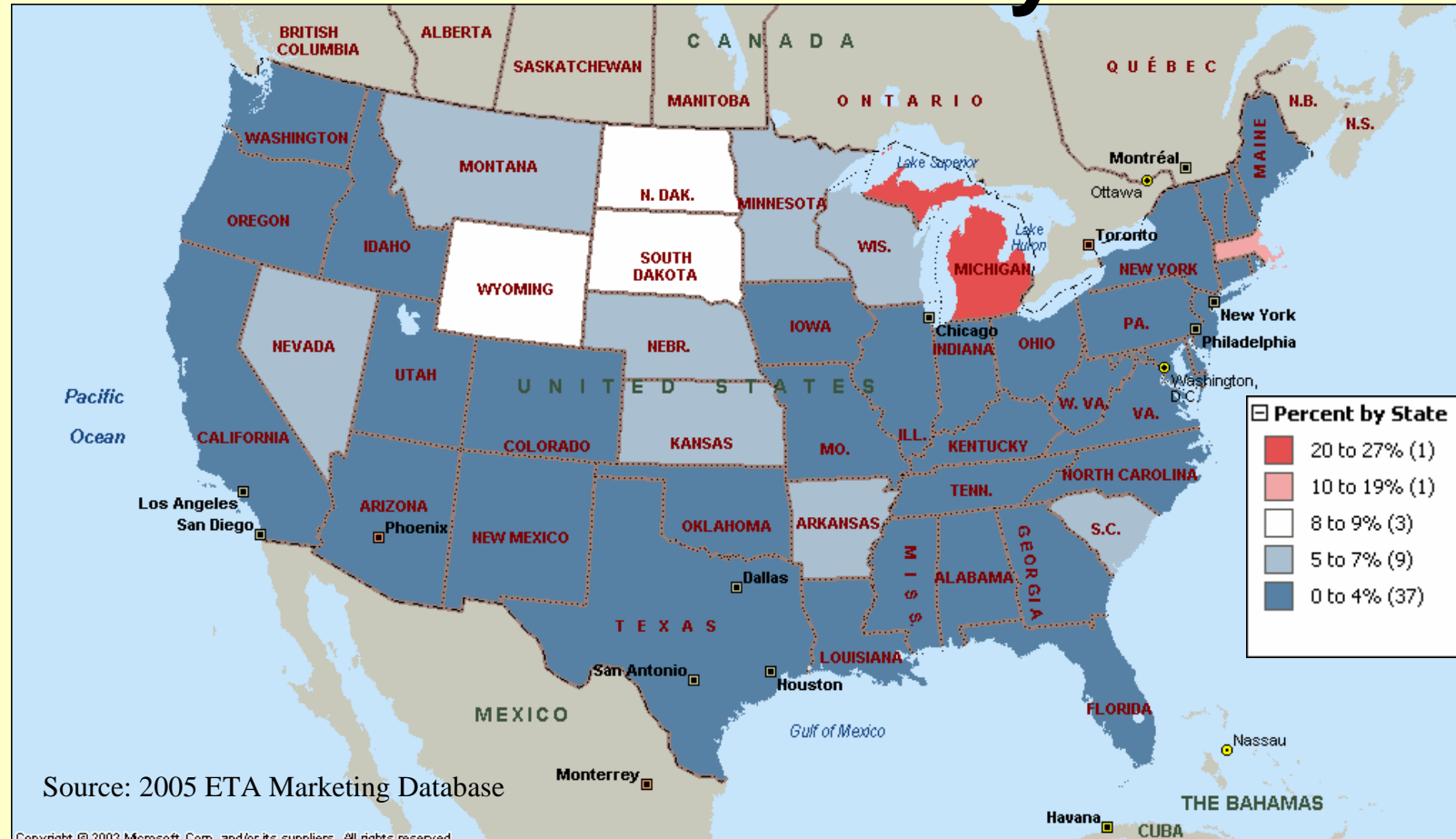
Form 1120S by State



Source: 2005 ETA Marketing Database

Alaska (AK)	6,598	Hawaii (HI)	11,211	Maine (ME)	20,372	New Jersey (NJ)	128,847	South Dakota (SD)	10,781
Alabama (AL)	42,466	Iowa (IA)	31,661	Michigan (MI)	117,304	New Mexico (NM)	17,242	Tennessee (TN)	30,512
Arkansas (AR)	34,135	Idaho (ID)	20,962	Minnesota (MN)	83,144	Nevada (NV)	32,026	Texas (TX)	186,752
Arizona (AZ)	62,914	Illinois (IL)	186,203	Missouri (MO)	57,930	New York (NY)	333,546	Utah (UT)	40,031
California (CA)	274,354	Indiana (IN)	85,931	Mississippi (MS)	22,816	Ohio (OH)	113,298	Virginia (VA)	87,697
Colorado (CO)	93,430	Kansas (KS)	28,464	Montana (MT)	18,078	Oklahoma (OK)	42,055	Vermont (VT)	10,665
Connecticut (CT)	26,020	Kentucky (KY)	47,665	North Carolina (NC)	107,353	Oregon (OR)	46,305	Washington (WA)	74,240
Delaware (DE)	13,357	Louisiana (LA)	44,752	North Dakota (ND)	7,505	Pennsylvania (PA)	135,923	Wisconsin (WI)	50,327
Florida (FL)	493,728	Massachusetts (MA)	79,929	Nebraska (NE)	24,756	Rhode Island (RI)	17,517	West Virginia (WV)	10,551
Georgia (GA)	137,007	Maryland (MD)	67,339	New Hampshire (NH)	11,972	South Carolina (SC)	49,200	Wyoming (WY)	9,079

e-file Penetration by State



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Alaska (AK)	8%	Hawaii (HI)	2%	Maine (ME)	2%	New Jersey (NJ)	2%	South Dakota (SD)	10%
Alabama (AL)	4%	Iowa (IA)	4%	Michigan (MI)	26%	New Mexico (NM)	5%	Tennessee (TN)	3%
Arkansas (AR)	5%	Idaho (ID)	3%	Minnesota (MN)	5%	Nevada (NV)	6%	Texas (TX)	3%
Arizona (AZ)	3%	Illinois (IL)	3%	Missouri (MO)	5%	New York (NY)	1%	Utah (UT)	4%
California (CA)	1%	Indiana (IN)	3%	Mississippi (MS)	4%	Ohio (OH)	4%	Virginia (VA)	3%
Colorado (CO)	4%	Kansas (KS)	6%	Montana (MT)	6%	Oklahoma (OK)	3%	Vermont (VT)	5%
Connecticut (CT)	2%	Kentucky (KY)	2%	North Carolina (NC)	3%	Oregon (OR)	3%	Washington (WA)	4%
Delaware (DE)	5%	Louisiana (LA)	2%	North Dakota (ND)	9%	Pennsylvania (PA)	3%	Wisconsin (WI)	6%
Florida (FL)	4%	Massachusetts (MA)	16%	Nebraska (NE)	7%	Rhode Island (RI)	5%	West Virginia (WV)	2%
Georgia (GA)	3%	Maryland (MD)	2%	New Hampshire (NH)	4%	South Carolina (SC)	5%	Wyoming (WY)	9%

Recommendations

- **Market BMF *e-file* to IMF Electronic Return Originators; active ERO's file over a million 1065's and almost 3 million 1120's on paper.**
- **Market BMF *e-file* to preparers rather than taxpayers; 86% of 1065 filers and 93% of 1120 filers use a preparer.**
- **Coordinate BMF *e-file* marketing efforts with EFTPS; there are people paying electronically who could also be filing electronically.**
- **Coordinate BMF *e-file* marketing efforts with states mandating electronic filing of Individual & Business returns; this segment represents the largest increase in federal *e-file* across the board.**
- **Additional IRS mandates should be preparer-based rather than based on the size or asset class of a business.**

Form 1120 Filers

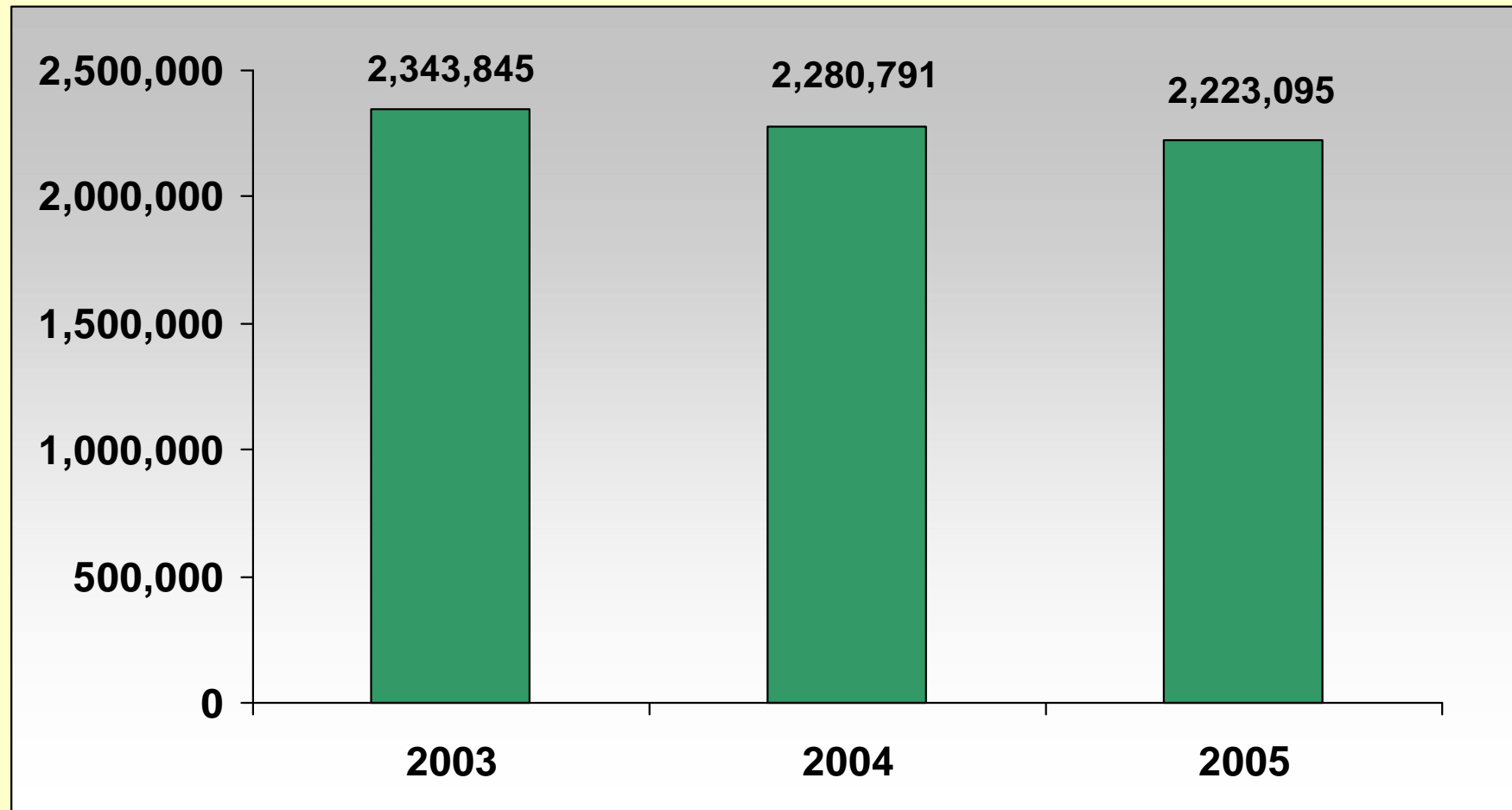
Corporation Income Tax Return

Processing Year 2005

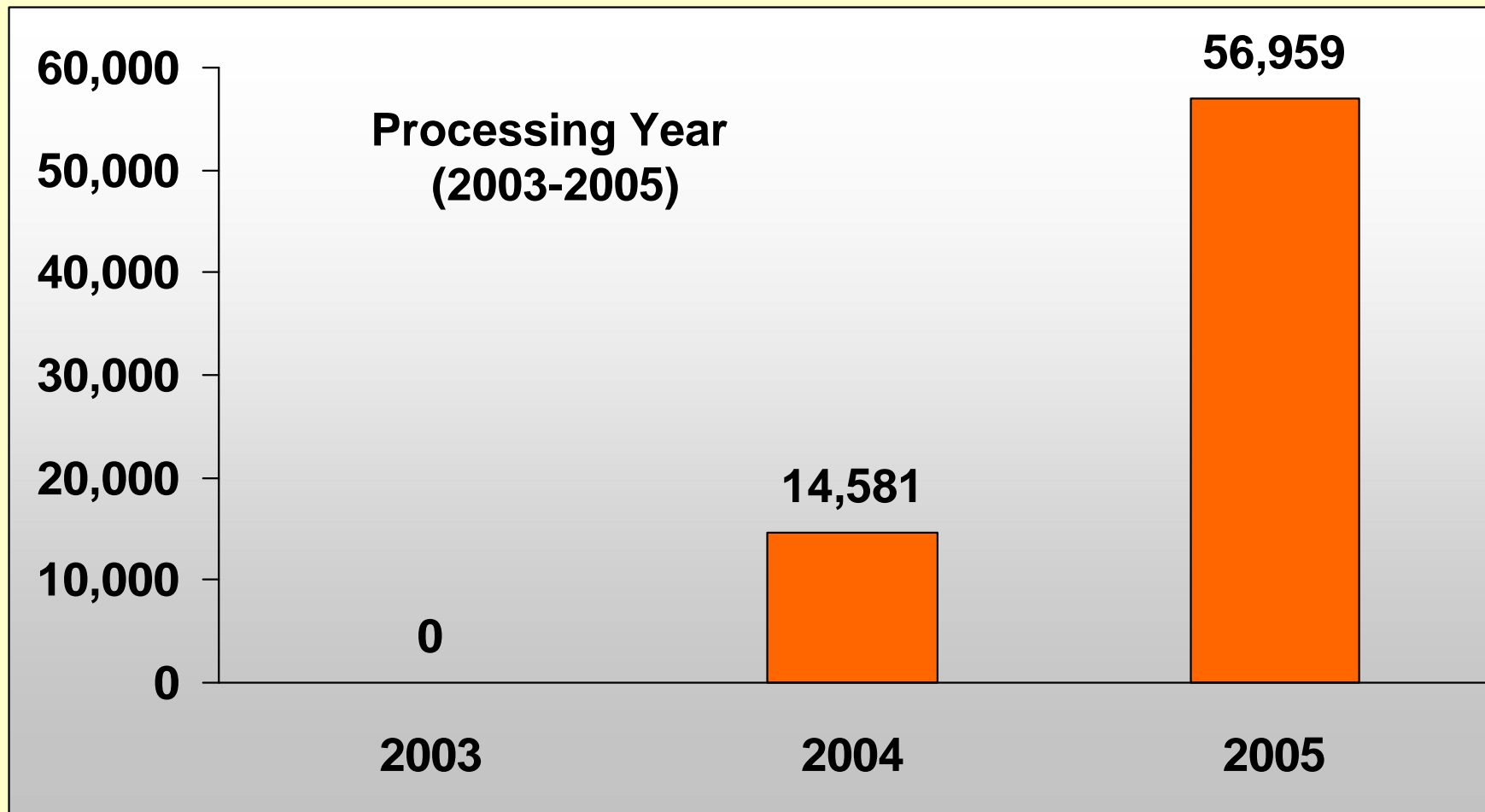


Form 1120 Annual Filing Volume

Processing Years 2003-2005

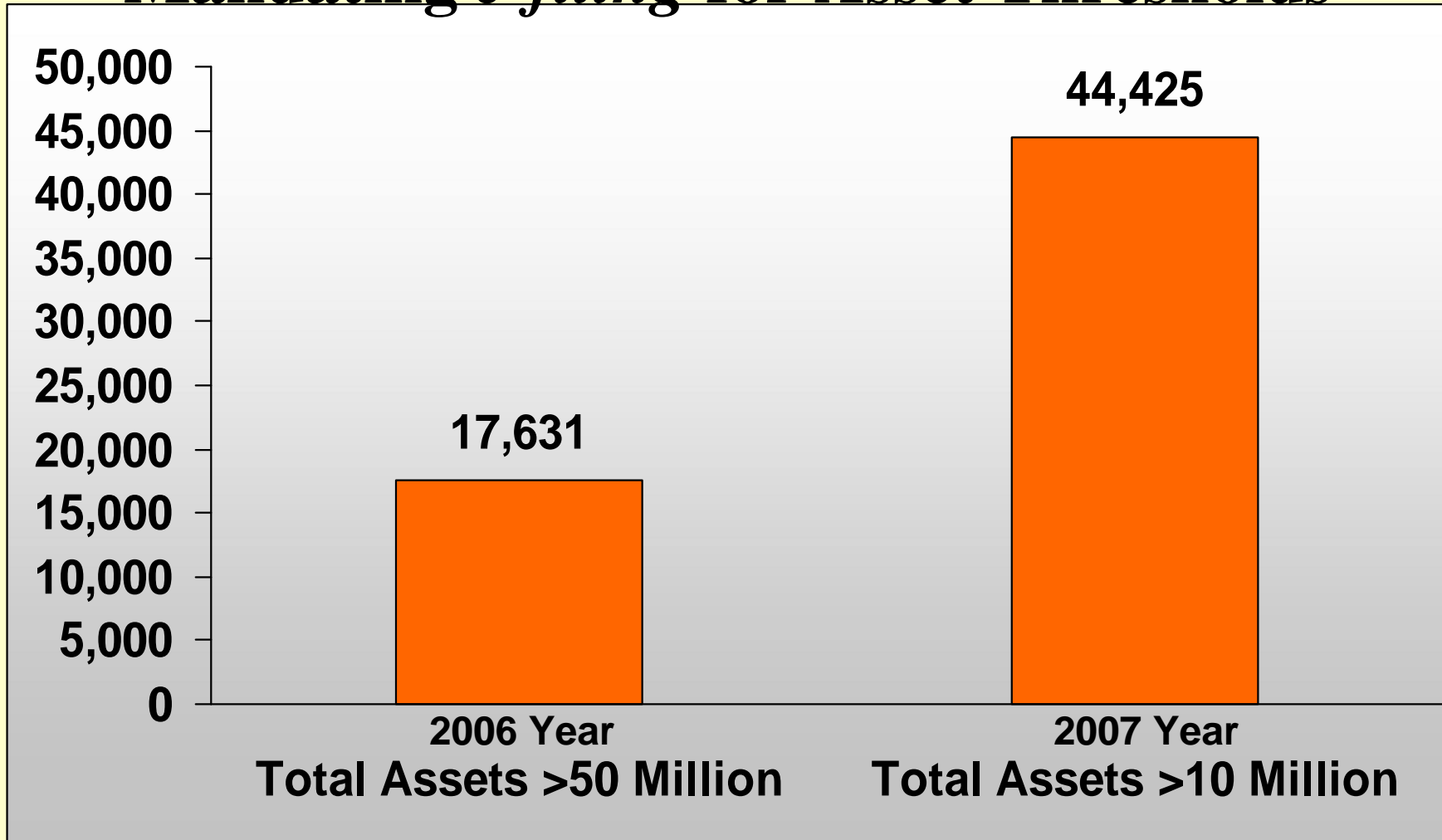


Annual Filing Volume for *e-file* Form 1120



**In Processing Year 2005,
only 3% of all Forms
1120 were filed
electronically.**

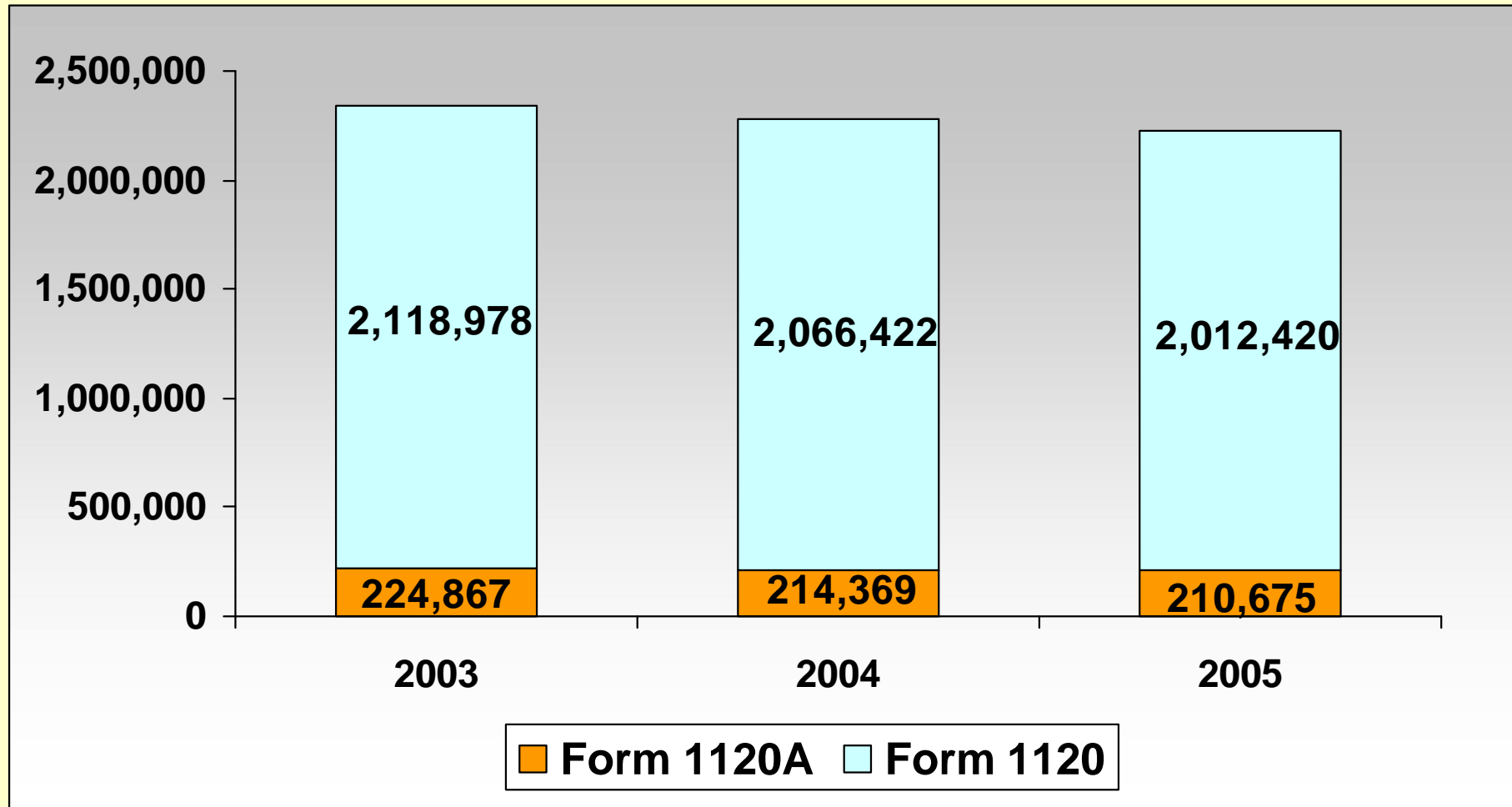
Form 1120 Taxpayers Impacted by Mandating *e-filing* for Asset Thresholds



The electronic filing requirements only apply to entities that file at least 250 returns, including income tax, excise tax, information and employment tax returns, during a calendar year. 37

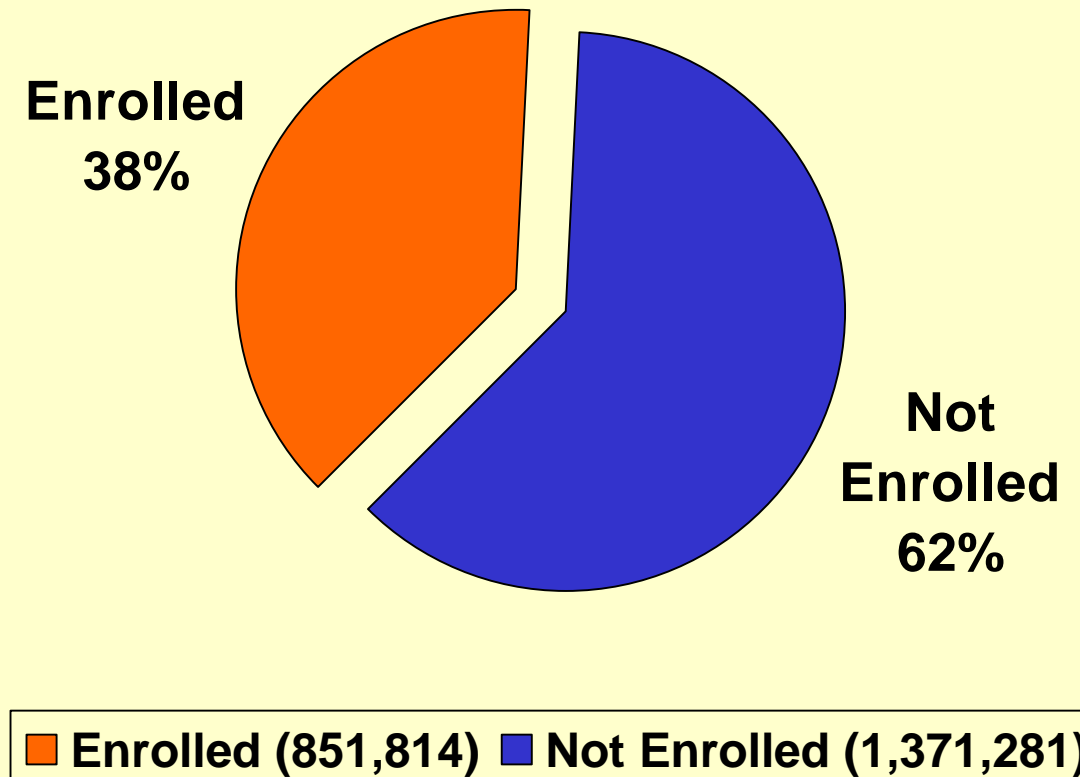
Form 1120 by Series

Processing Years 2003-2005

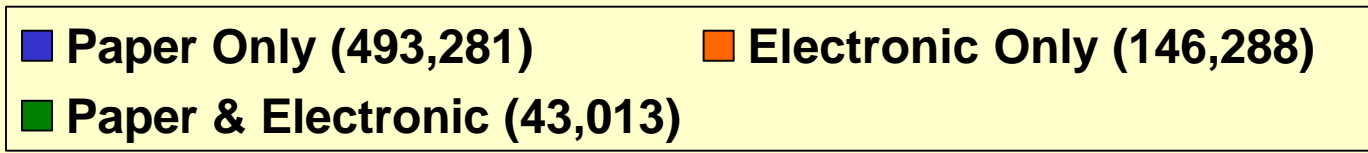
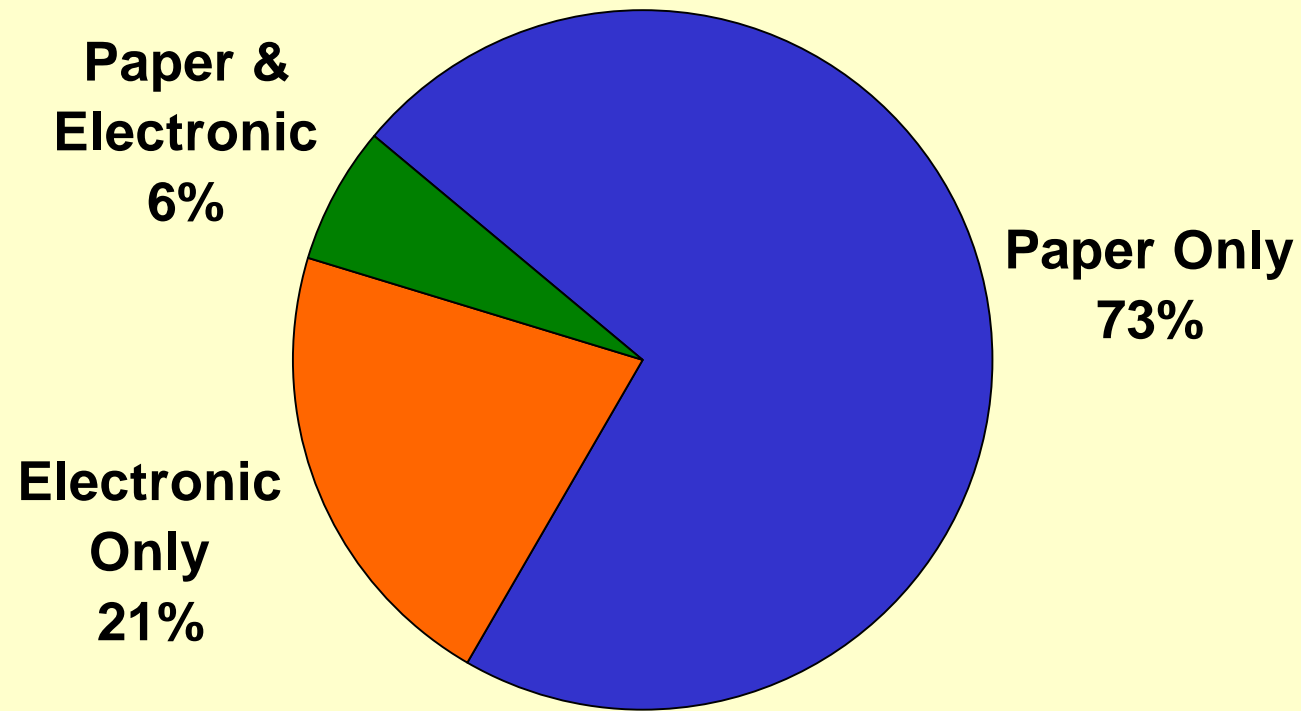


Form 1120 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

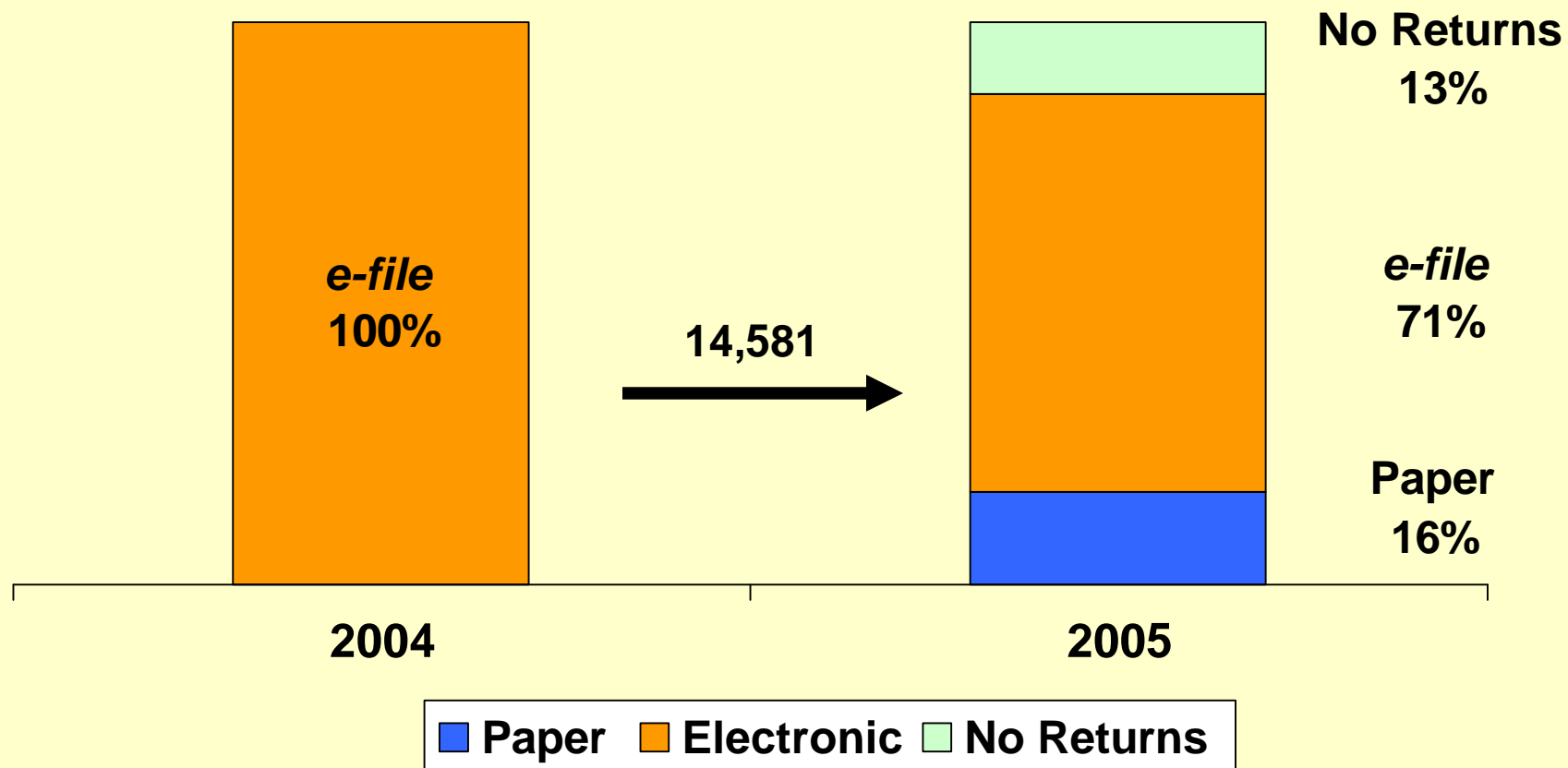
Processing Year 2005



Total Number of 1120 Series Taxpayers Making Payments



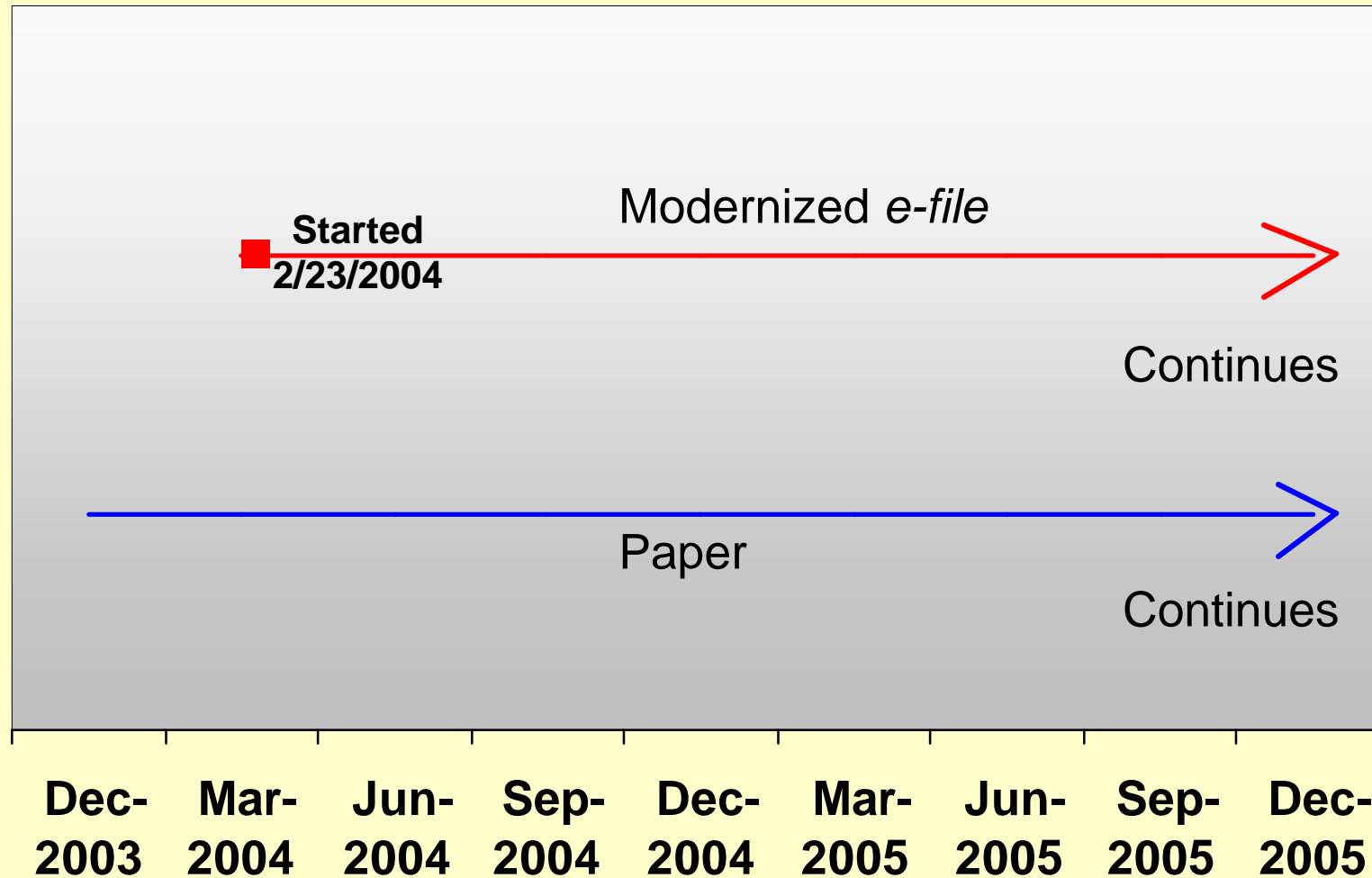
e-file Migration Between Filing Options



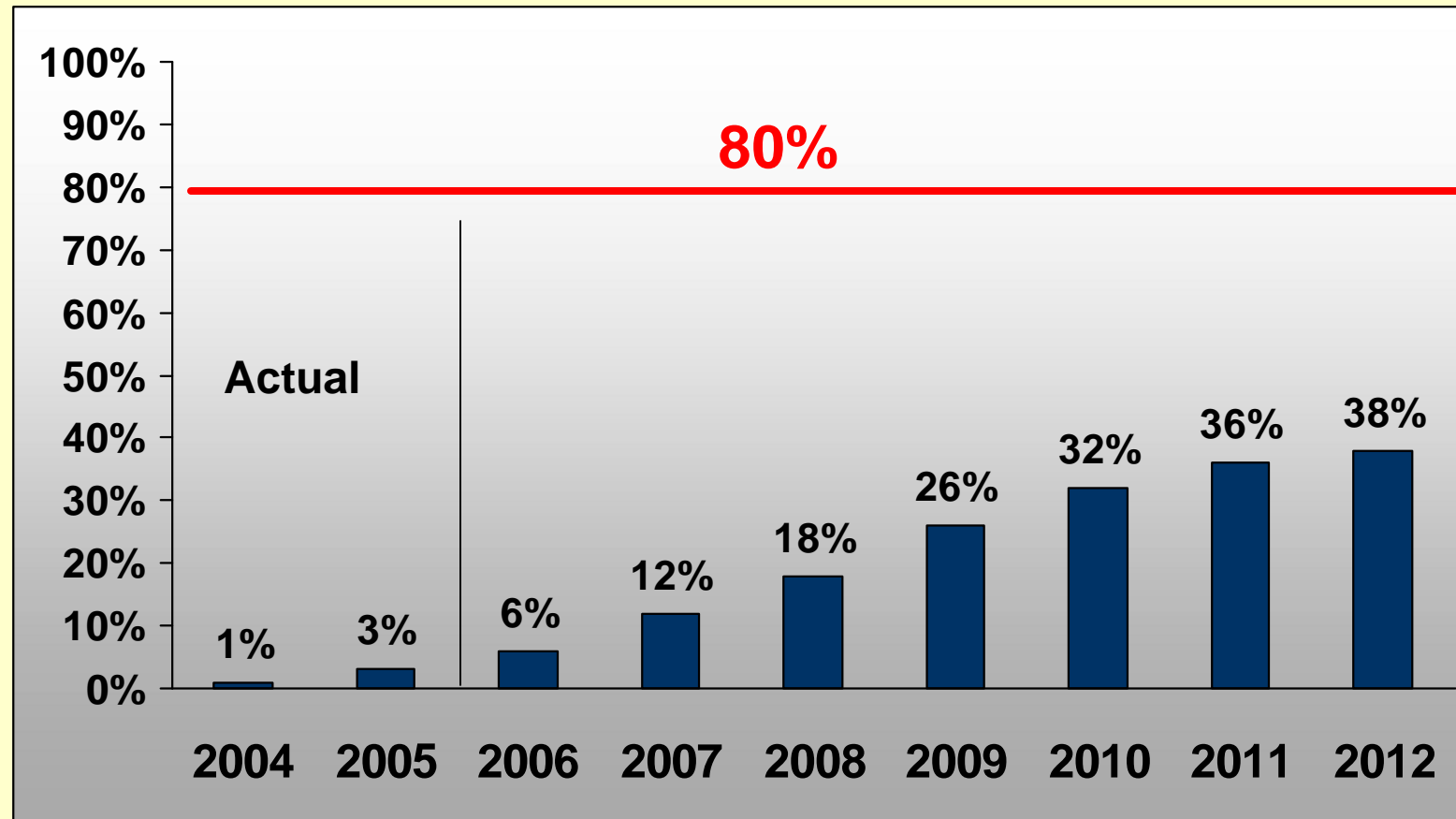
71% of Form 1120 *e-file* Users Remained Loyal

41

Form 1120: Implementation Schedule

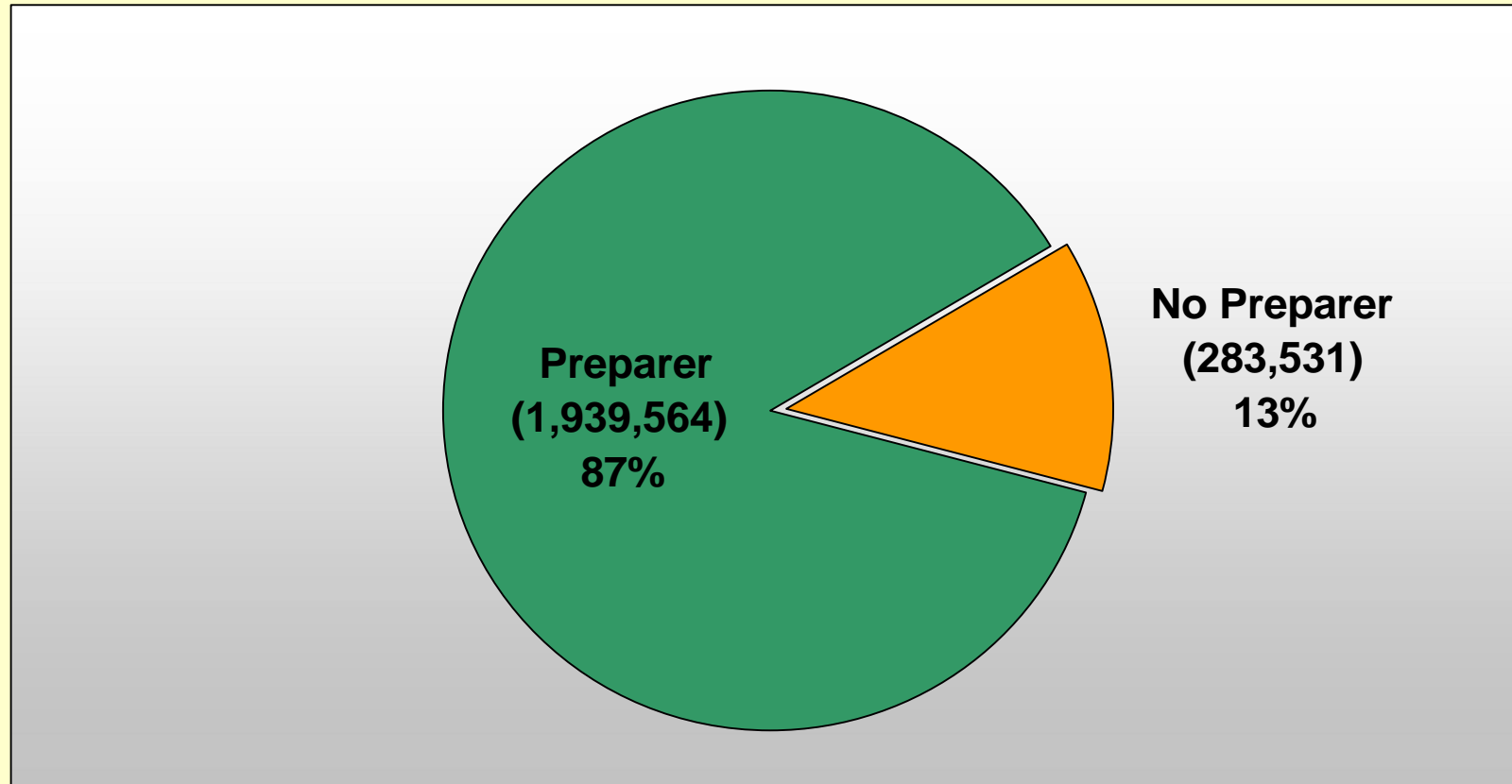


Form 1120 Projected *e-file* Penetration Rate



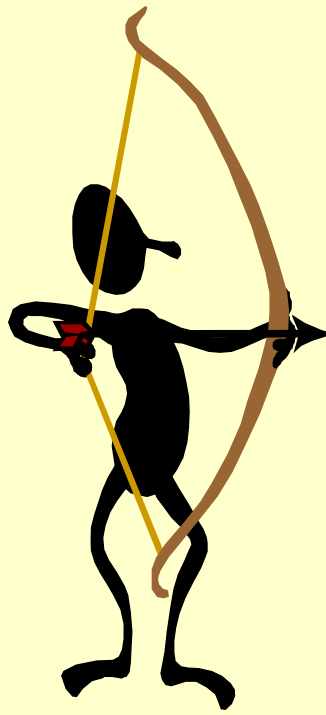
Preparer/No Preparer

Total: 2,223,095



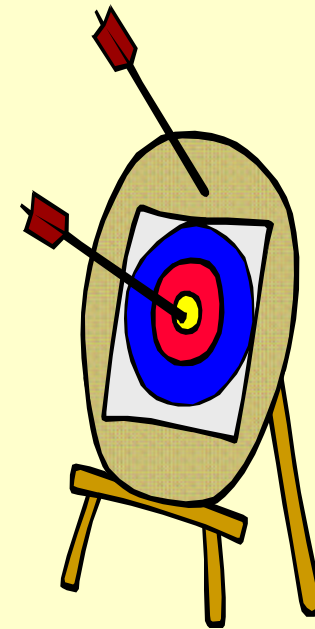
Processing Year 2005

Recommended Target Market for Form 1120E Electronic Filing

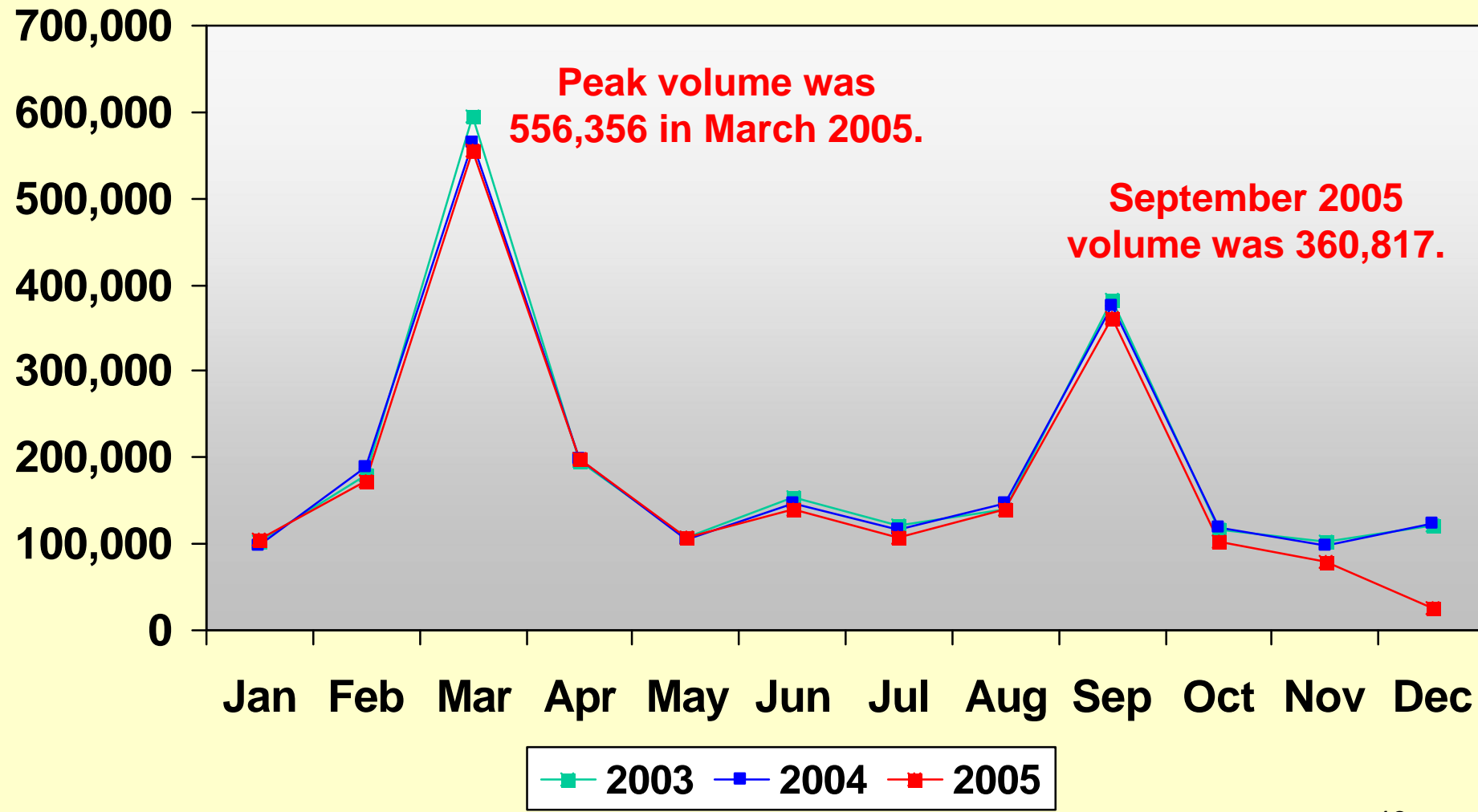


***3,725 EROs* filing more
than 50 e-file 1040 & more
than 50 1120 returns filed
433,254
Corporation returns***

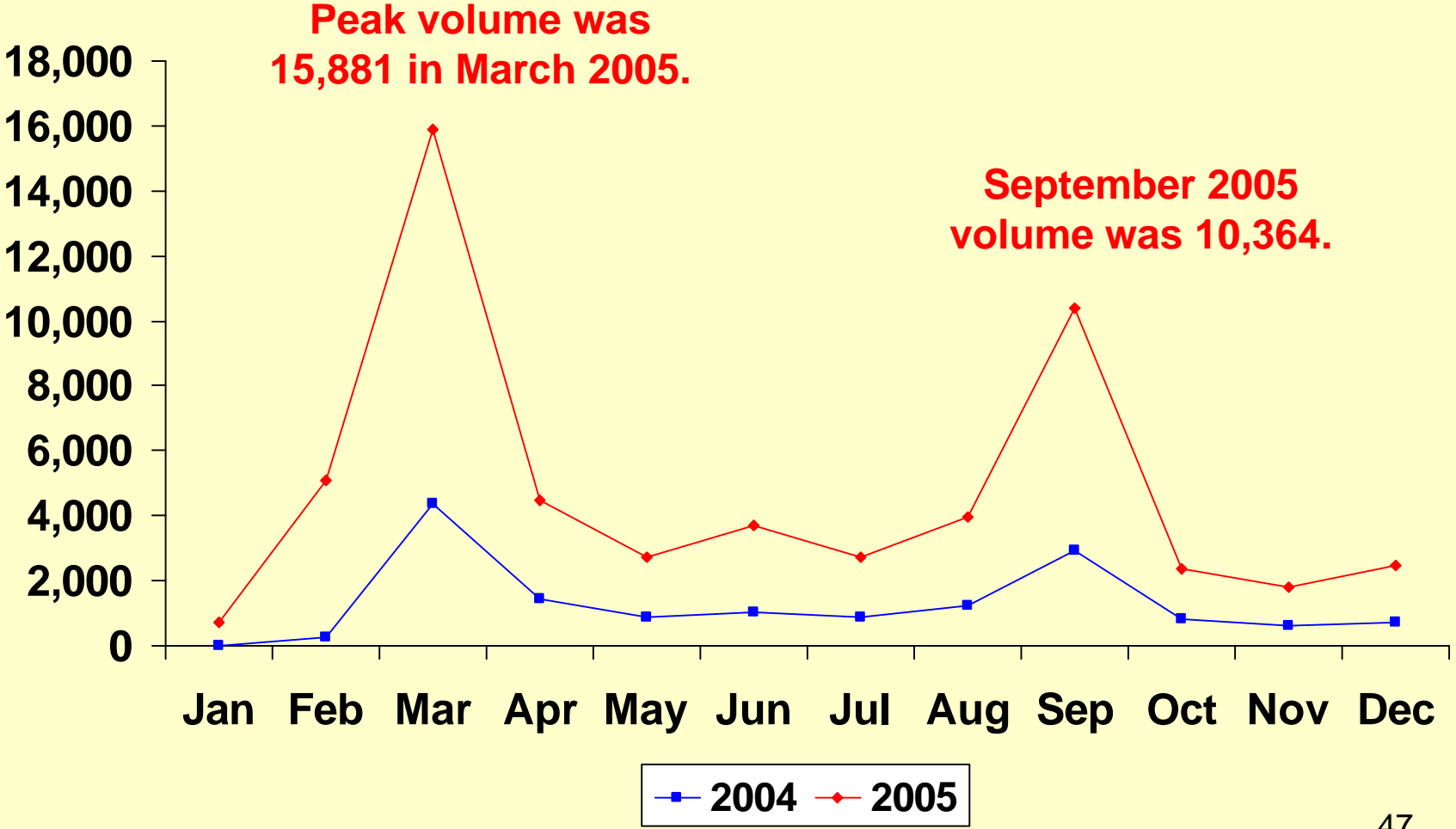
****Electronic Return Originators***



Form 1120: Monthly Filing Patterns



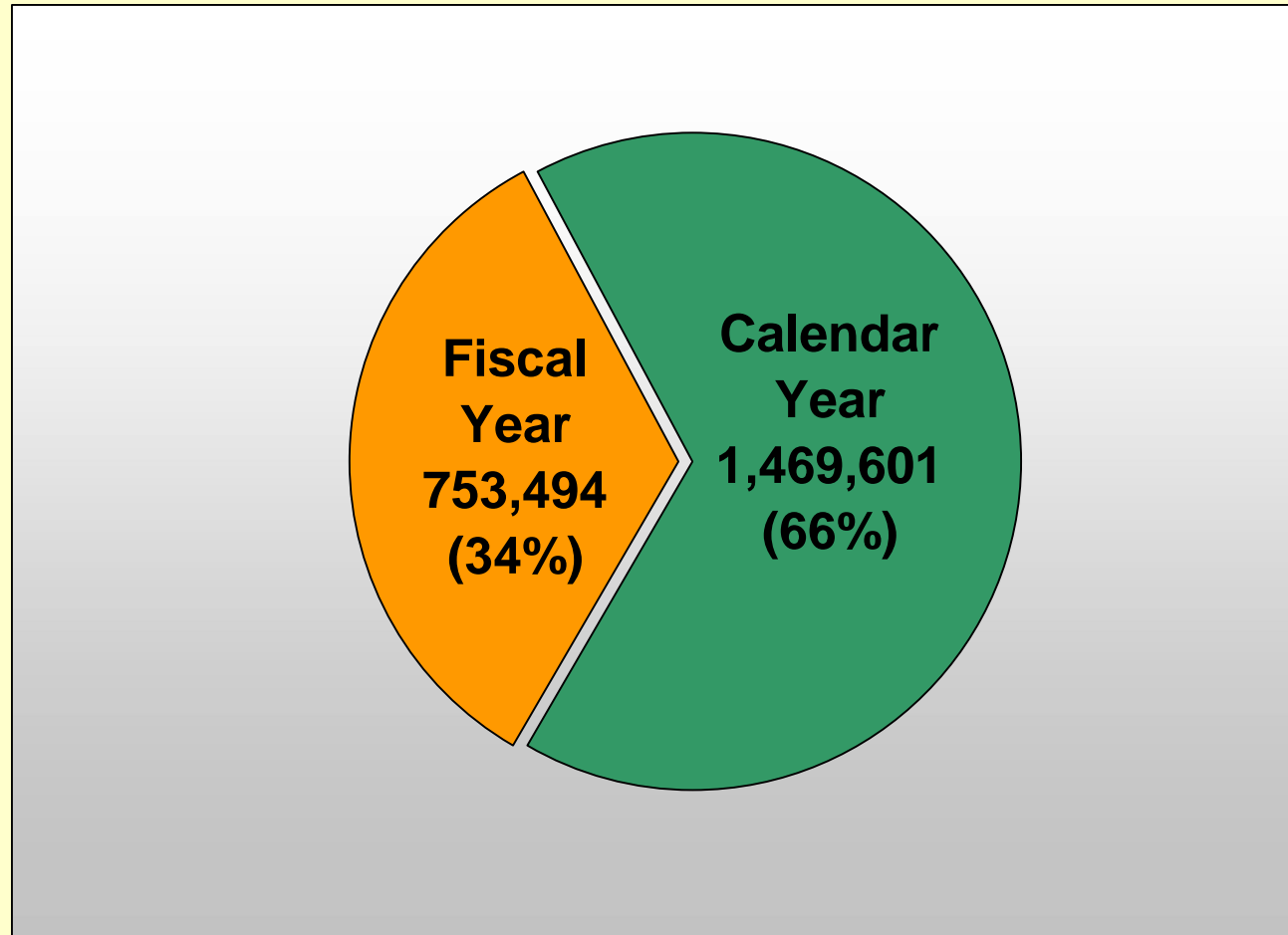
e-file Form 1120 Monthly Filing Patterns



Source: 2005 ETA Marketing Database

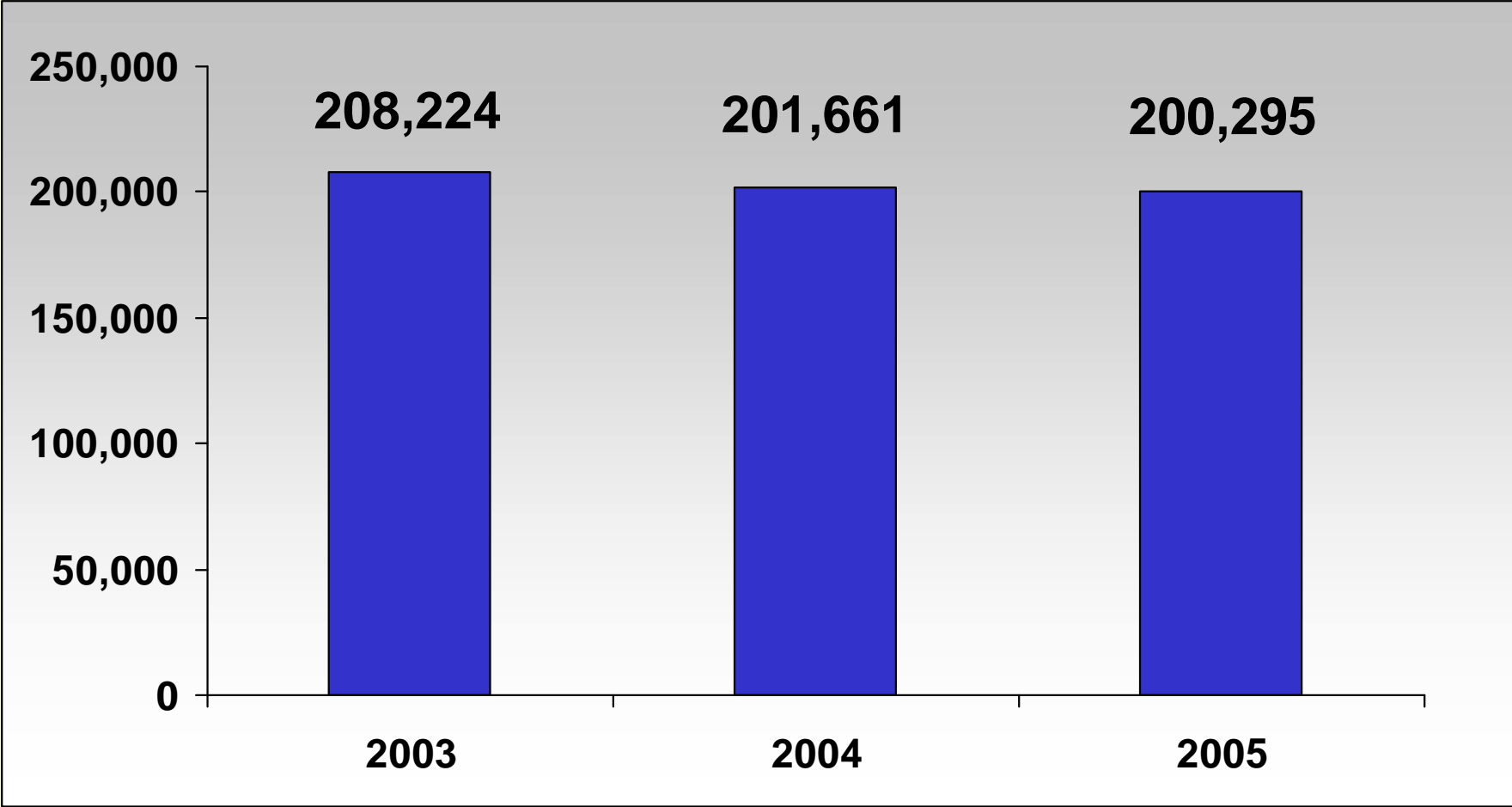
Fiscal Year Returns vs. Calendar Year Returns

Total: 2,223,095



Initial Corporation Filings

Processing Years 2003-2005



Forms 1120 by Industry

(The North American Industry Classification System - NAICS)

<u>NAICS</u>	<u>NAICS TITLE</u>	<u>Count</u>	<u>%</u>
531390	Other Activities Related to Real Estate	92,350	4%
621111	Offices of Physicians (except mental health specialists)	70,693	3%
541990	All Other Professional, Scientific, & Technical Services	60,087	3%
238900	Other Specialty Trade Contractors	44,681	2%
722110	Full-Service Restaurants	38,620	2%
236110	Residential Building Construction	37,336	2%
531120	Lessors of Nonresidential Buildings	33,815	2%
531110	Lessors of Residential Buildings & Dwellings	32,926	1%
531310	Real Estate Property Managers	32,010	1%
812990	All Other Personal Services	31,826	1%

Four of the top 10 NAICS codes involve real estate returns.

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Electronic Forms 1120 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>NAICS TITLE</u>	<u>Count</u>	<u>%</u>
621111	Offices of Physicians	3,209	6%
541990	All Other Professional, Scientific, & Technical Services	1,646	3%
238900	Other Specialty Trade Contractors	1,521	3%
531390	Other Activities Related to Real Estate	1,482	3%
621210	Offices of Dentists	1,283	2%
236110	Residential Building Construction	1,209	2%
541110	Offices of Lawyers	1,123	2%
722110	Full-Service Restaurants	1,070	2%
524210	Insurance Agencies and Brokerages	1,019	2%
812990	All Other Personal Services	853	1%

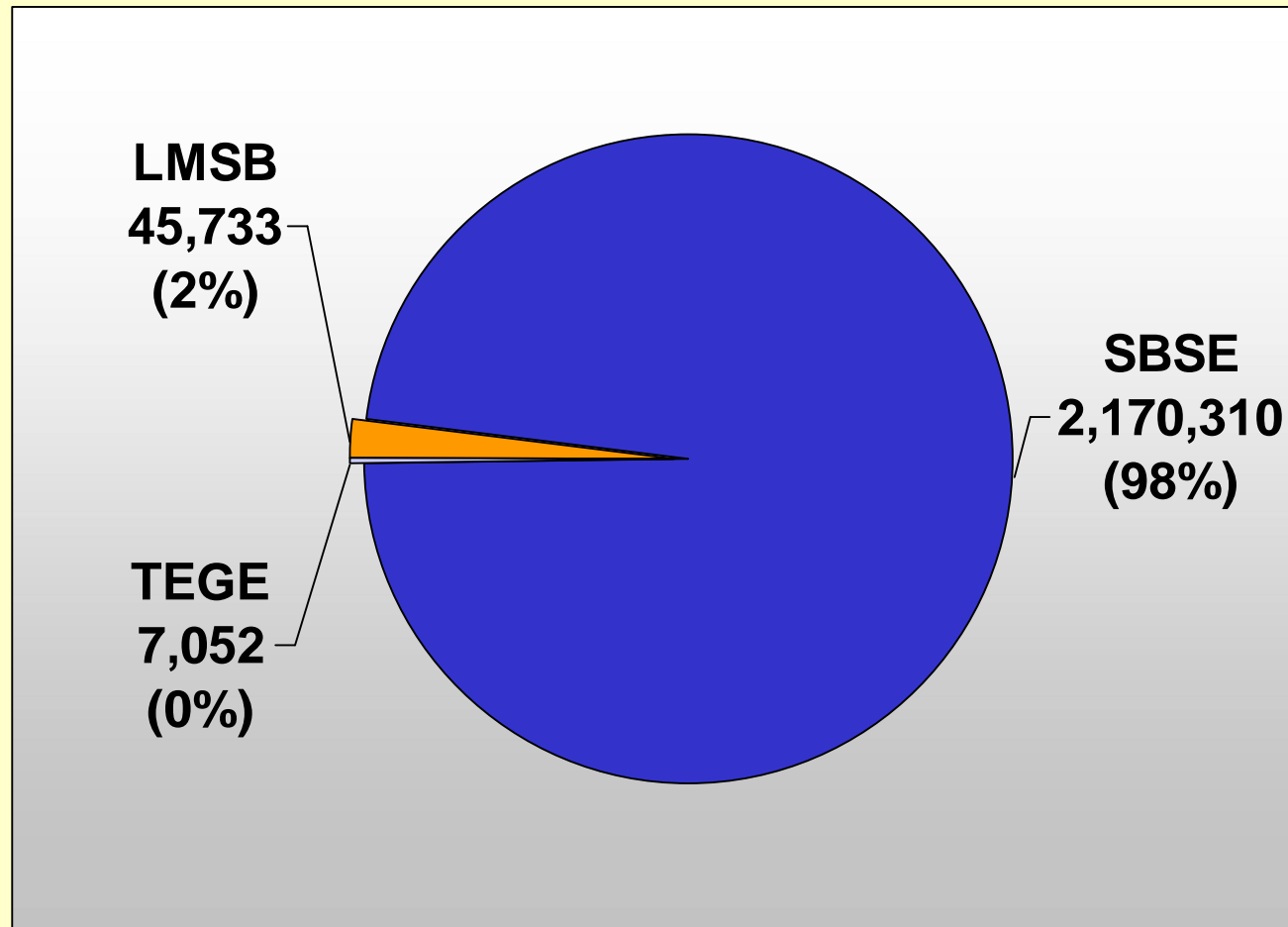
* The percentage of all electronic Forms 1120 filed in PY 2005

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Source: 2005 ETA Marketing Database

Forms 1120 by Business Operating Division

Total: 2,223,095



Forms 1120 by Assets & Method

	Paper	<i>e-file</i>	Total
Under \$250,000	1,561,157	38,582	1,599,739
\$250,000 Under \$1 Million	363,689	12,207	375,896
\$1 Million Under \$5 Million	169,535	5,379	174,914
\$5 Million Under \$10 Million	27,544	574	28,118
\$10 Million Under \$50 Million	26,601	196	26,797
\$50 Million or More	17,610	21	17,631
Total	2,166,136	56,959	2,223,095

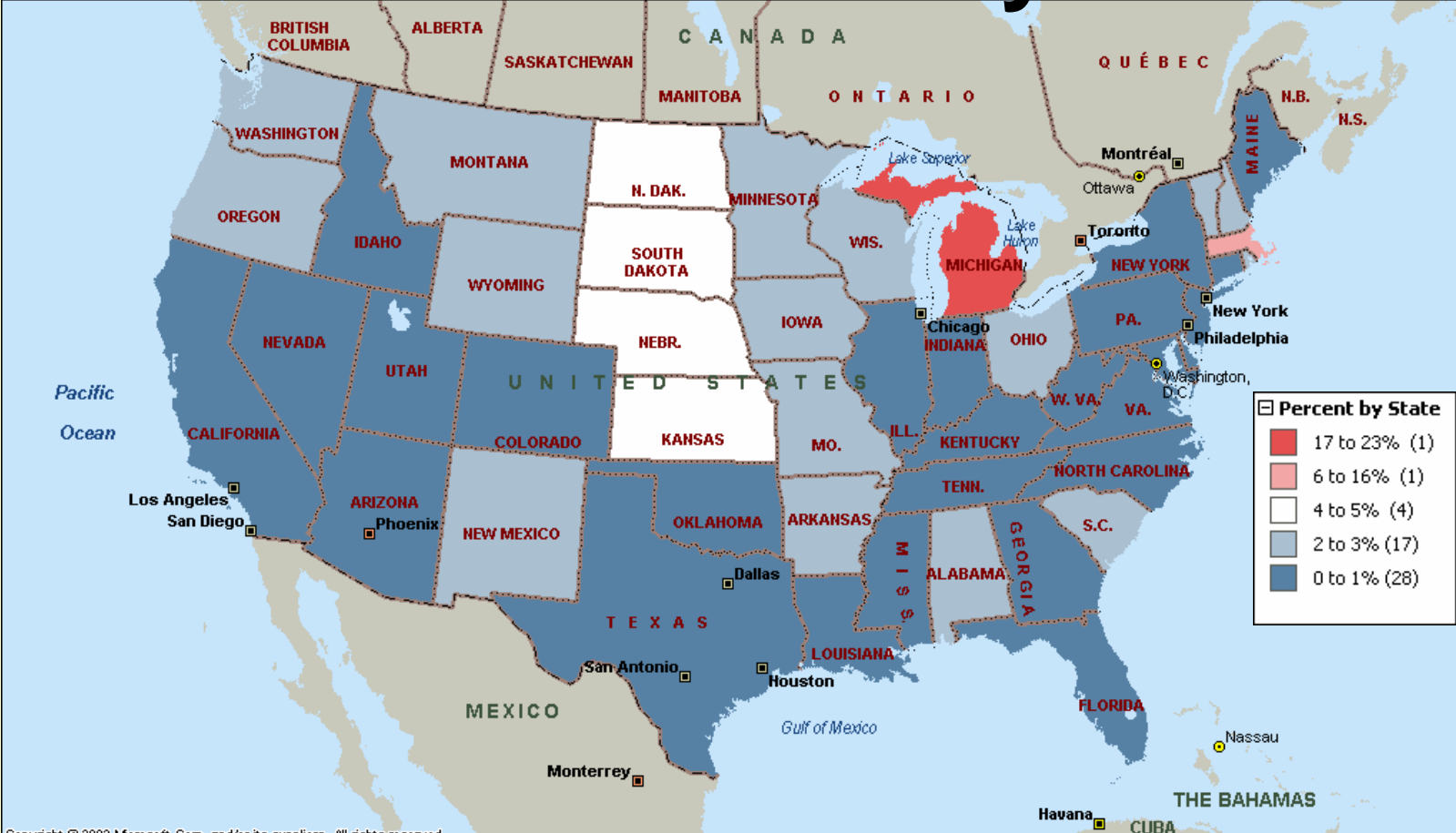
Processing Year 2005

Form 1120 by State



Alaska (AK)	3,579	Hawaii (HI)	14,018	Maine (ME)	8,375	New Jersey (NJ)	92,376	South Dakota (SD)	4,946
Alabama (AL)	20,688	Iowa (IA)	23,792	Michigan (MI)	75,356	New Mexico (NM)	9,722	Tennessee (TN)	33,181
Arkansas (AR)	17,075	Idaho (ID)	7,635	Minnesota (MN)	30,813	Nevada (NV)	32,196	Texas (TX)	172,582
Arizona (AZ)	34,964	Illinois (IL)	99,146	Missouri (MO)	38,674	New York (NY)	219,590	Utah (UT)	14,794
California (CA)	301,655	Indiana (IN)	22,981	Mississippi (MS)	14,726	Ohio (OH)	68,077	Virginia (VA)	51,007
Colorado (CO)	34,260	Kansas (KS)	20,165	Montana (MT)	9,086	Oklahoma (OK)	22,837	Vermont (VT)	4,915
Connecticut (CT)	26,104	Kentucky (KY)	18,921	North Carolina (NC)	53,948	Oregon (OR)	23,823	Washington (WA)	38,156
Delaware (DE)	9,055	Louisiana (LA)	32,911	North Dakota (ND)	4,508	Pennsylvania (PA)	66,621	Wisconsin (WI)	37,749
Florida (FL)	171,685	Massachusetts (MA)	51,424	Nebraska (NE)	14,141	Rhode Island (RI)	7,381	West Virginia (WV)	9,850
Georgia (GA)	57,566	Maryland (MD)	43,593	New Hampshire (NH)	11,162	South Carolina (SC)	24,524	Wyoming (WY)	4,497

e-file Penetration by State



Alaska (AK)	4%	Hawaii (HI)	1%	Maine (ME)	1%	New Jersey (NJ)	1%	South Dakota (SD)	6%
Alabama (AL)	2%	Iowa (IA)	2%	Michigan (MI)	21%	New Mexico (NM)	4%	Tennessee (TN)	2%
Arkansas (AR)	3%	Idaho (ID)	1%	Minnesota (MN)	3%	Nevada (NV)	2%	Texas (TX)	2%
Arizona (AZ)	2%	Illinois (IL)	1%	Missouri (MO)	3%	New York (NY)	0%	Utah (UT)	2%
California (CA)	1%	Indiana (IN)	2%	Mississippi (MS)	2%	Ohio (OH)	3%	Virginia (VA)	1%
Colorado (CO)	2%	Kansas (KS)	5%	Montana (MT)	3%	Oklahoma (OK)	2%	Vermont (VT)	3%
Connecticut (CT)	1%	Kentucky (KY)	1%	North Carolina (NC)	2%	Oregon (OR)	2%	Washington (WA)	2%
Delaware (DE)	2%	Louisiana (LA)	1%	North Dakota (ND)	6%	Pennsylvania (PA)	2%	Wisconsin (WI)	4%
Florida (FL)	1%	Massachusetts (MA)	14%	Nebraska (NE)	5%	Rhode Island (RI)	3%	West Virginia (WV)	1%
Georgia (GA)	2%	Maryland (MD)	1%	New Hampshire (NH)	3%	South Carolina (SC)	3%	Wyoming (WY)	3%

Form 1120S Filers

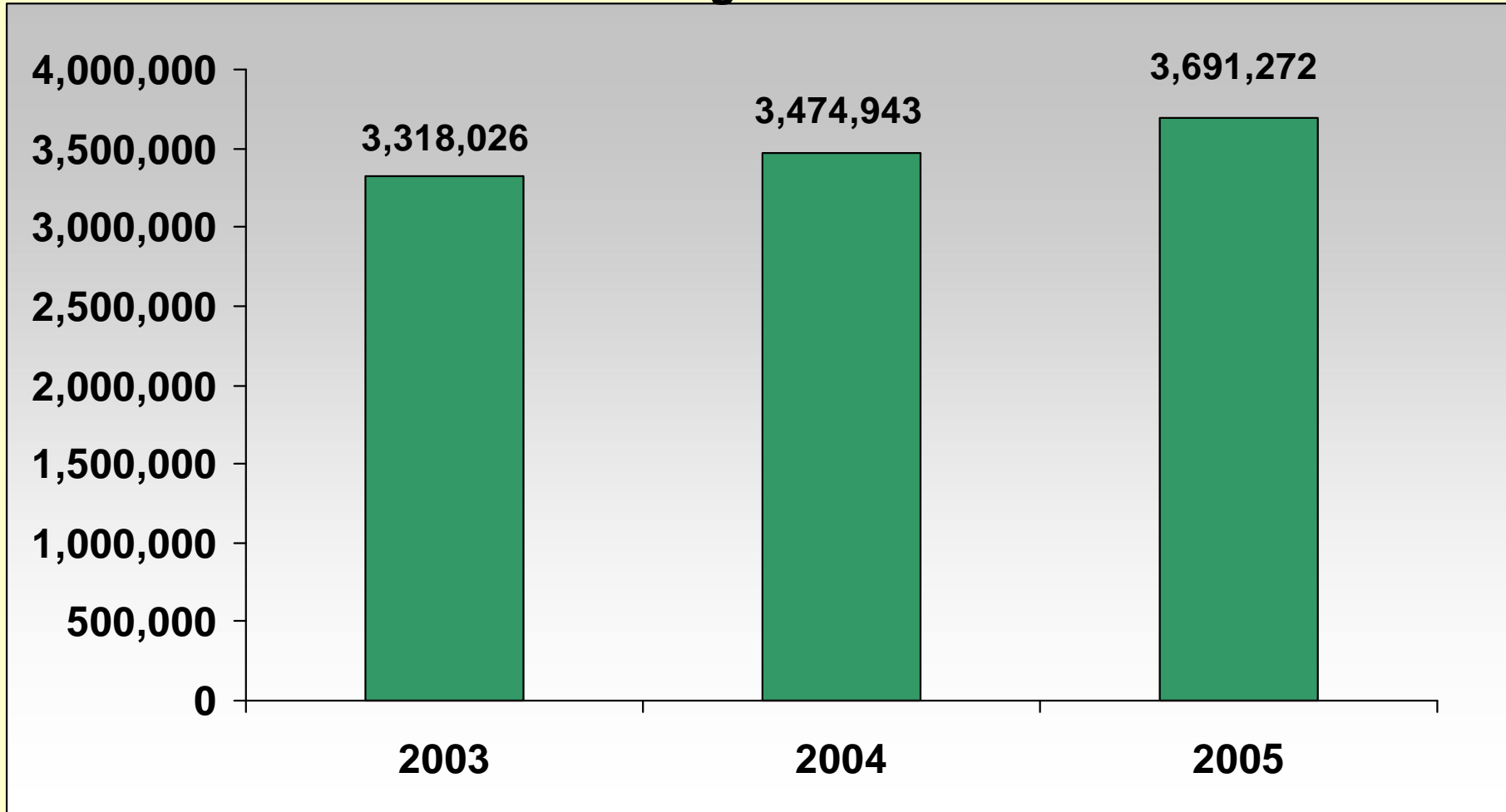
**Small Business Corporation
Income Tax Return**

Processing Year 2005

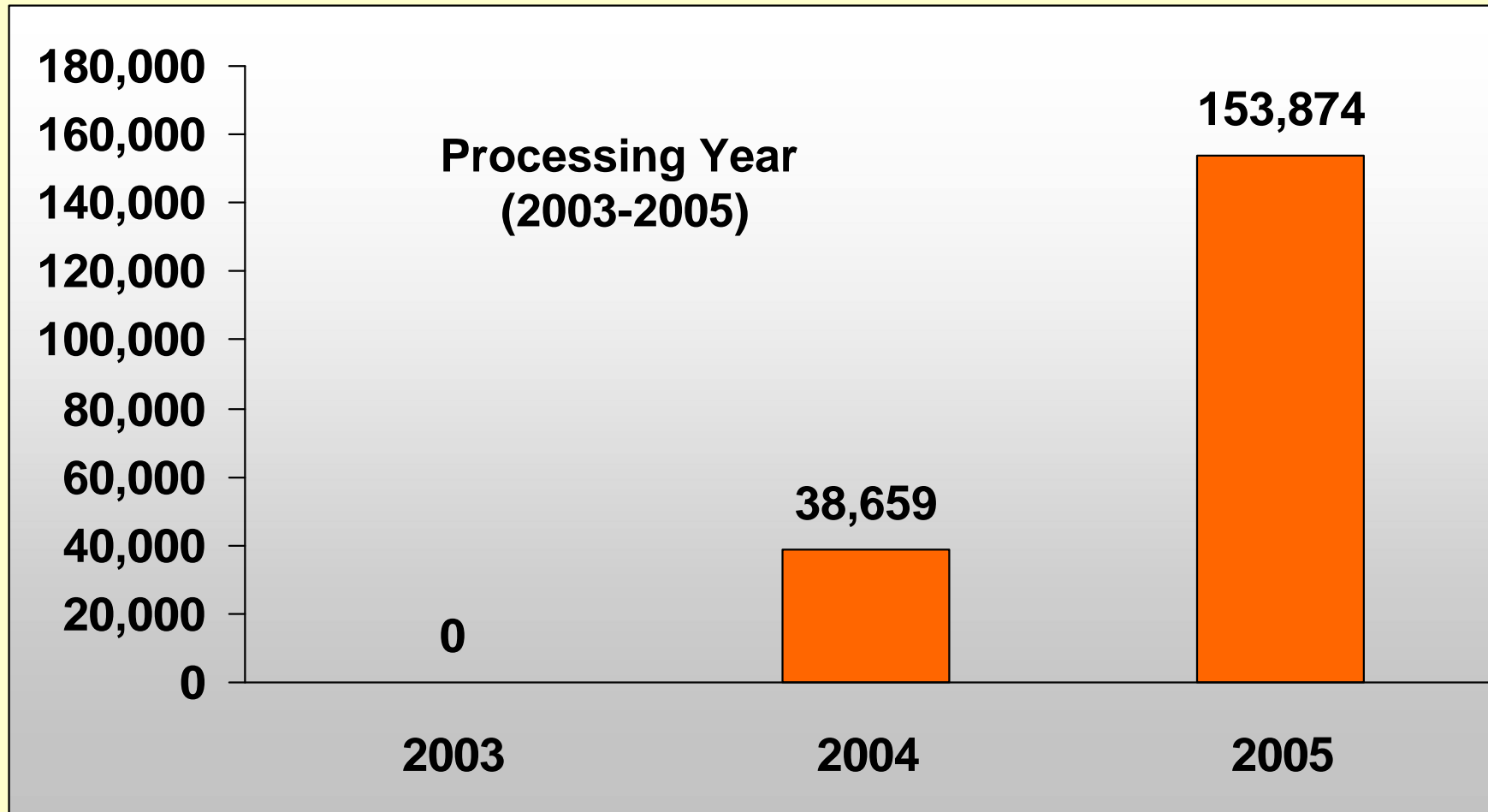


Form 1120S Annual Filing Volume

Processing Years 2003-2005

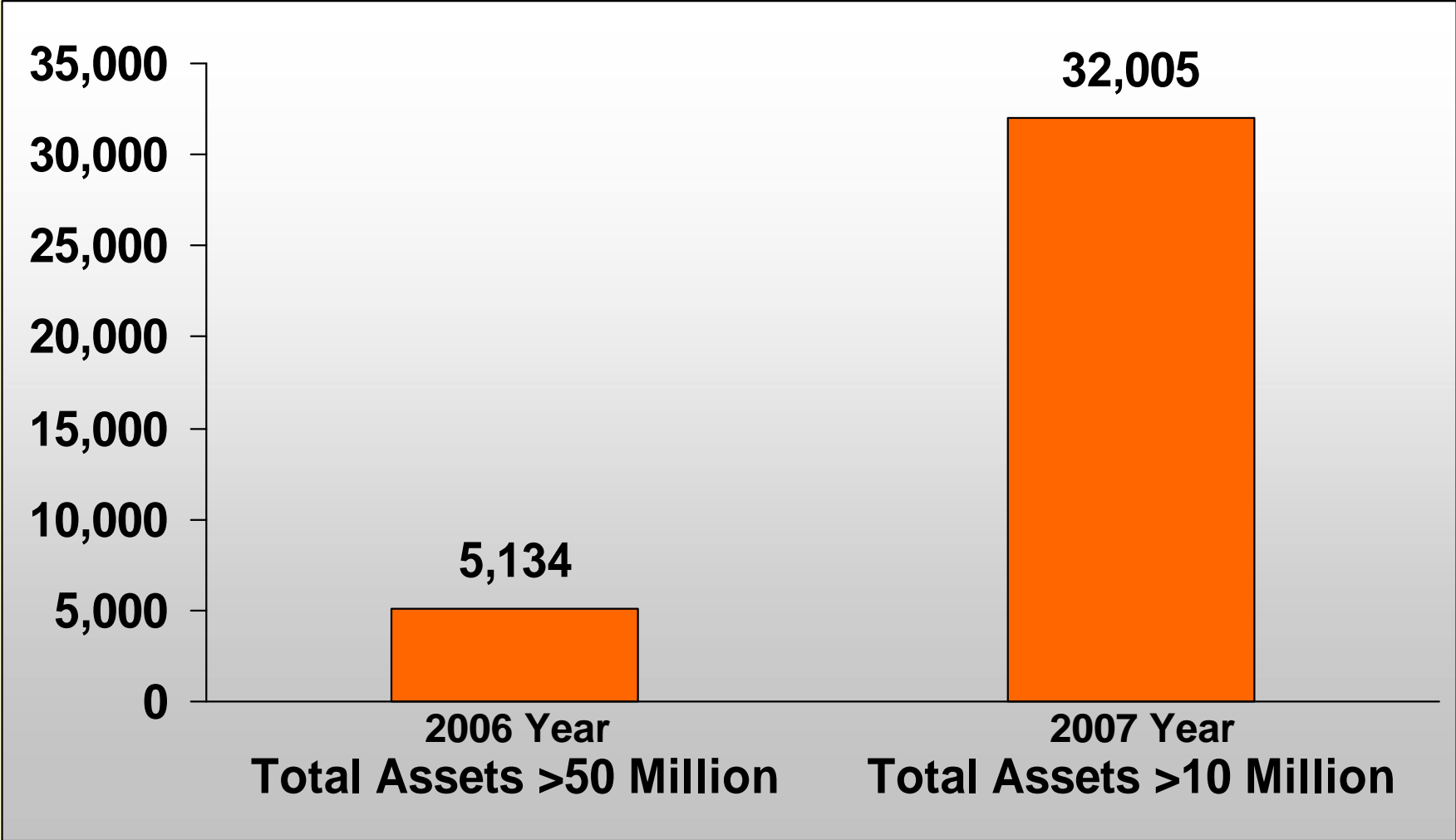


Annual Filing Volume for *e-file* Form 1120S



**In Processing Year 2005,
only 4% of all Forms
1120S were filed
electronically.**

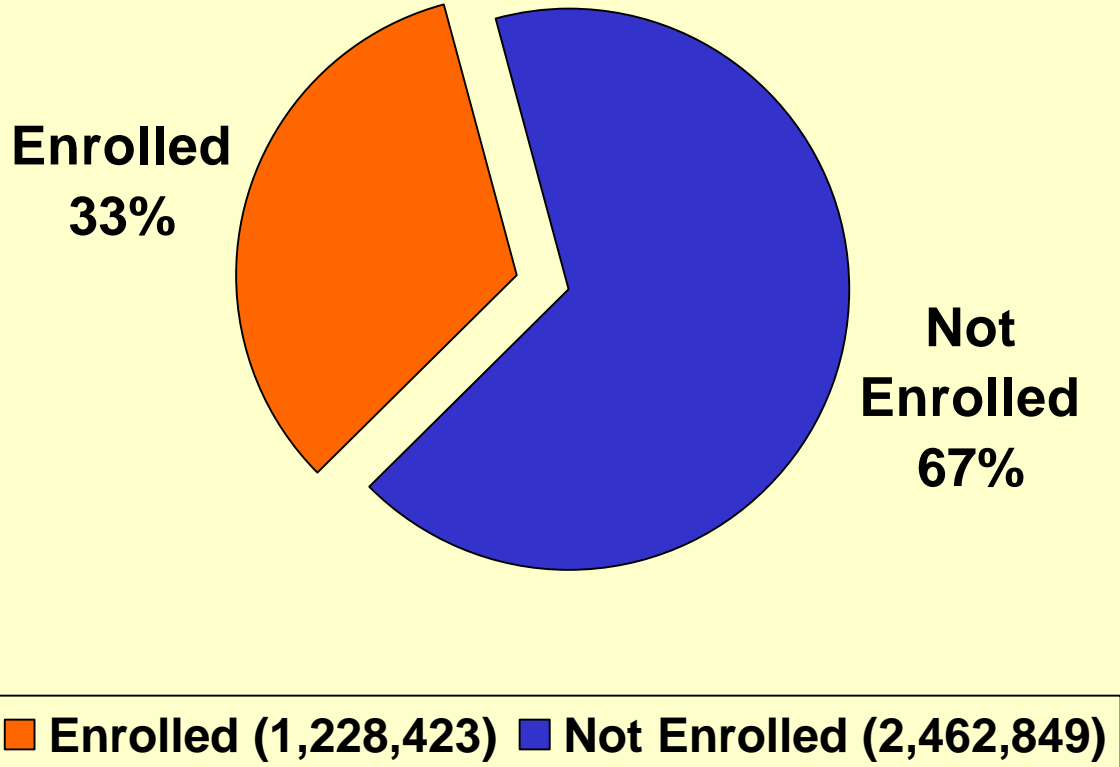
Mandating Impact on Form 1120S



The electronic filing requirements only apply to entities that file at least 250 returns, including income tax, excise tax, information and employment tax returns, during a calendar year. 60

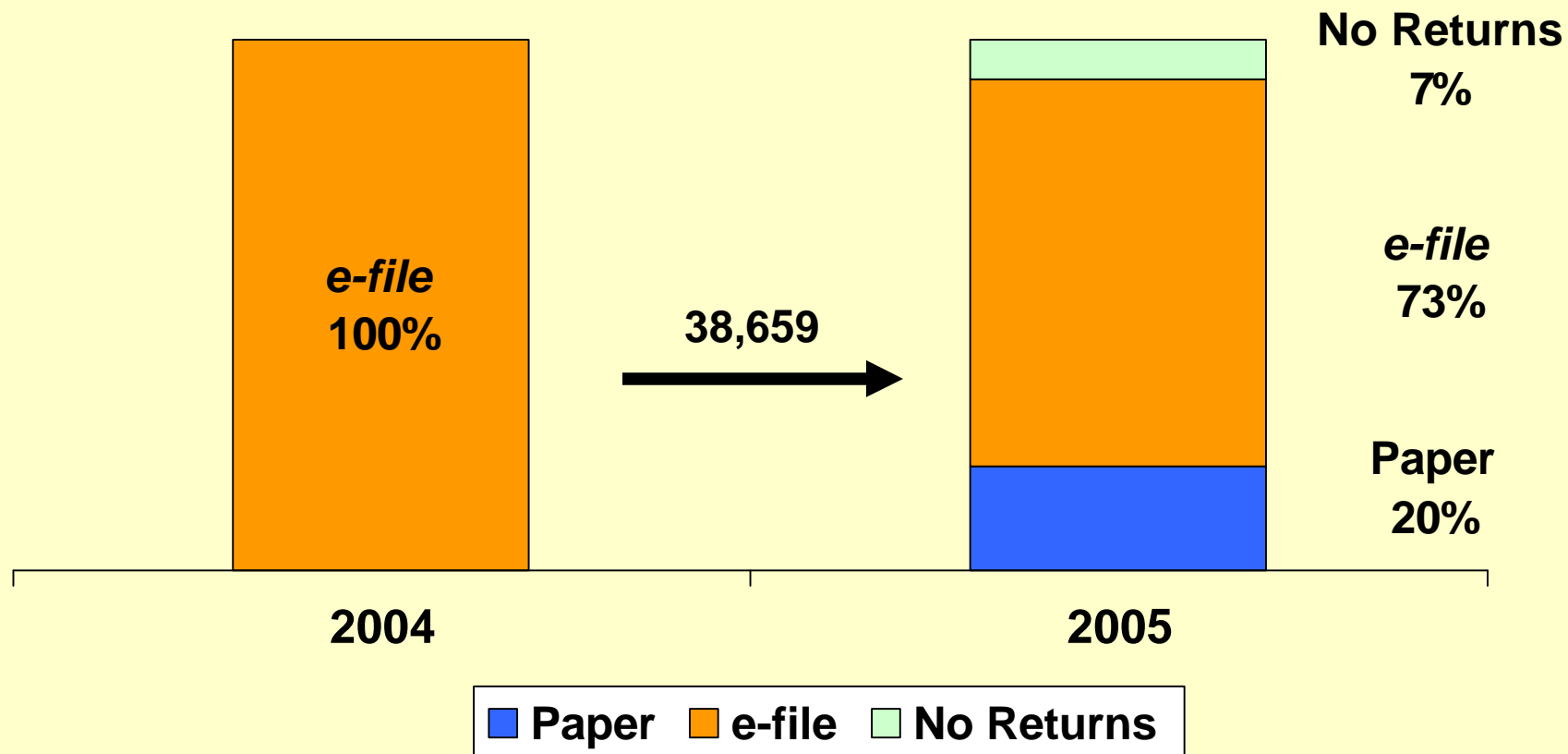
Form 1120S Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2005



Source: 2005 ETA Marketing Database

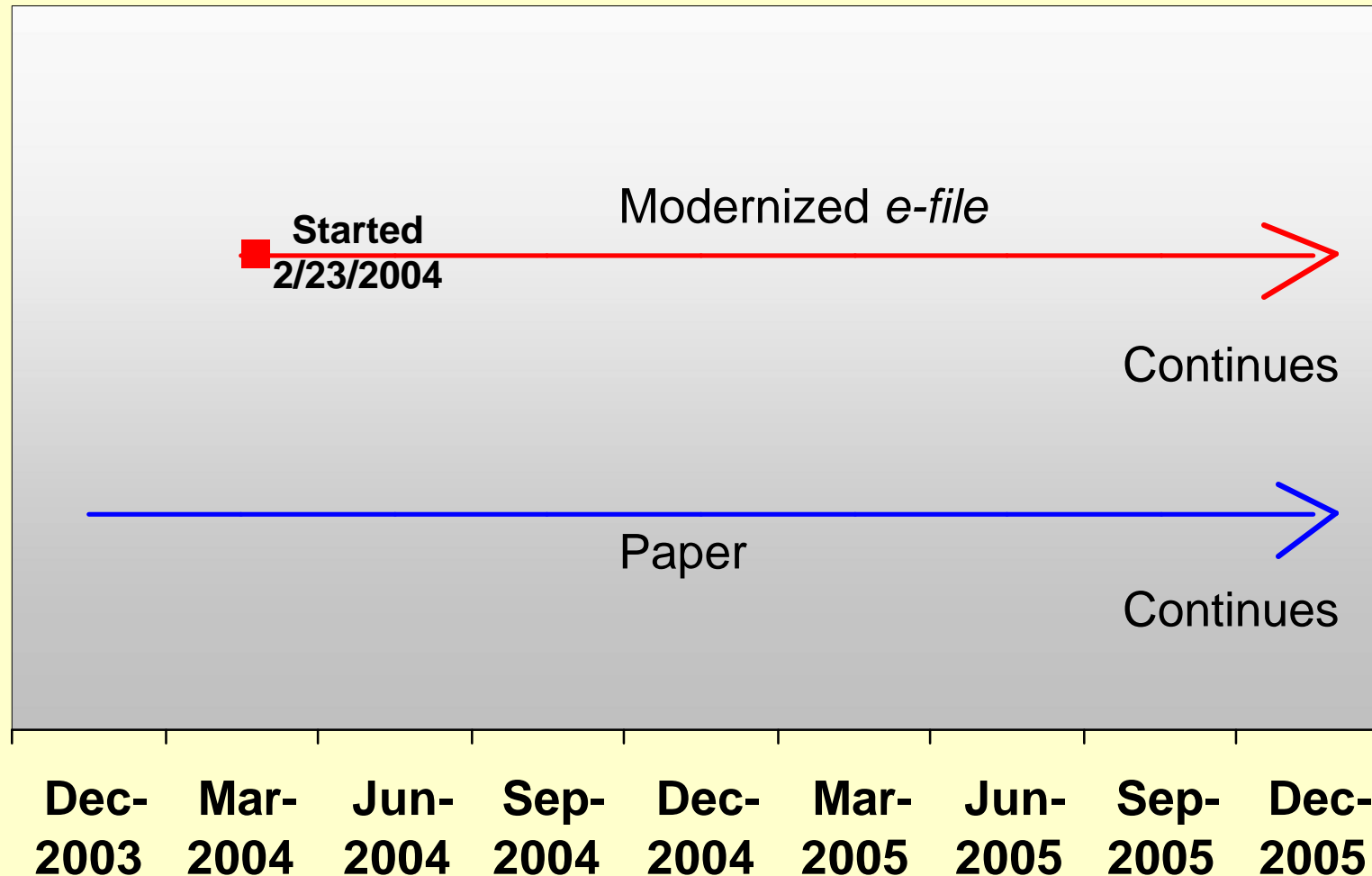
e-file Migration Between Filing Options



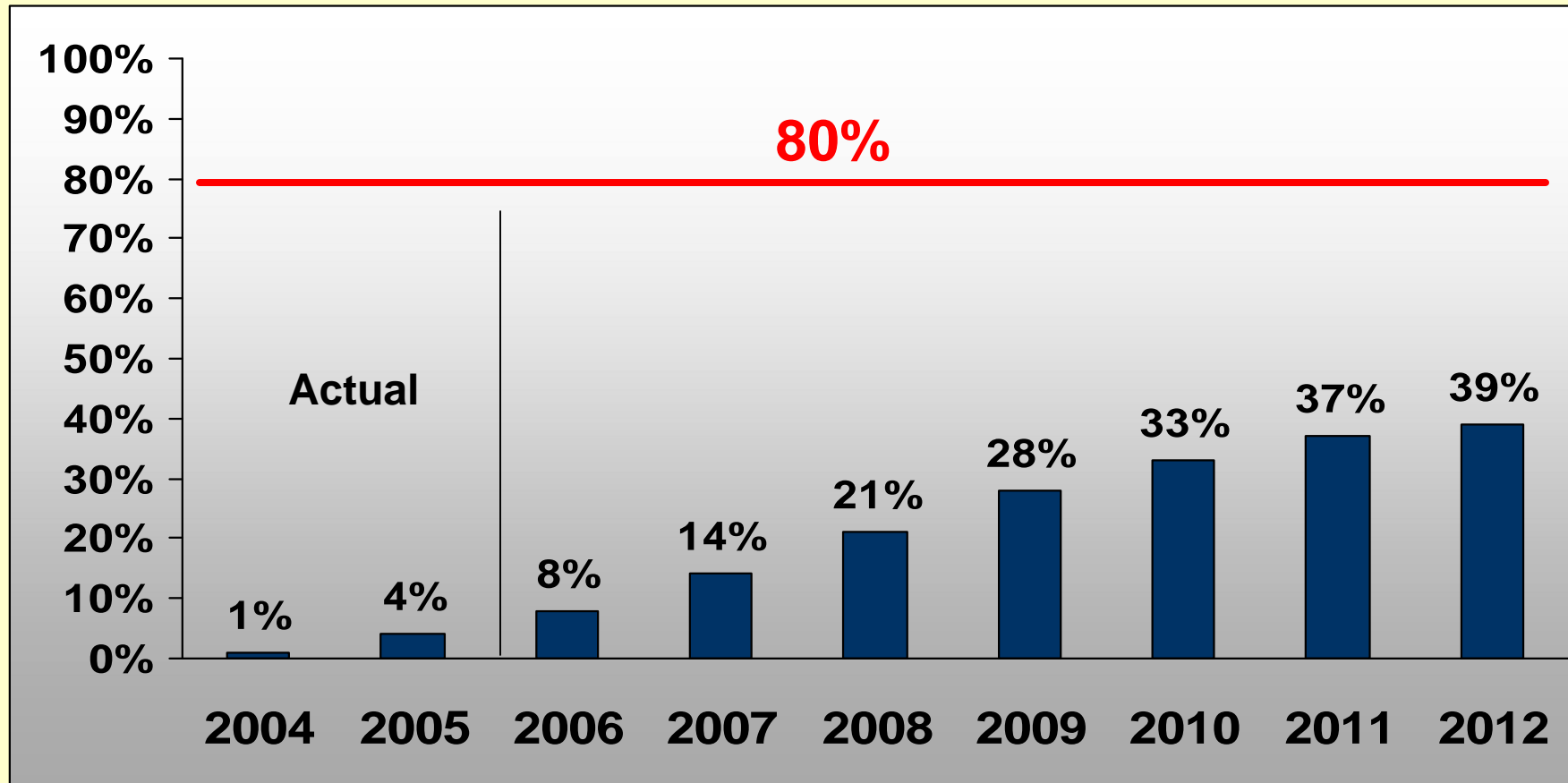
73% of Form 1120S *e-file* Users Remained Loyal⁶²

Source: 2005 ETA Marketing Database

Form 1120S: Implementation Schedule

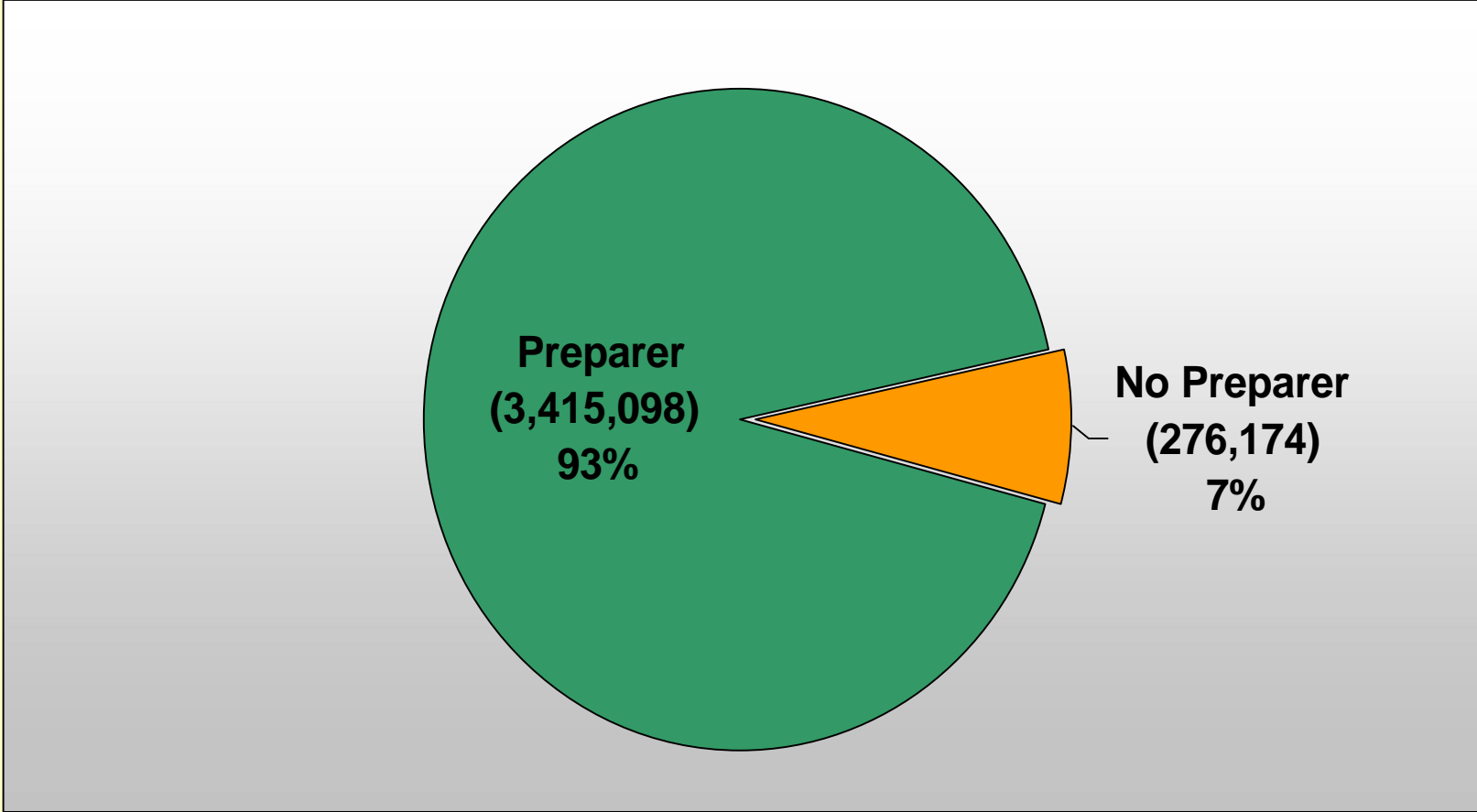


Form 1120S Projected *e-file* Penetration Rate



Preparer/No Preparer

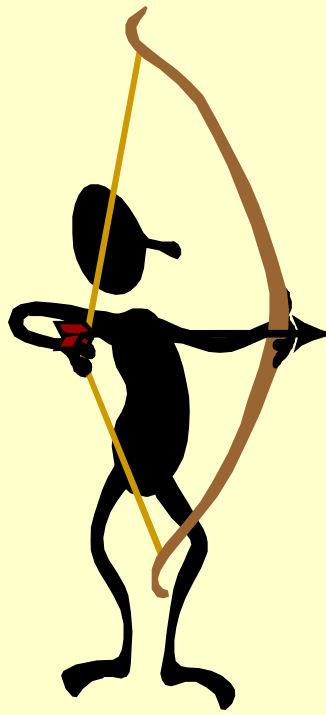
Total: 3,691,272



Processing Year 2005

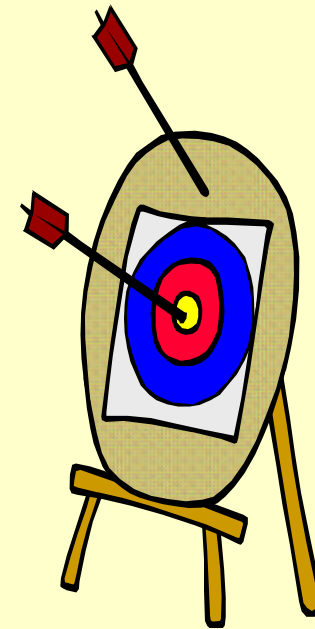
Source: 2005 ETA Marketing Database

Recommended Target Market for Form 1120S Electronic Filing

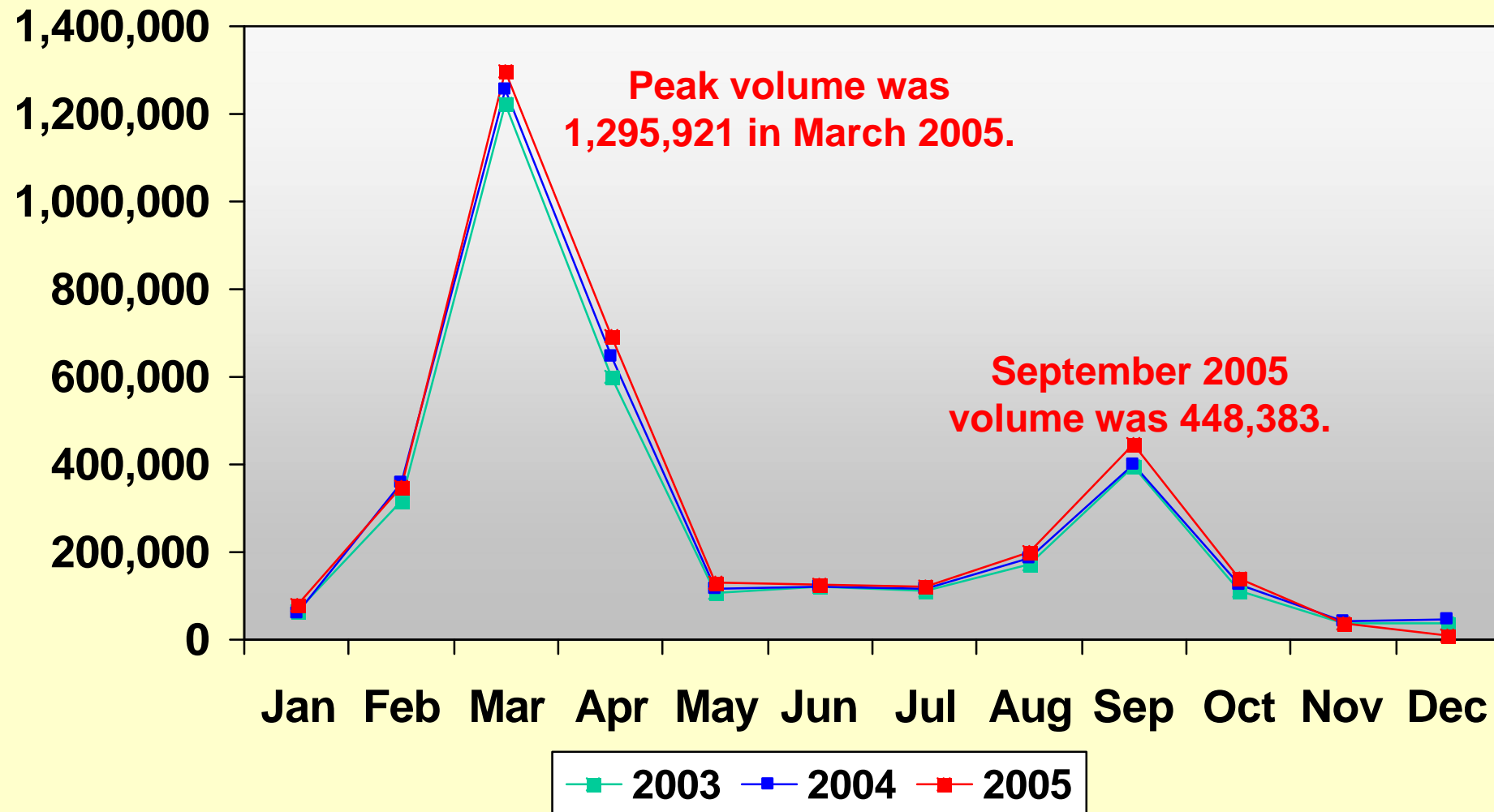


***8,078 EROs* filing more
than 50 e-file 1040 & more
than 50 1120S returns filed
979,278
S Corporation returns***

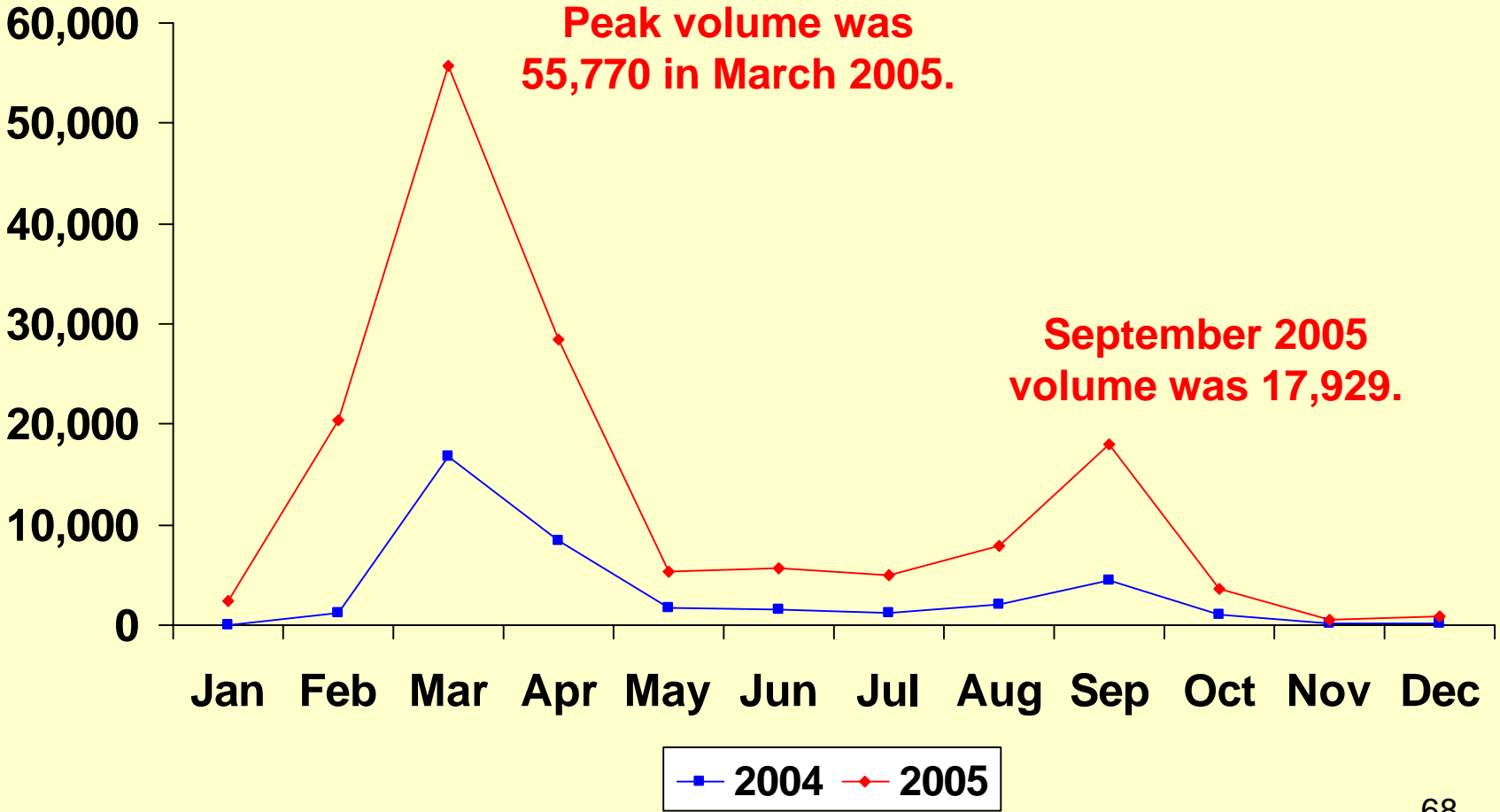
****Electronic Return Originators***



Form 1120S: Monthly Filing Patterns



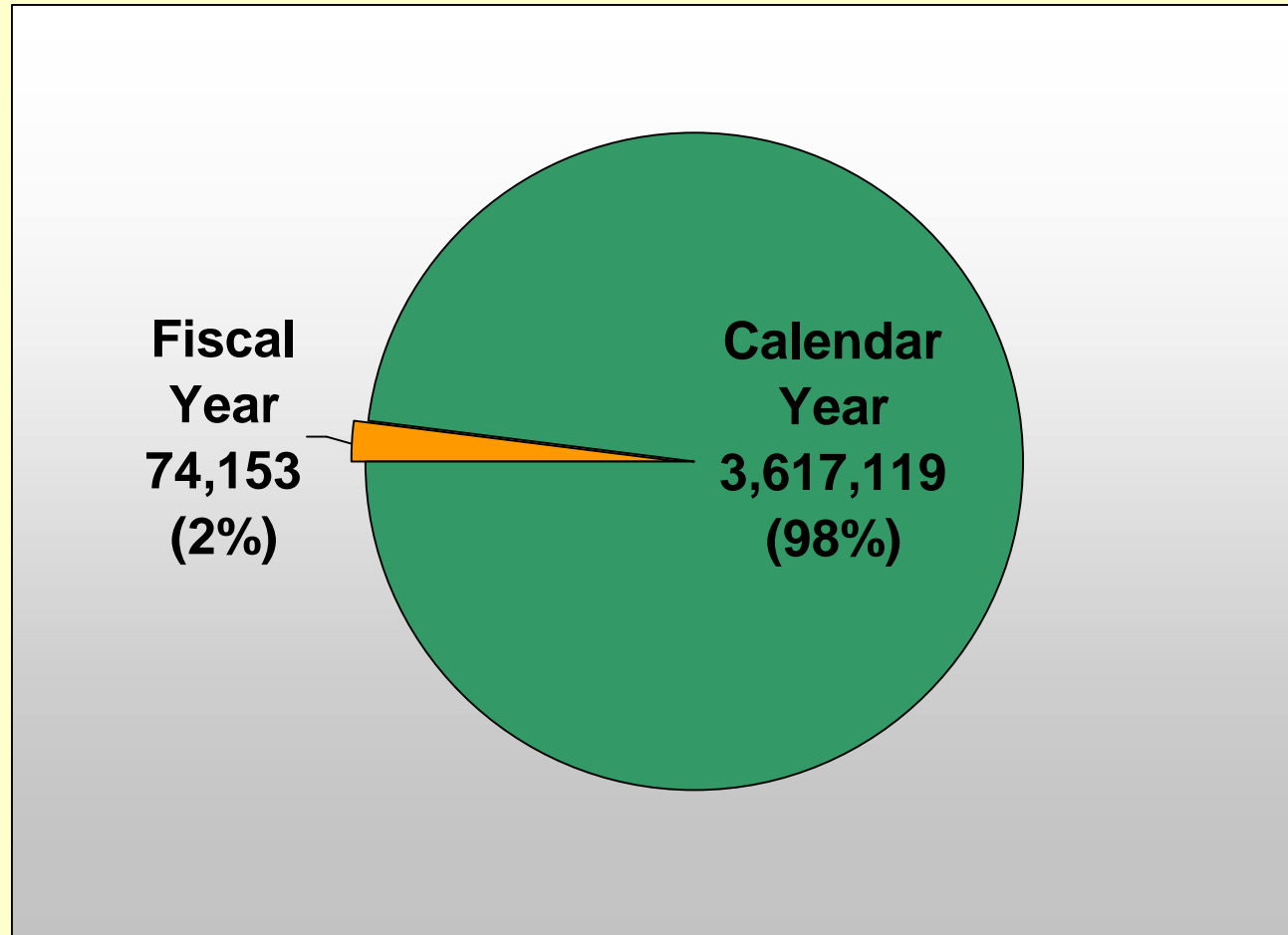
e-file Form 1120S Monthly Filing Patterns



Source: 2005 ETA Marketing Database

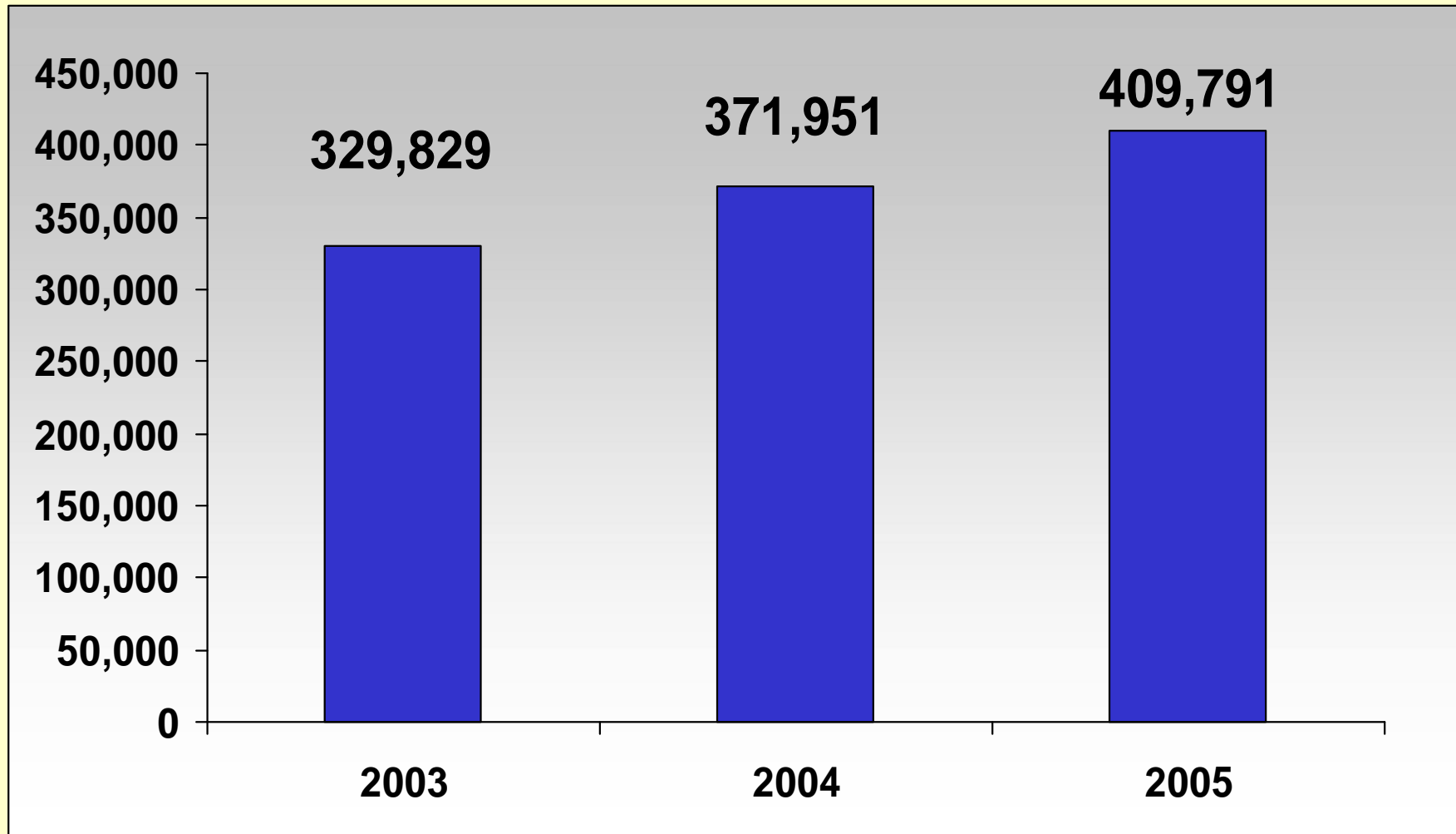
Fiscal Year Returns vs. Calendar Year Returns

Total: 3,691,272



Initial Corporation Filings

Processing Years 2003-2005



Source: 2005 ETA Marketing Database

Forms 1120S by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>NAICS TITLE</u>	<u>COUNT</u>	<u>%</u>
541990	All Other Professional, Scientific, & Technical Services	123,072	3%
531390	Other Activities Related to Real Estate	114,103	3%
236110	Residential Building Construction	90,708	2%
238900	Other Specialty Trade Contractors	88,208	2%
531120	Lessors of Nonresidential Buildings	84,633	2%
722110	Full-Service Restaurants	76,860	2%
812990	All Other Personal Services	76,856	2%
531210	Offices of Real Estate Agents & Brokers	68,039	2%
621111	Offices of Physicians	66,326	2%
541600	Management, Scientific, & Technical Consulting	65,272	2%

Three of the top 10 NAICS codes involve real estate returns.

71

Electronic Forms 1120S by Industry

(The North American Industry Classification System - NAICS)

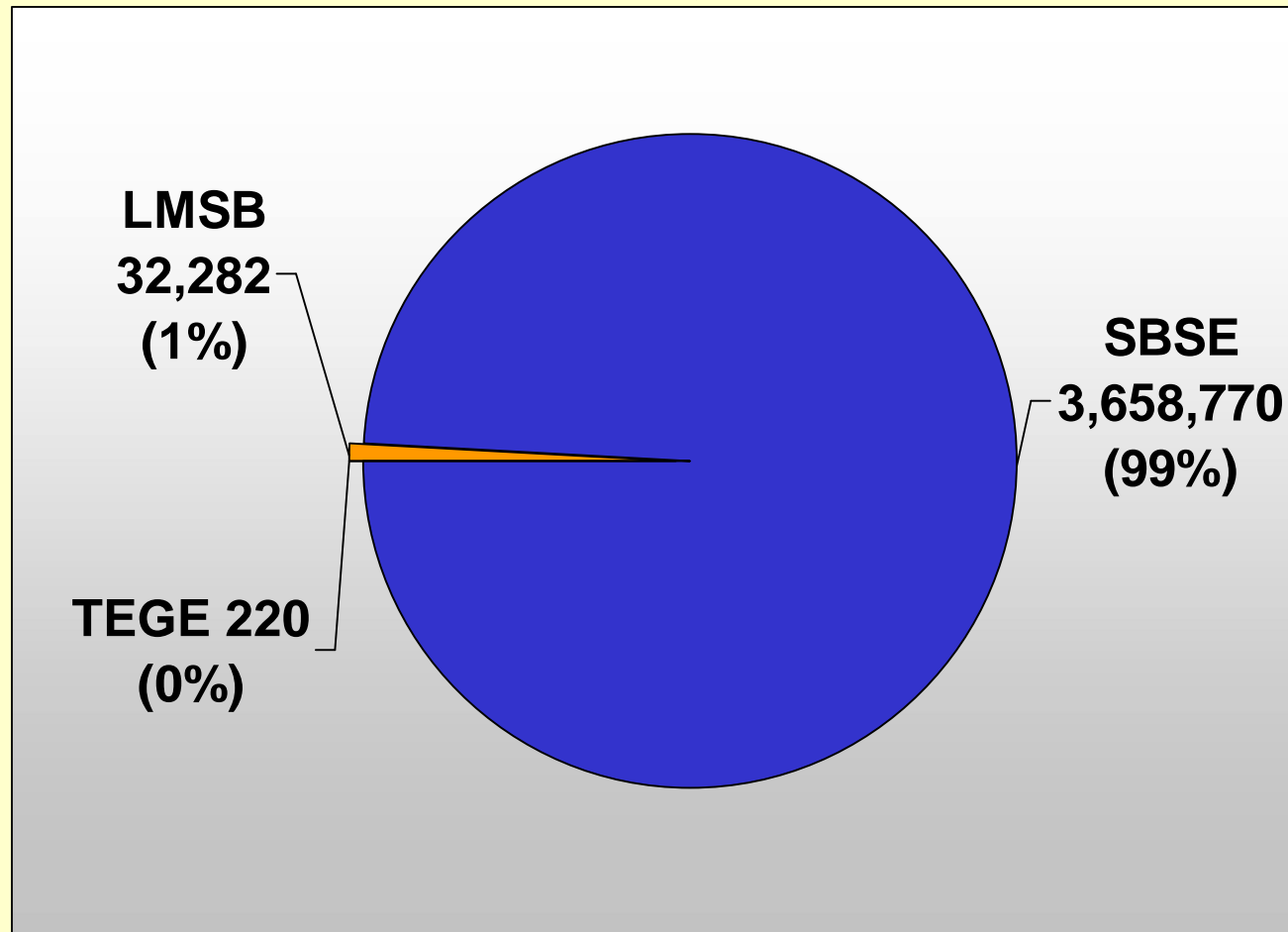
<u>CODE</u>	<u>NAICS TITLE</u>	<u>COUNT</u>	<u>%</u>
541990	All Other Professional, Scientific, & Technical Services	4,711	3%
531390	Other Activities Related to Real Estate	4,523	3%
236110	Residential Building Construction	4,395	3%
531120	Lessors of Nonresidential Buildings	4,069	3%
238900	Other Specialty Trade Contractors	3,969	3%
722110	Full-Service Restaurants	3,801	2%
812990	All Other Personal Services	3,398	2%
621111	Offices of Physicians	3,138	2%
531210	Offices of Real Estate Agents & Brokers	3,040	2%
524210	Insurance Agencies and Brokerages	2,594	2%

* The percentage of all electronic Forms 1120S filed in PY 2005

72

Forms 1120S by Business Operating Division

Total: 3,691,272



Forms 1120S by Assets & Method

	Paper	<i>e-file</i>	Total
Under \$200,000	2,675,971	111,204	2,787,175
\$200,000 to under \$10 Million	830,406	41,686	872,092
\$10 Million or More	31,021	984	32,005
Total	3,537,398	153,874	3,691,272

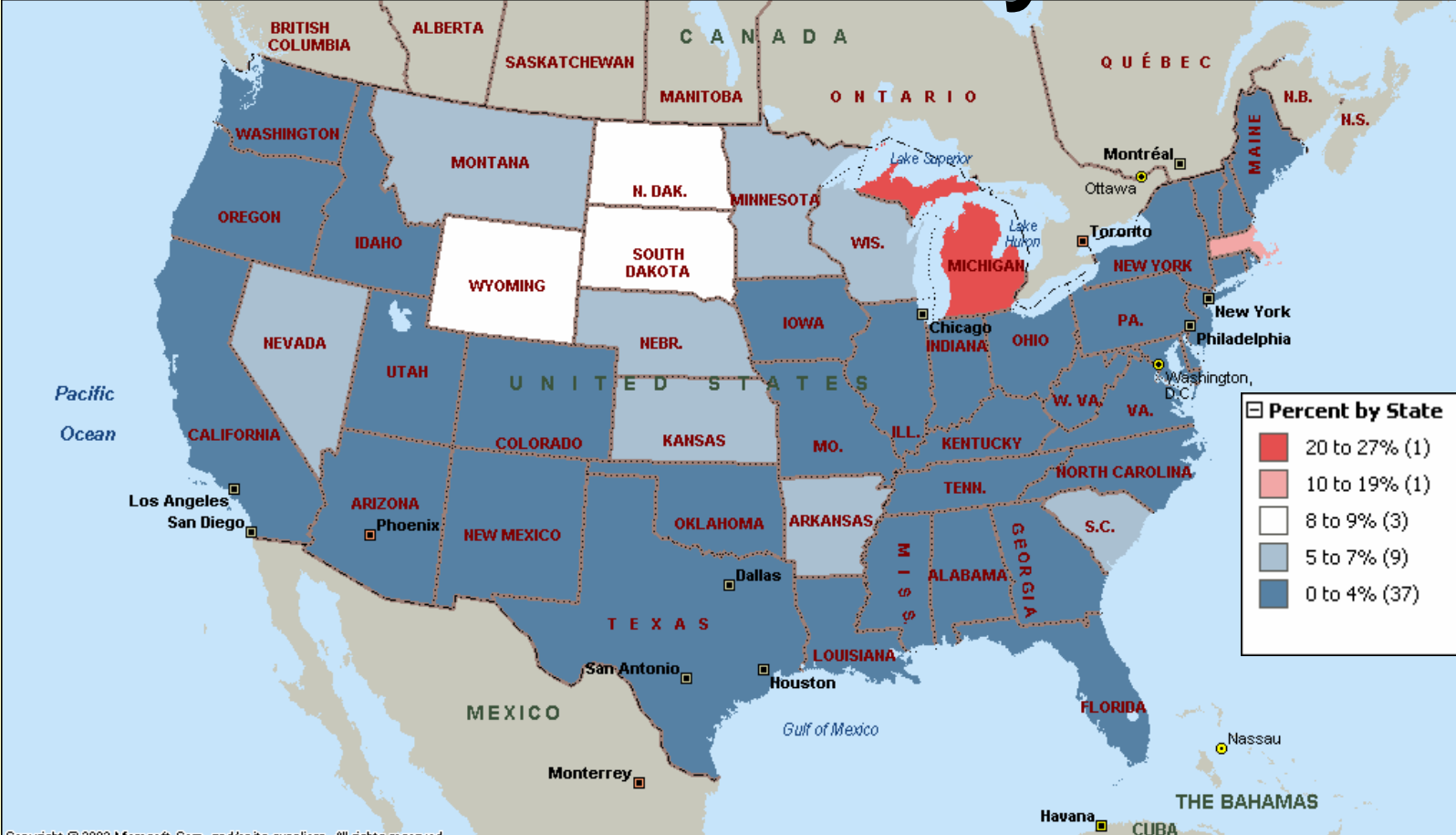
Processing Year 2005

Form 1120S by State



Alaska (AK)	6,598	Hawaii (HI)	11,211	Maine (ME)	20,372	New Jersey (NJ)	128,847	South Dakota (SD)	10,781
Alabama (AL)	42,466	Iowa (IA)	31,661	Michigan (MI)	117,304	New Mexico (NM)	17,242	Tennessee (TN)	30,512
Arkansas (AR)	34,135	Idaho (ID)	20,962	Minnesota (MN)	83,144	Nevada (NV)	32,026	Texas (TX)	186,752
Arizona (AZ)	62,914	Illinois (IL)	186,203	Missouri (MO)	57,930	New York (NY)	333,546	Utah (UT)	40,031
California (CA)	274,354	Indiana (IN)	85,931	Mississippi (MS)	22,816	Ohio (OH)	113,298	Virginia (VA)	87,697
Colorado (CO)	93,430	Kansas (KS)	28,464	Montana (MT)	18,078	Oklahoma (OK)	42,055	Vermont (VT)	10,665
Connecticut (CT)	26,020	Kentucky (KY)	47,665	North Carolina (NC)	107,353	Oregon (OR)	46,305	Washington (WA)	74,240
Delaware (DE)	13,357	Louisiana (LA)	44,752	North Dakota (ND)	7,505	Pennsylvania (PA)	135,923	Wisconsin (WI)	50,327
Florida (FL)	493,728	Massachusetts (MA)	79,929	Nebraska (NE)	24,756	Rhode Island (RI)	17,517	West Virginia (WV)	10,551
Georgia (GA)	137,007	Maryland (MD)	67,339	New Hampshire (NH)	11,972	South Carolina (SC)	49,200	Wyoming (WY)	9,079

e-file Penetration by State



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Alaska (AK)	8%	Hawaii (HI)	2%	Maine (ME)	2%	New Jersey (NJ)	2%	South Dakota (SD)	10%
Alabama (AL)	4%	Iowa (IA)	4%	Michigan (MI)	26%	New Mexico (NM)	5%	Tennessee (TN)	3%
Arkansas (AR)	5%	Idaho (ID)	3%	Minnesota (MN)	5%	Nevada (NV)	6%	Texas (TX)	3%
Arizona (AZ)	3%	Illinois (IL)	3%	Missouri (MO)	5%	New York (NY)	1%	Utah (UT)	4%
California (CA)	1%	Indiana (IN)	3%	Mississippi (MS)	4%	Ohio (OH)	4%	Virginia (VA)	3%
Colorado (CO)	4%	Kansas (KS)	6%	Montana (MT)	6%	Oklahoma (OK)	3%	Vermont (VT)	5%
Connecticut (CT)	2%	Kentucky (KY)	2%	North Carolina (NC)	3%	Oregon (OR)	3%	Washington (WA)	4%
Delaware (DE)	5%	Louisiana (LA)	2%	North Dakota (ND)	9%	Pennsylvania (PA)	3%	Wisconsin (WI)	6%
Florida (FL)	4%	Massachusetts (MA)	16%	Nebraska (NE)	7%	Rhode Island (RI)	5%	West Virginia (WV)	2%
Georgia (GA)	3%	Maryland (MD)	2%	New Hampshire (NH)	4%	South Carolina (SC)	5%	Wyoming (WY)	9%

Form 1120/1120S Summary

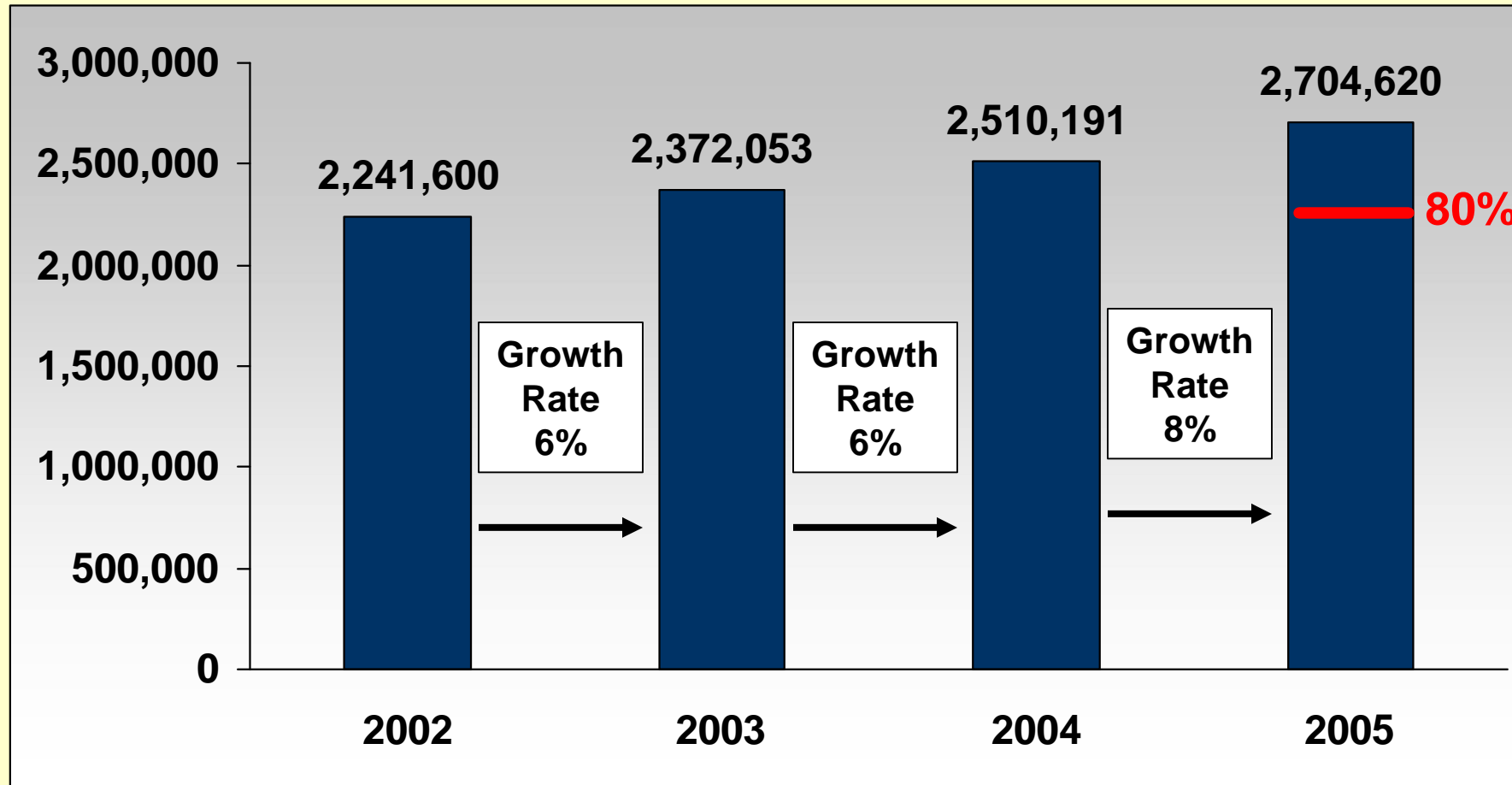
- **Only 12% of 1120 & 14% of 1120S are projected to be filed electronically in 2007.**
- **38% of 1120 & 33% of 1120S taxpayers are enrolled in EFTPS.**
- **1120's have two peak volume filing times: March and September.**
- **SB/SE accounts for 98% of 1120's.**
- **8% of 1120 returns have NAICS codes involve in real estate.**
- **87% of 1120 filers use a preparer.**

Form 1065 Filers
Return of Partnership Income
Processing Year 2005

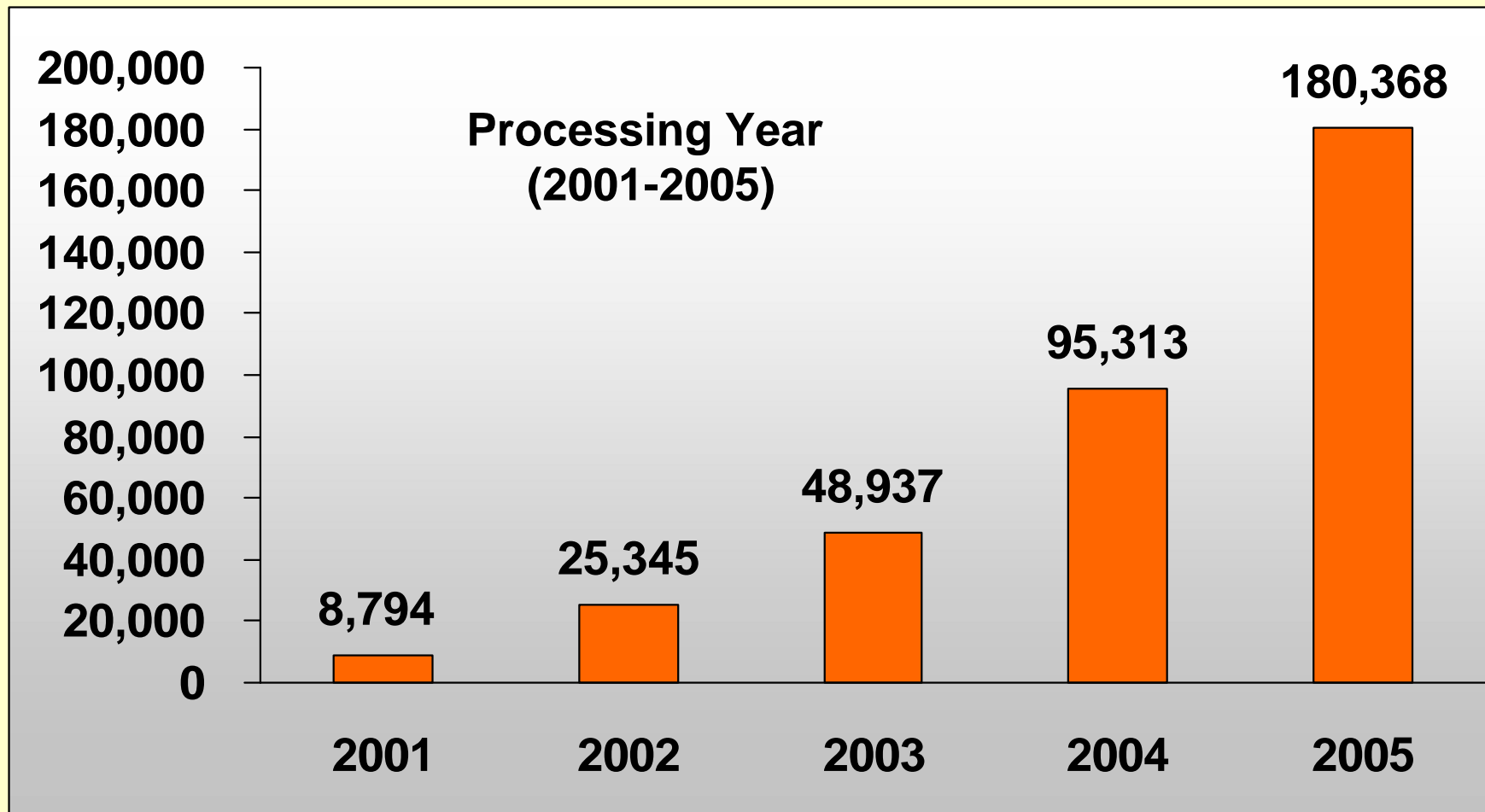


Form 1065 Annual Filing Volume

Processing Year 2002-2005

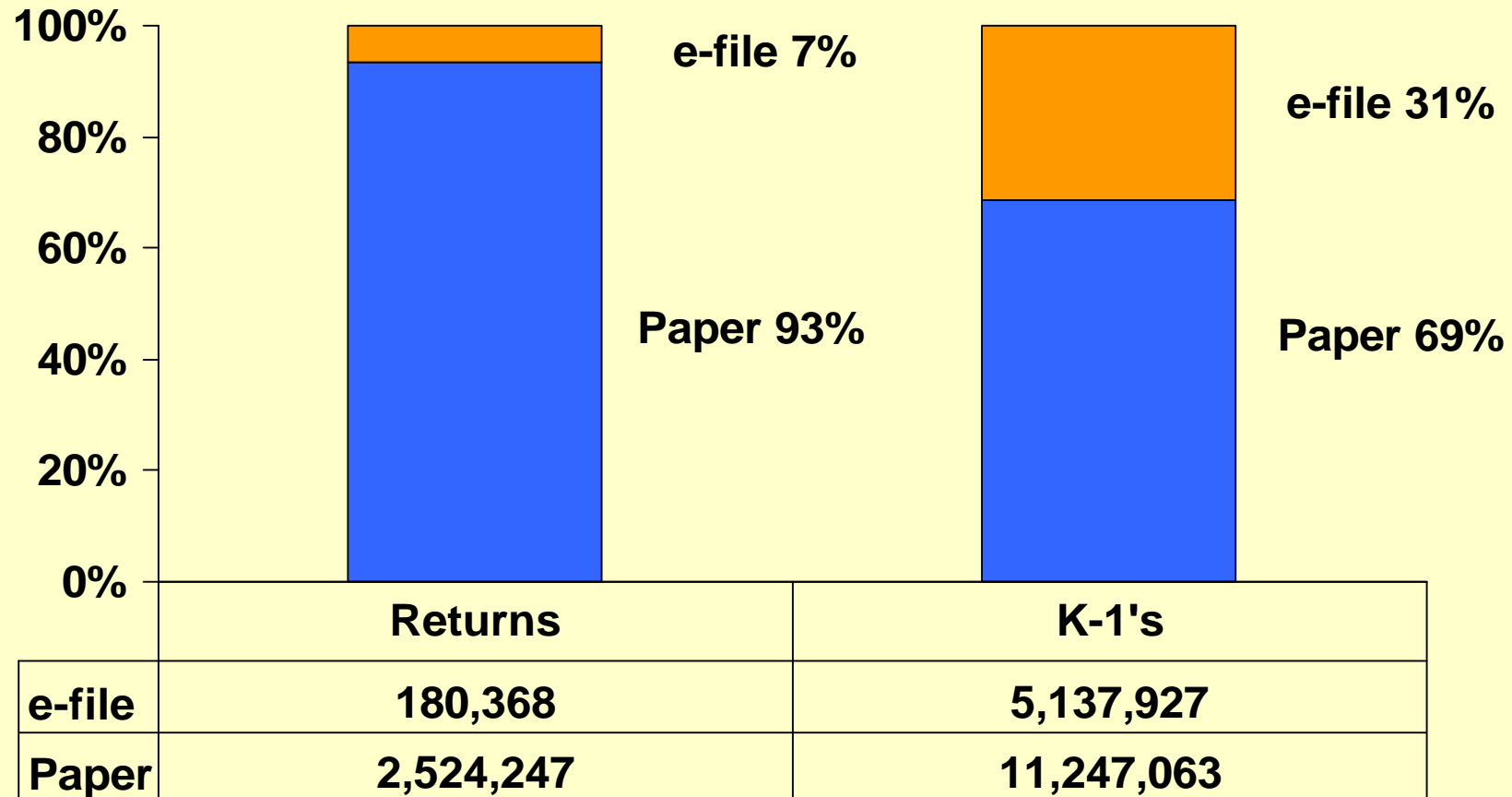


Annual Filing Volume for *e-file* Form 1065



of K1's Associated to 1065 Returns

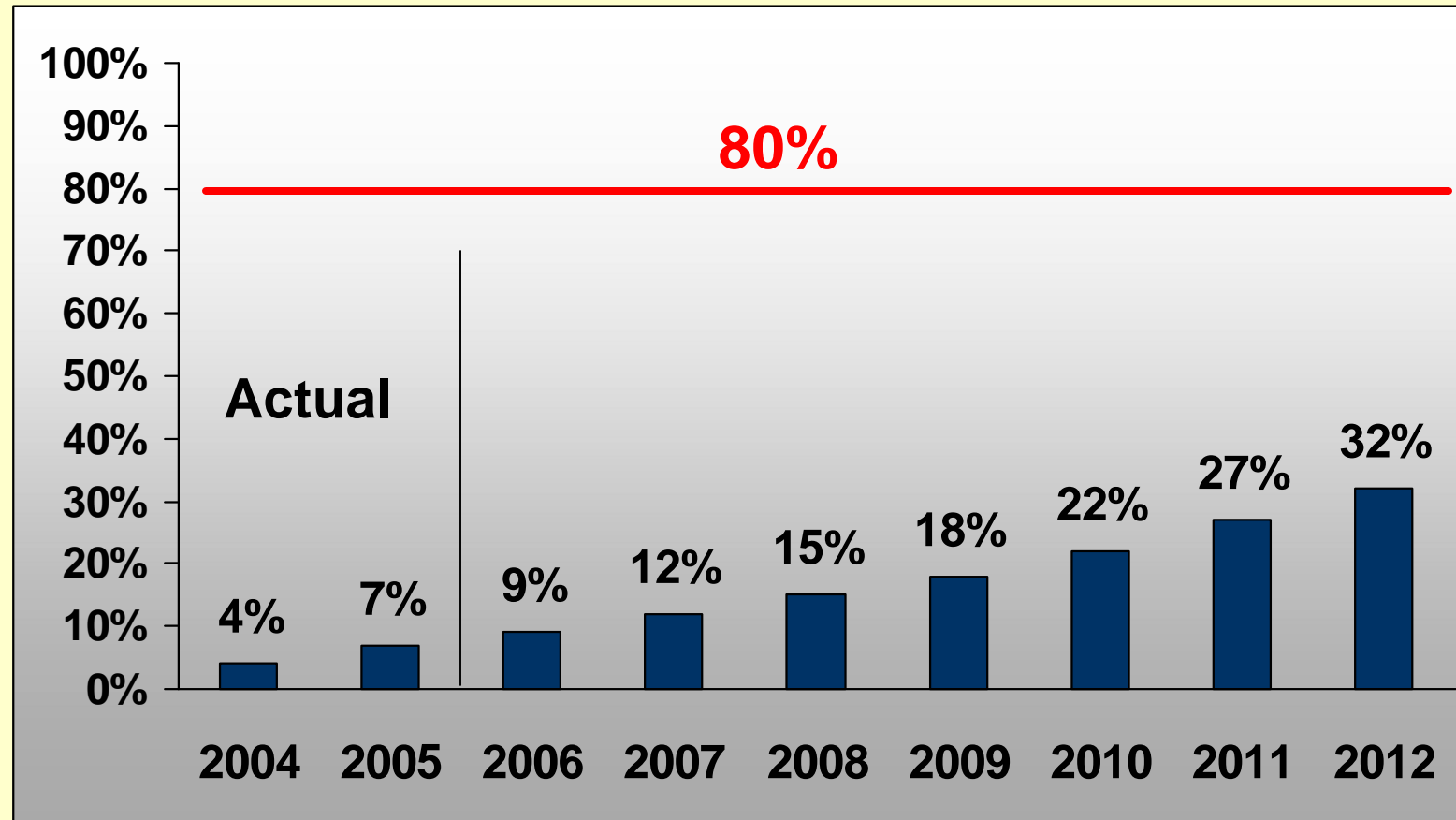
(where each partner is issued one K-1)



Note: 5 paper partnerships returns were not included in the totals because the K-1 counts appeared to be incorrect.

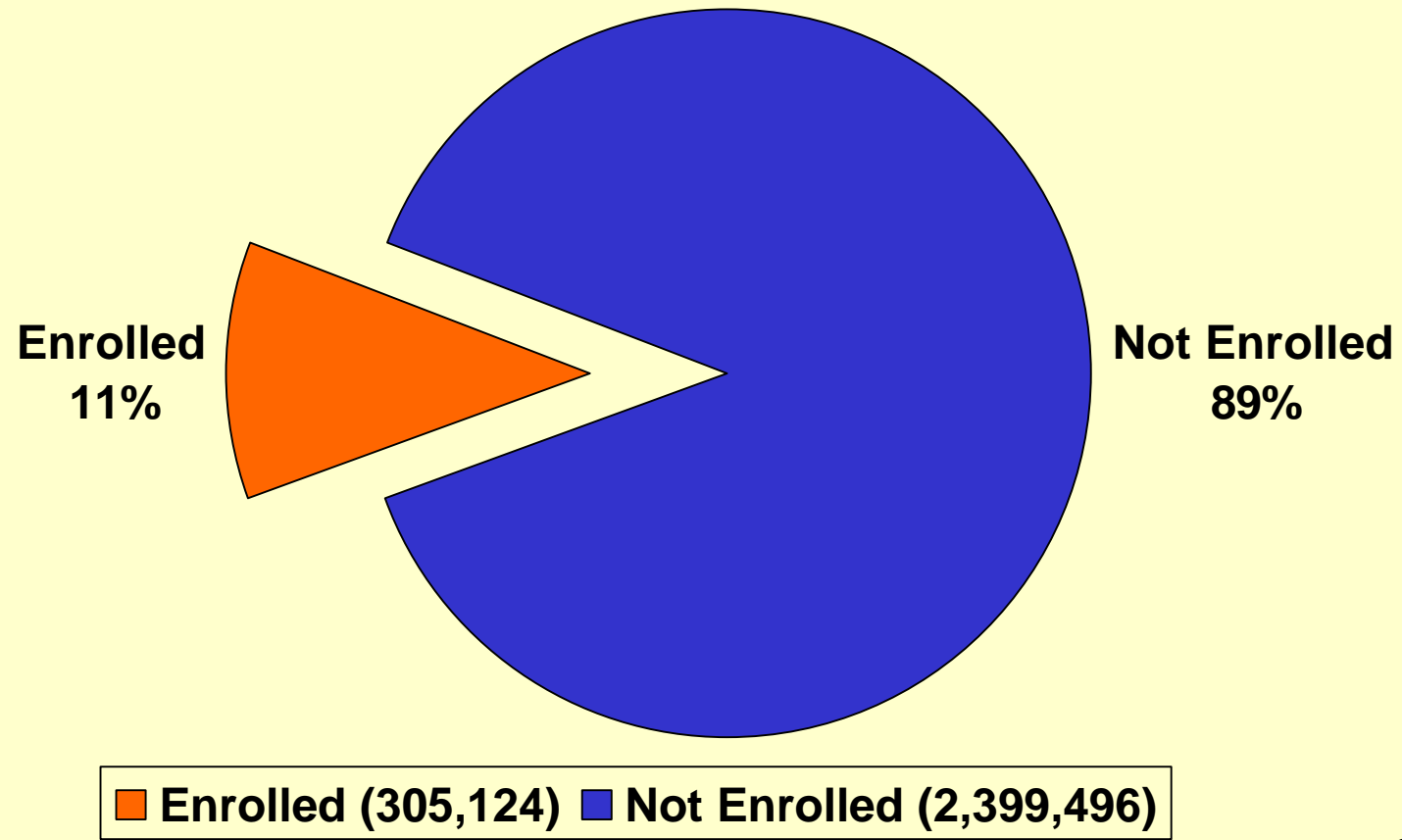
**In Processing Year 2005,
only 7% of all Forms
1065 were filed
electronically.**

Form 1065 Projected Electronic Filing Penetration Rate

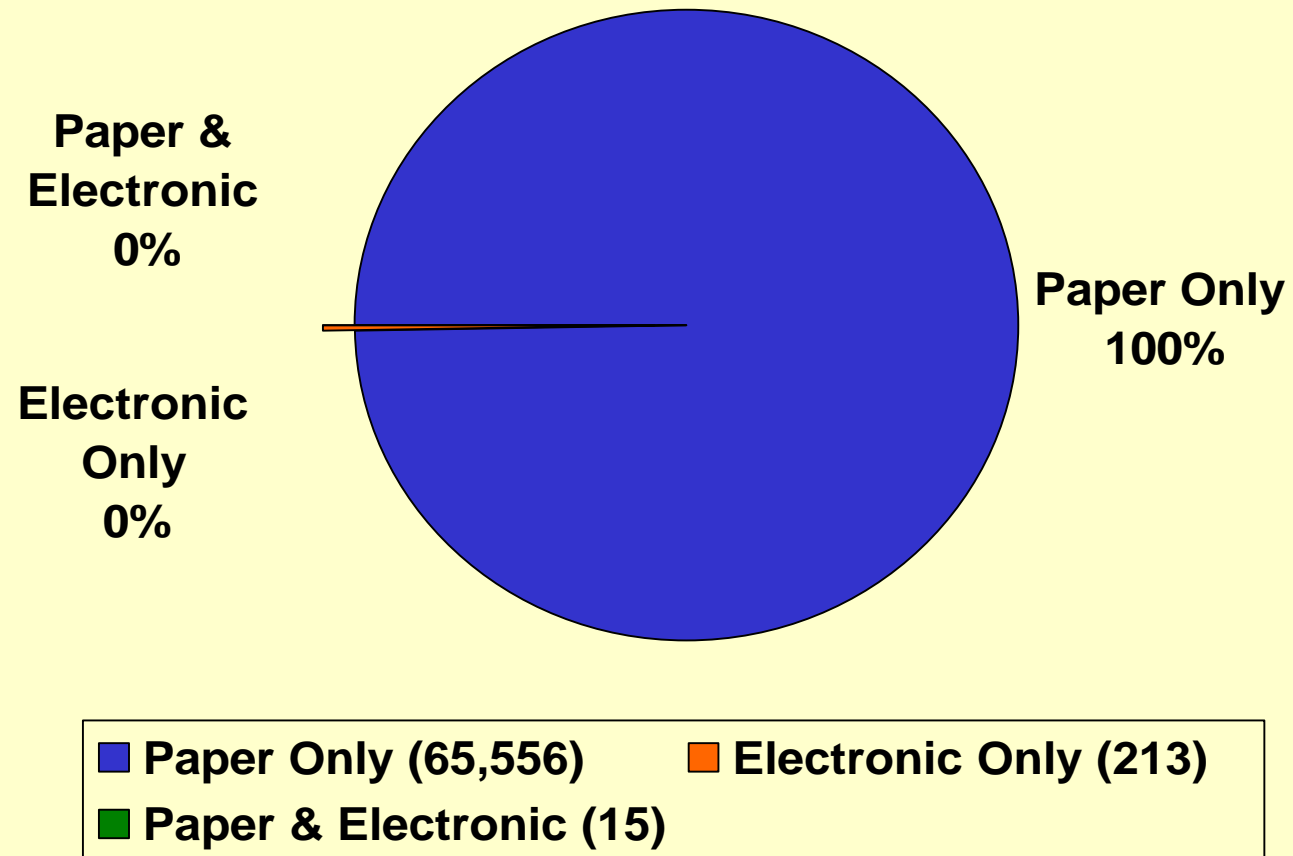


Form 1065 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

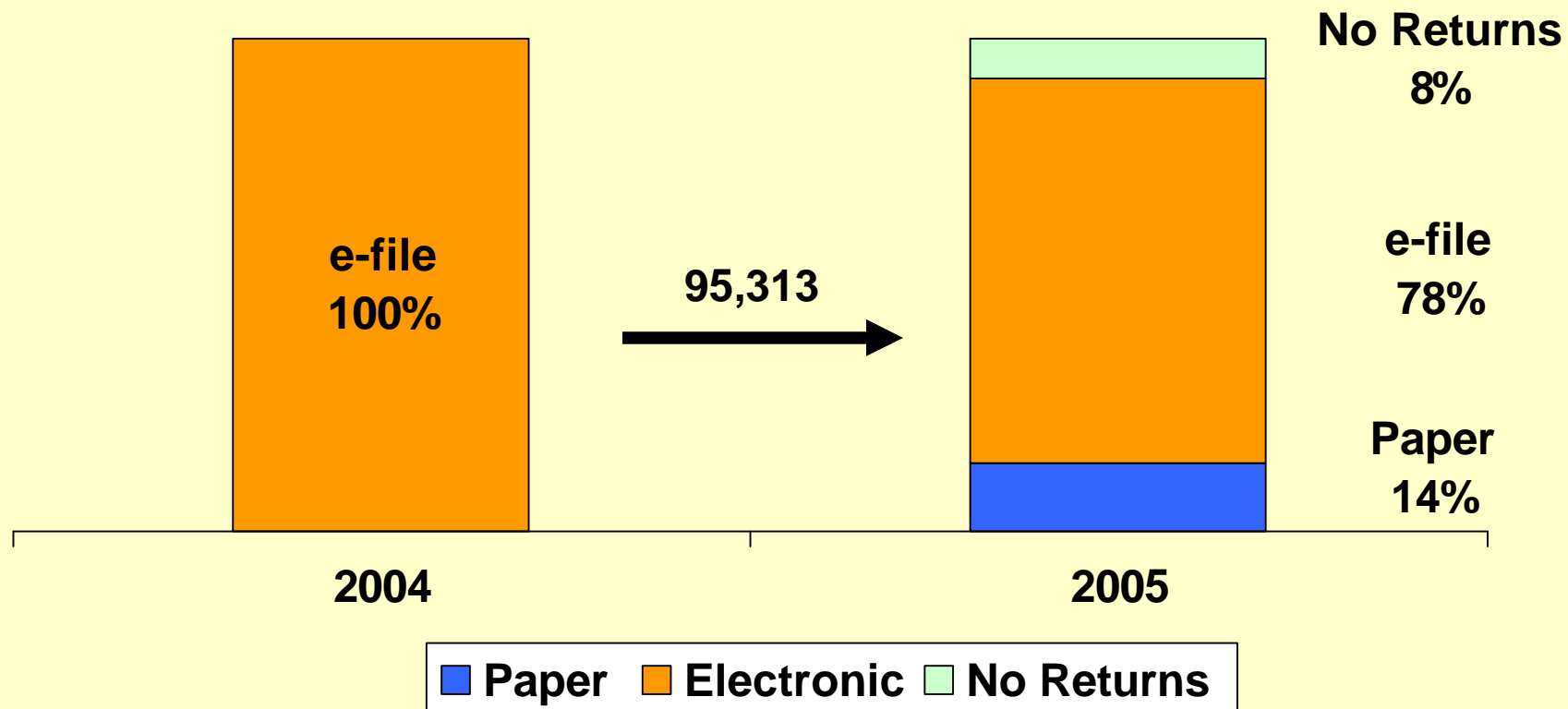
Processing Year 2005



Total Number of Form 1065 Taxpayers Making Payments



e-file Migration Between Filing Options

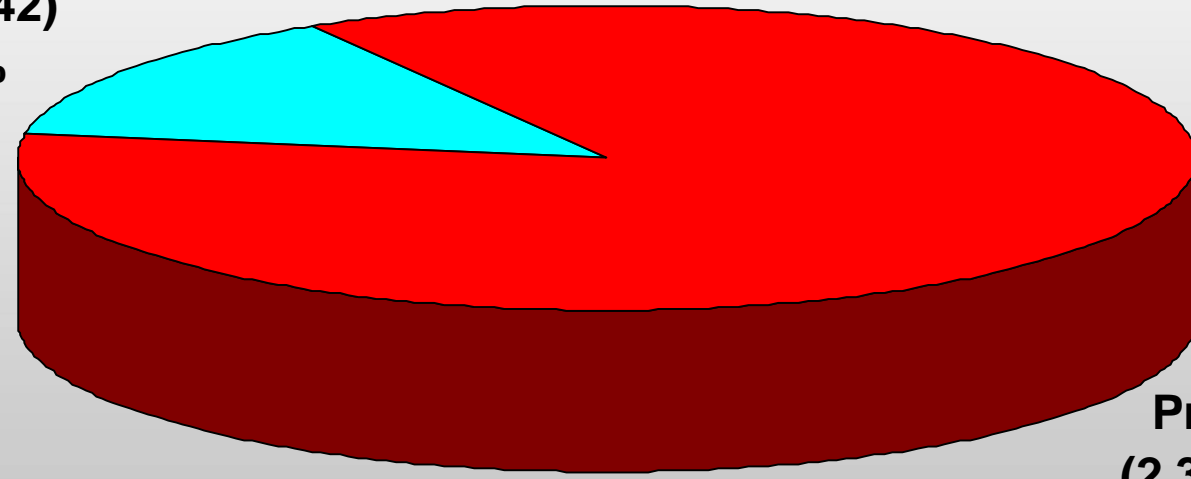


78% of Form 1065 *e-file* Users Remained Loyal 86

Preparer/No Preparer

Total: 2,704,620

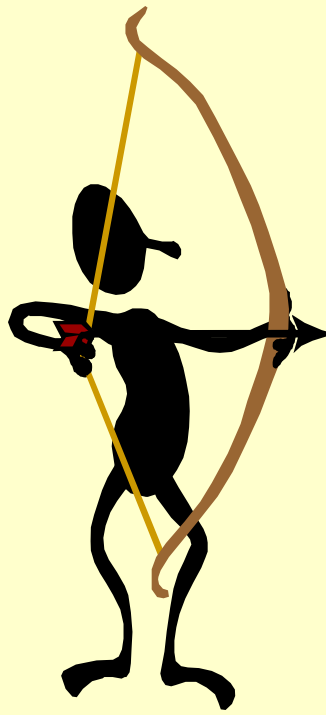
No Preparer
(383,742)
14%



Preparer
(2,320,878)
86%

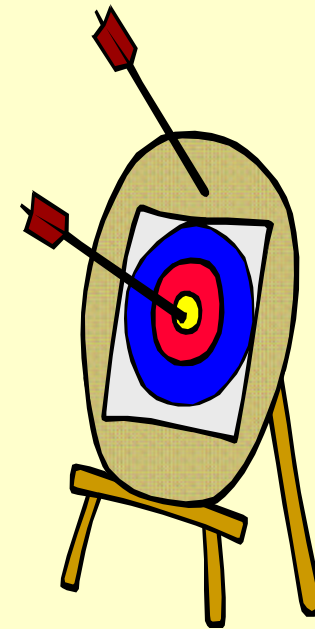
Form 1065 - Processing Year 2005

Recommended Target Market for Form 1065 Electronic Filing



***3,943 EROs* filing more
than 50 e-file 1040 & more
than 50 1065 returns filed
625,962
partnership returns***

****Electronic Return Originators***



There are three forms in the 1065 Series:

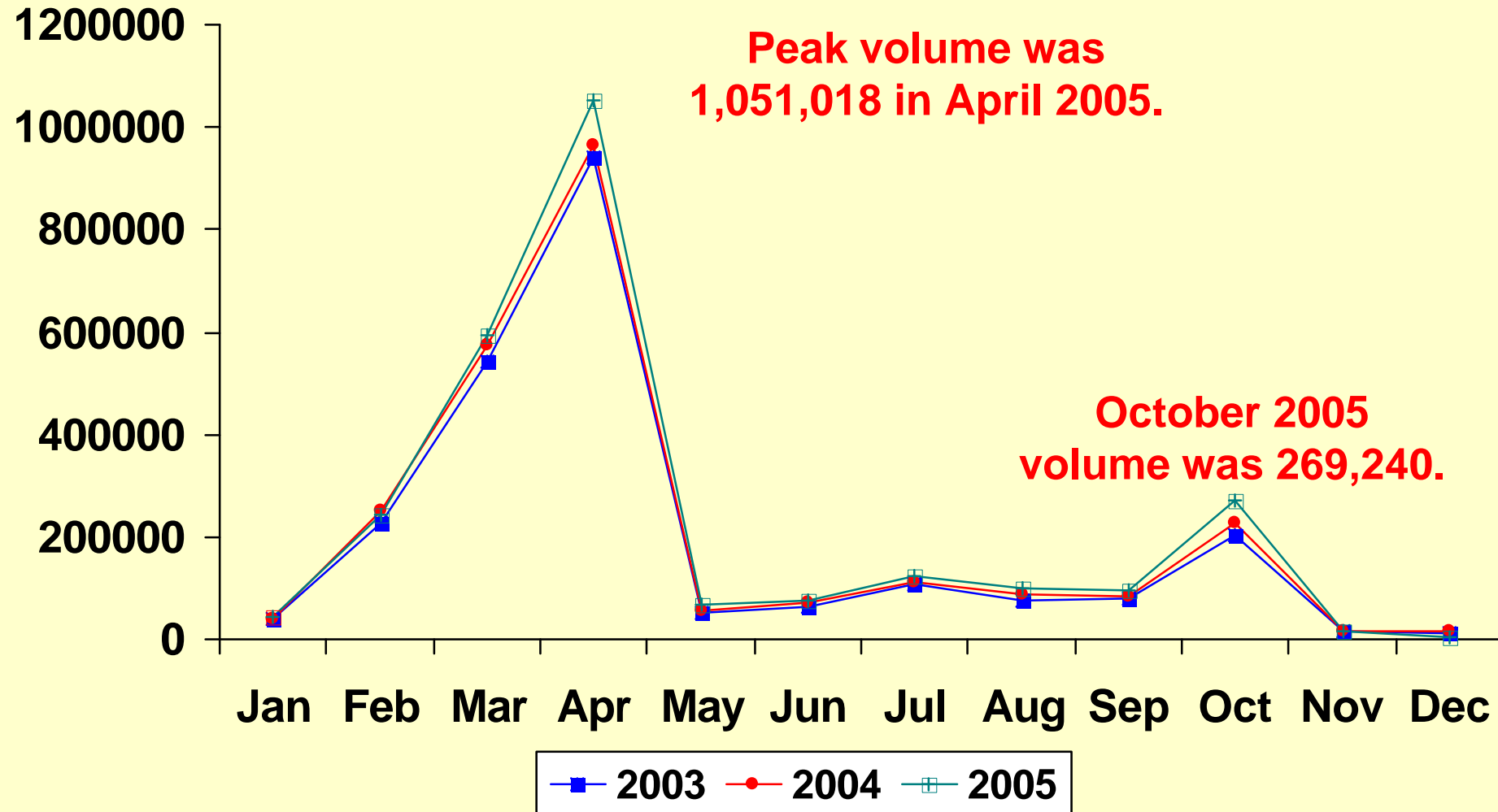
- Form 1065PTP*
- Form 1065B**
- Form 1065

In Processing Years 2003, 2004 and 2005, Forms 1065PTP and 1065B comprised less than 1% of all Forms 1065; none were filed electronically.

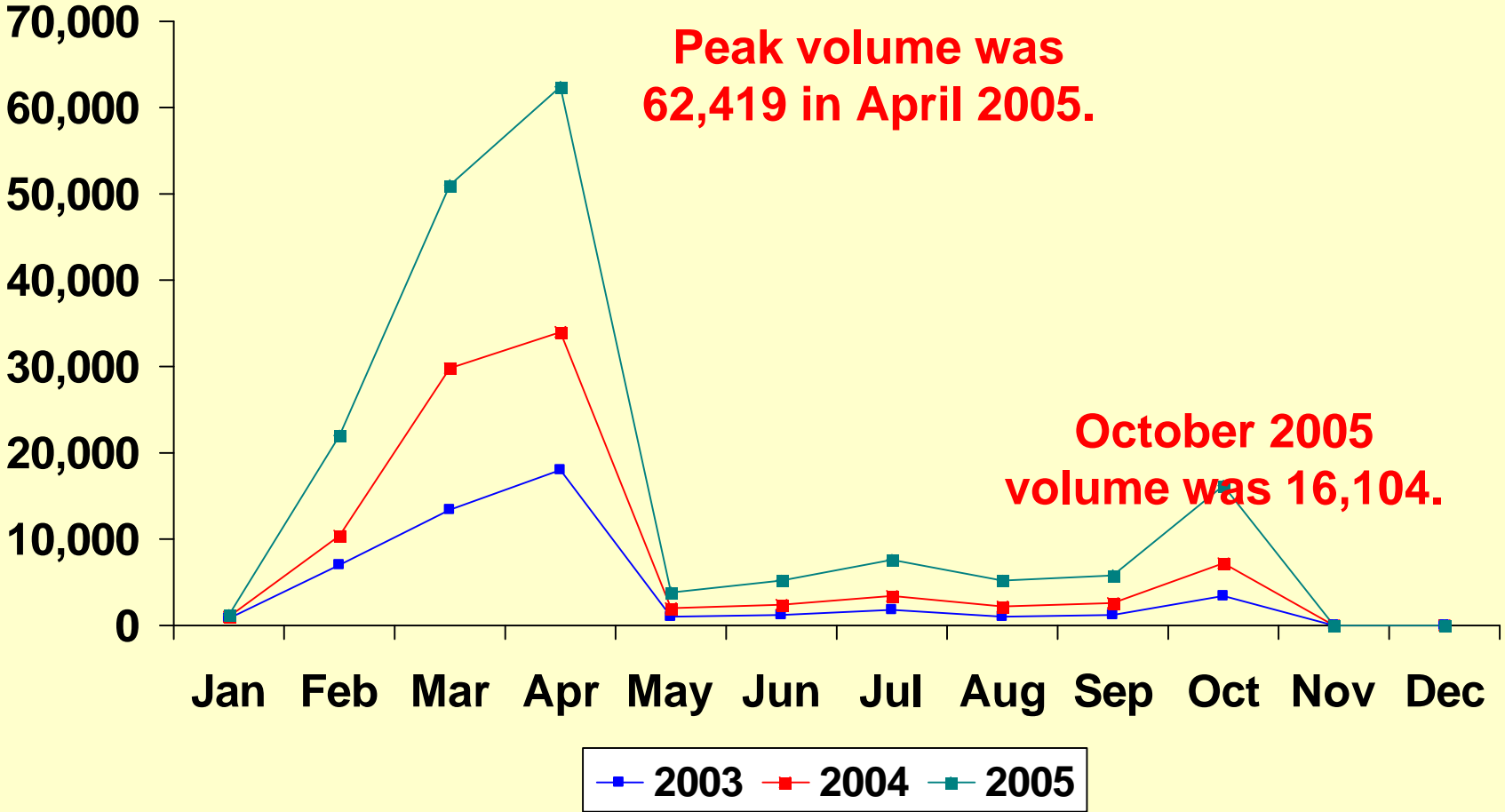
* Form 1065-PTP: Publicly Traded Partnerships.

** Form 1065-B: US Return of Income for Electing Large Partnerships

Form 1065 Monthly Filing Patterns



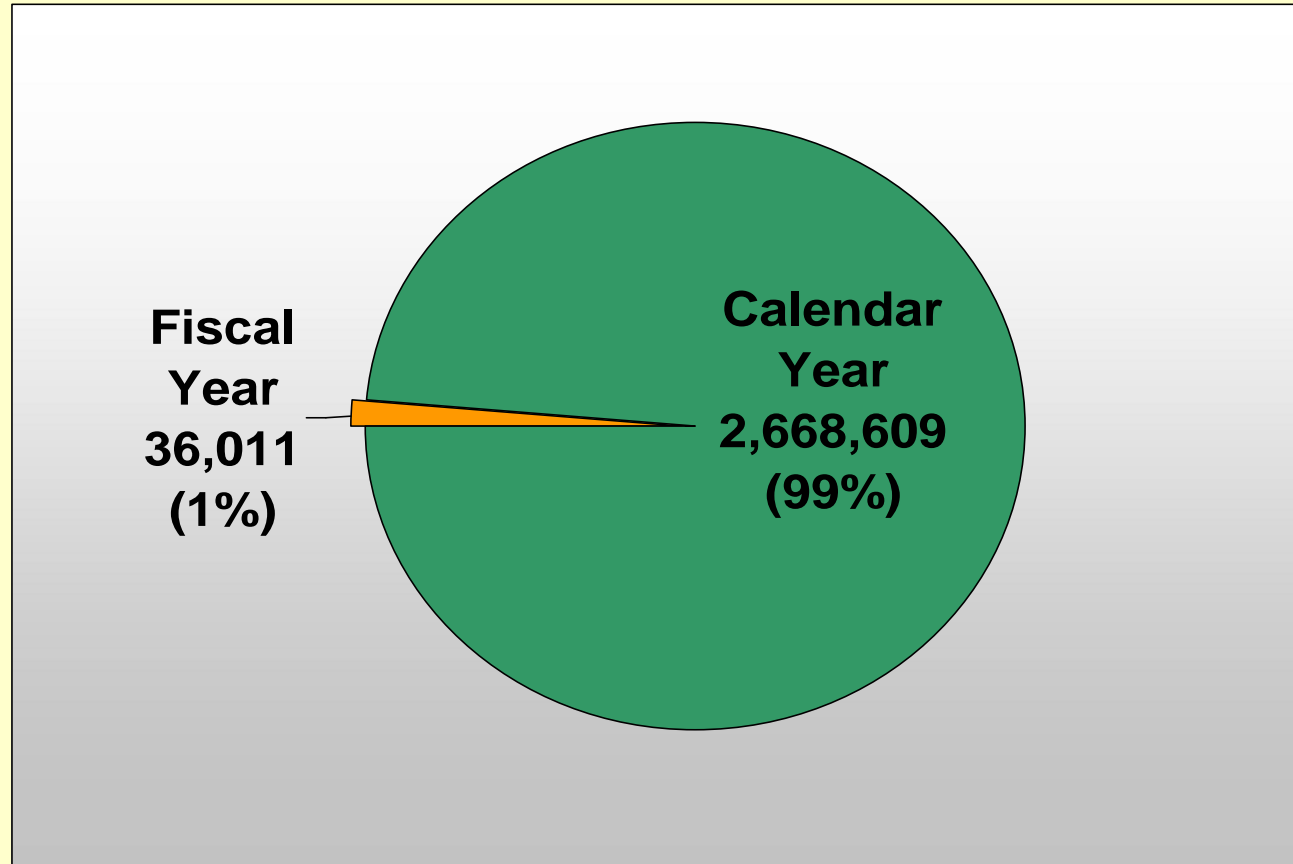
e-file Form 1065 Monthly Filing Patterns



Source: 2005 ETA Marketing Database

Fiscal Year Returns vs. Calendar Year Returns

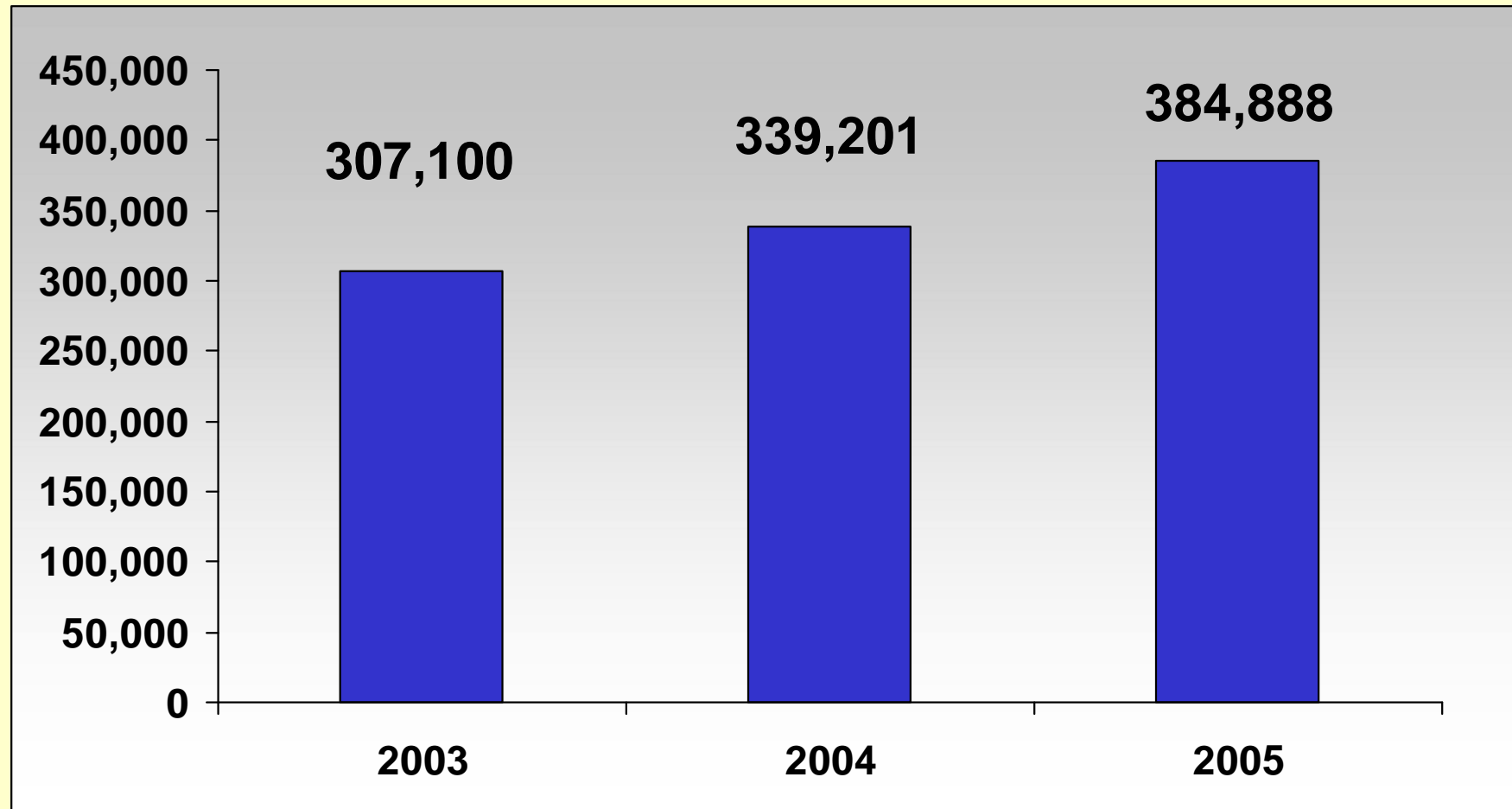
Total: 2,704,620



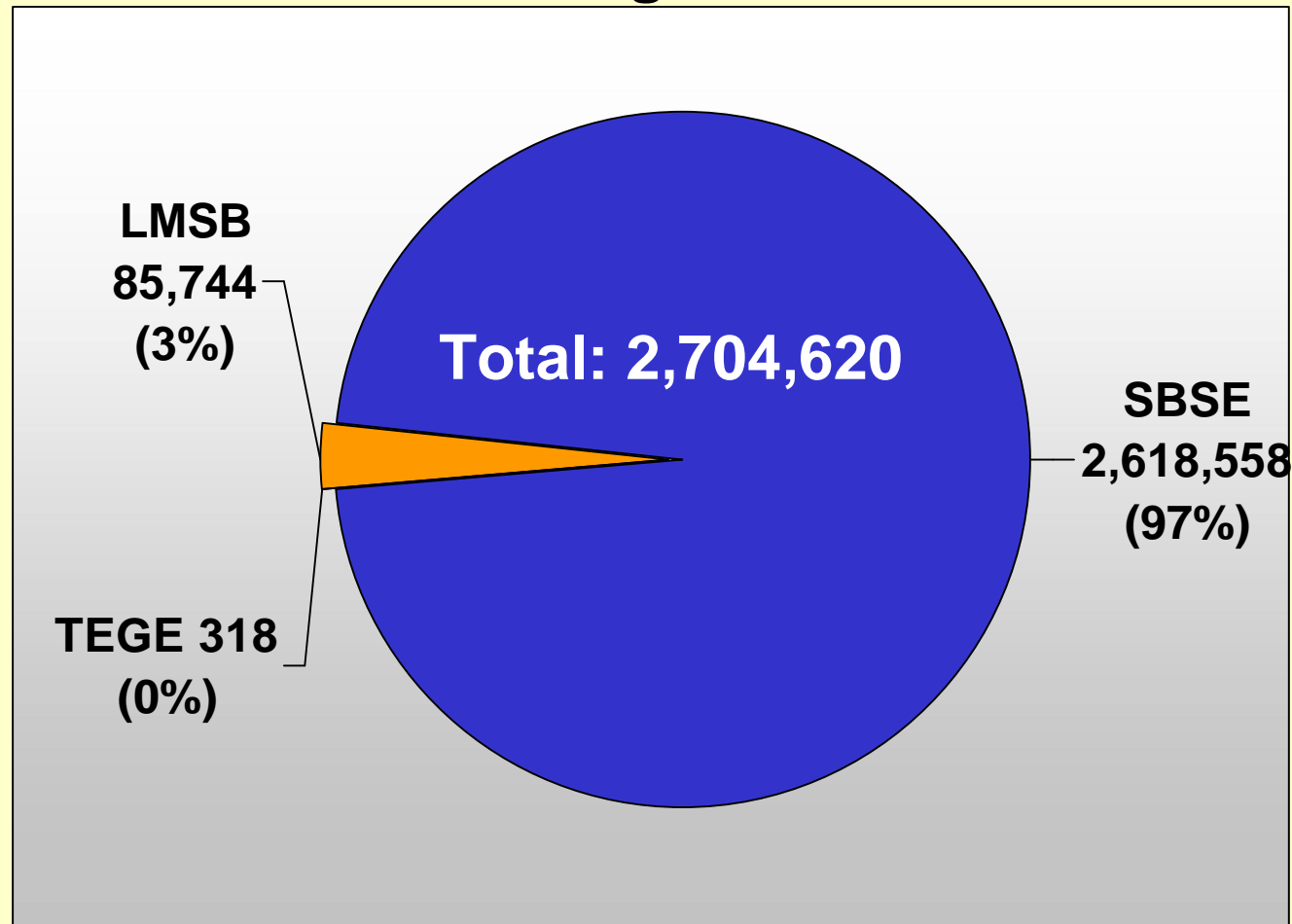
Processing Year 2005

Initial Partnership Filings

Processing Years 2003-2005



Forms 1065 by Business Operating Division Processing Year 2005



Forms 1065 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>TITLE</u>	<u>2005</u>	<u>%*</u>
531120	Lessors of Nonresidential Buildings	391,776	15%
531110	Lessors of Residential Buildings	337,822	13%
531390	Other Activities Related to Real Estate	220,493	9%
523900	Other Financial Investment Act	134,648	5%
531190	Lessors of Other Real Estate Property	76,126	3%
525990	Other Financial Vehicles	56,450	2%
531310	Real Estate Property Managers	45,099	2%
236110	Residential Building Construction	44,629	2%
523930	Investment Advice	42,719	2%
541990	All Other Professional, Scientific	33,750	2%

* The percentage of all Forms 1065 filed in PY 2005

95

Electronic Forms 1065 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>TITLE</u>	<u>2005</u>	<u>%*</u>
531120	Lessors of Nonresidential Buildings	31,462	18%
531110	Lessors of Residential Buildings	27,339	16%
531390	Other Activities Related to Real Estate	14,783	8%
523900	Other Financial Investment Act	8,774	5%
531190	Lessors of Other Real Estate Property	5,831	3%
531310	Real Estate Property Managers	3,407	2%
236110	Residential Building Construction	3,284	2%
523930	Investment Advice	2,754	2%
525990	Other Financial Vehicles	2,540	1%
211110	Oil and Gas Extraction	2,336	1%

* The percentage of all electronic Forms 1065 filed in PY 2005

96

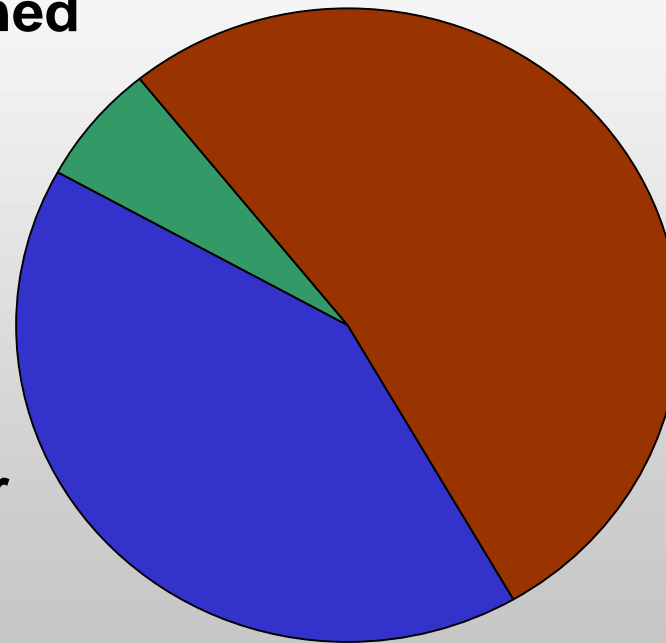
Partnership Start Dates 1900-2005

Total: 2,704,620

Undefined
6%

2000 or
Earlier
52%

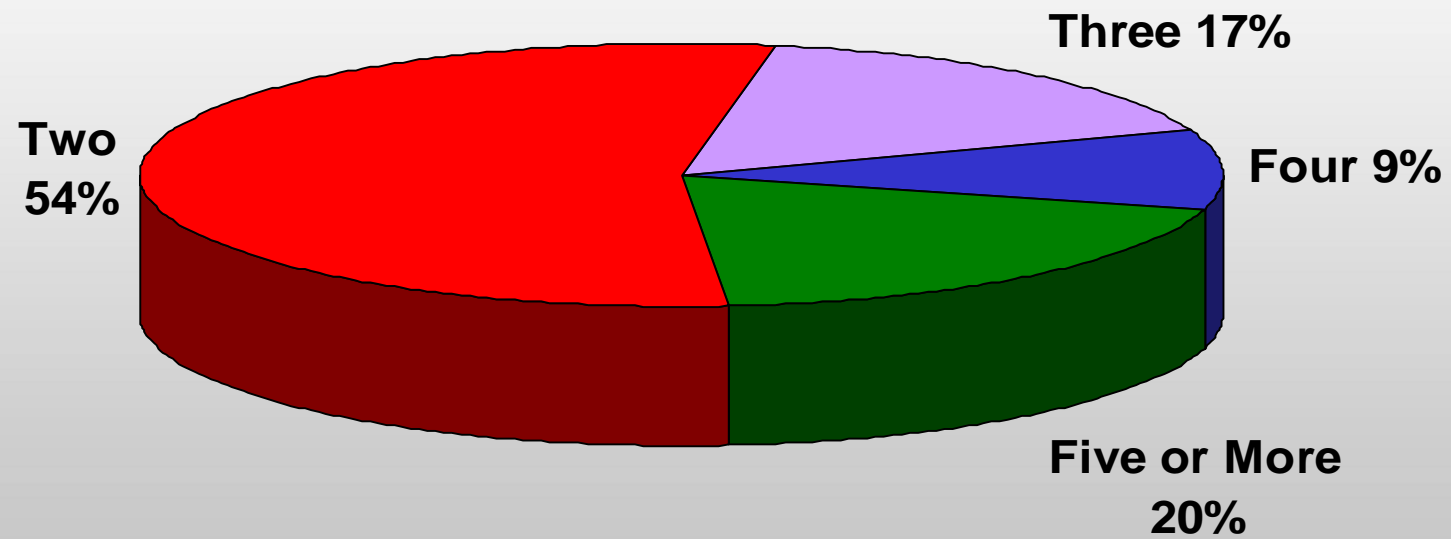
2001 or
Later
42%



■ 2001 or Later (1,122,875) ■ Undefined (161,511) ■ 2000 or Earlier (1,420,234)

Processing Year 2005

Number of Partners

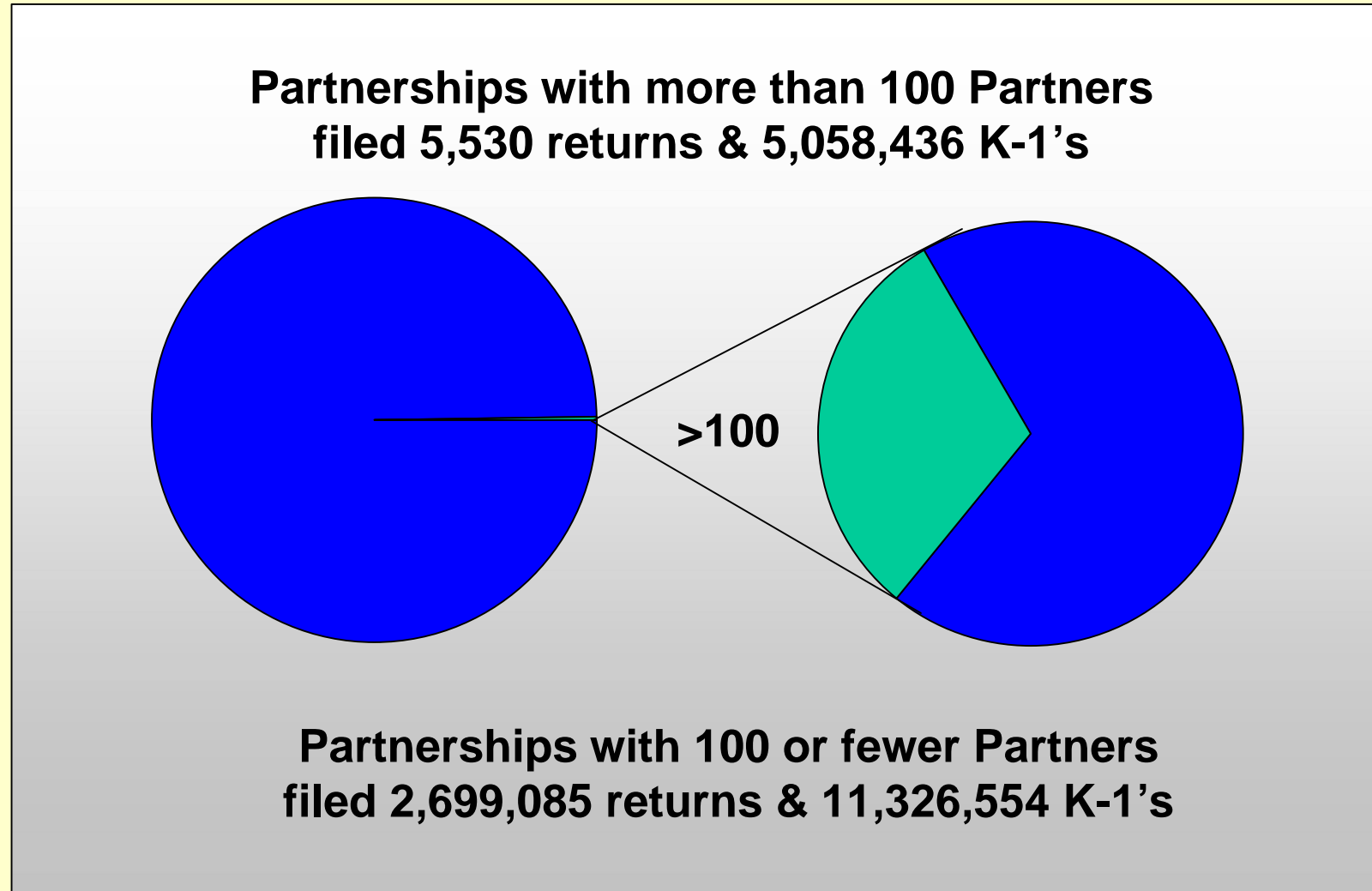


■ Two (1,464,720) ■ Three (453,087) ■ Four (257,990) ■ Five or More (528,823)

Processing Year 2005

Filers With More Than 100 Partners & K-1's

(where each partner is issued one K-1)



*Electronic filing is mandated for Forms 1065 with more than 100 partners.

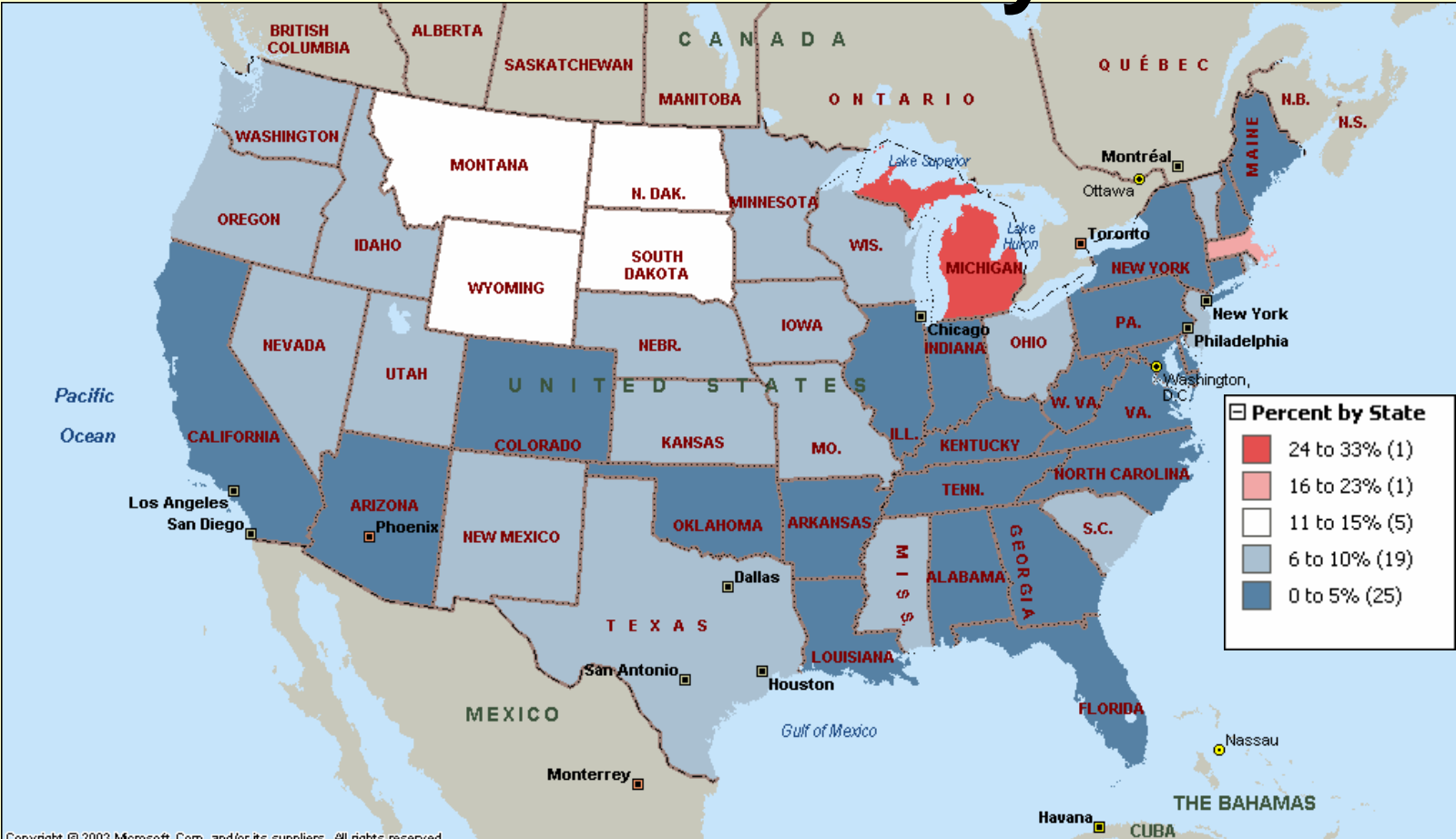
Partnership K-1's

(where each partner is issued one K-1)

<u>Number of Partners</u>	<u>Number of Returns</u>	<u>Number of K-1's</u>	<u>Percent of K-1s</u>
2	1,464,720	2,927,681	17.87%
3	453,087	1,359,261	8.30%
4	257,990	1,031,960	6.30%
5 - 10	364,493	2,367,910	14.45%
11 - 100	158,795	3,639,742	22.21%
101 - 1,000	4,936	1,111,109	6.78%
>1,000	594	3,947,327	24.09%
Total	2,704,615	16,384,990	100.00%

Note: 5 paper partnerships returns were not included in the totals because the K-1 counts appeared to be incorrect

e-file Penetration by State



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Alaska (AK)	14%	Hawaii (HI)	3%	Maine (ME)	4%	New Jersey (NJ)	7%	South Dakota (SD)	15%
Alabama (AL)	4%	Iowa (IA)	7%	Michigan (MI)	30%	New Mexico (NM)	11%	Tennessee (TN)	6%
Arkansas (AR)	5%	Idaho (ID)	9%	Minnesota (MN)	9%	Nevada (NV)	7%	Texas (TX)	6%
Arizona (AZ)	4%	Illinois (IL)	5%	Missouri (MO)	7%	New York (NY)	3%	Utah (UT)	6%
California (CA)	5%	Indiana (IN)	4%	Mississippi (MS)	7%	Ohio (OH)	6%	Virginia (VA)	4%
Colorado (CO)	5%	Kansas (KS)	8%	Montana (MT)	11%	Oklahoma (OK)	5%	Vermont (VT)	7%
Connecticut (CT)	4%	Kentucky (KY)	5%	North Carolina (NC)	5%	Oregon (OR)	7%	Washington (WA)	7%
Delaware (DE)	5%	Louisiana (LA)	6%	North Dakota (ND)	15%	Pennsylvania (PA)	5%	Wisconsin (WI)	10%
Florida (FL)	4%	Massachusetts (MA)	20%	Nebraska (NE)	9%	Rhode Island (RI)	7%	West Virginia (WV)	3%
Georgia (GA)	5%	Maryland (MD)	3%	New Hampshire (NH)	5%	South Carolina (SC)	7%	Wyoming (WY)	11%

Form 1065 Summary

- **1065's have been e-filed since 2000, yet only 12% of all 1065's are projected to be e-filed in 2007.**
- **11% of all 1065 taxpayers are enrolled in EFTPS.**
- **1065 filers have a 78% e-file loyalty rate.**
- **1065's have two peak volume filing times: April and October.**
- **SB/SE accounts for 97% of 1065's.**
- **1,071,316 (42%) of 1065 returns represent real estate related activities.**
- **86% of filers use preparers.**
- **42% of partnerships started in 2001 or later.**
- **80% of filers have fewer than five partners.**

Form 1041 Filers

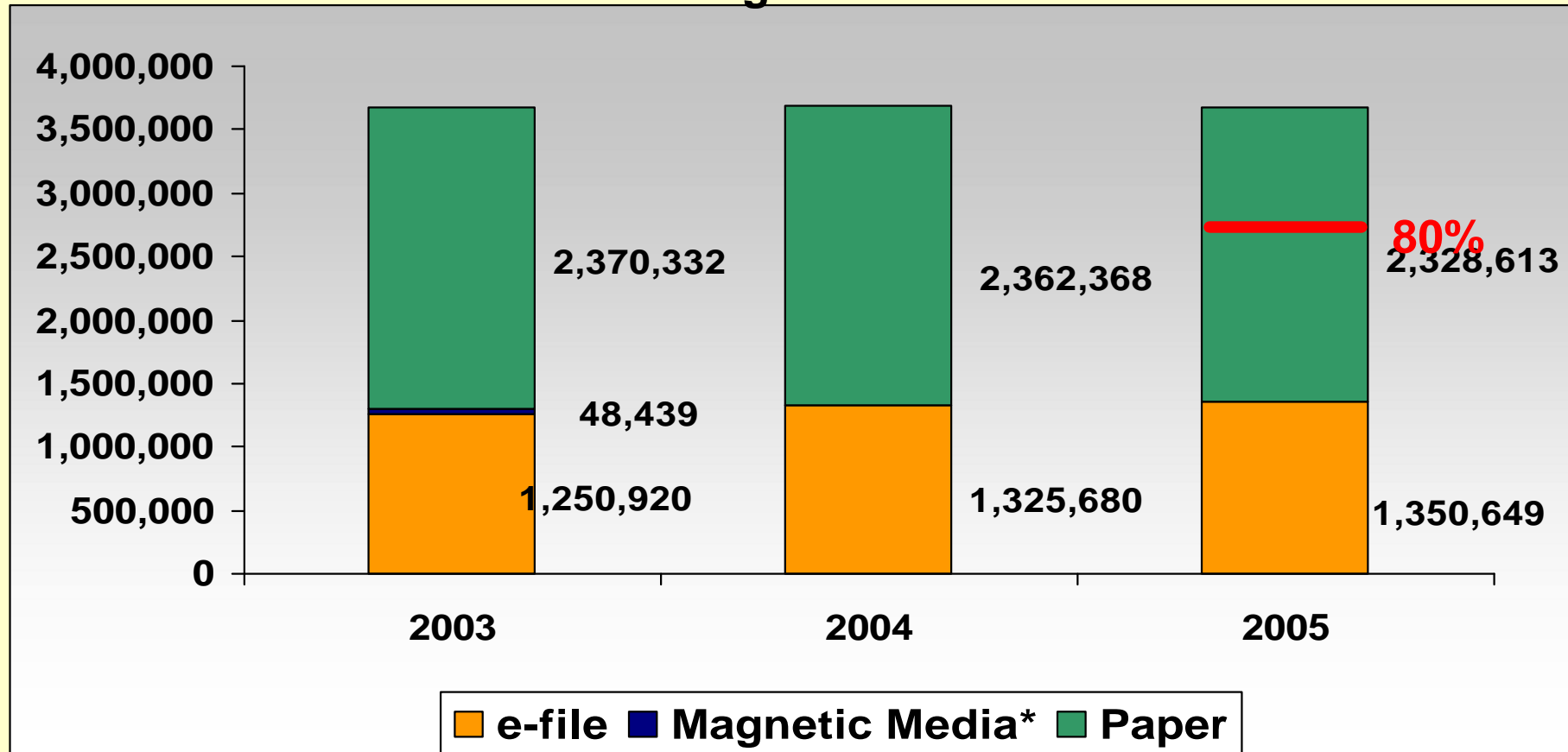
Fiduciary Income Tax Return

Processing Year 2005



Form 1041 Annual Filing Volume

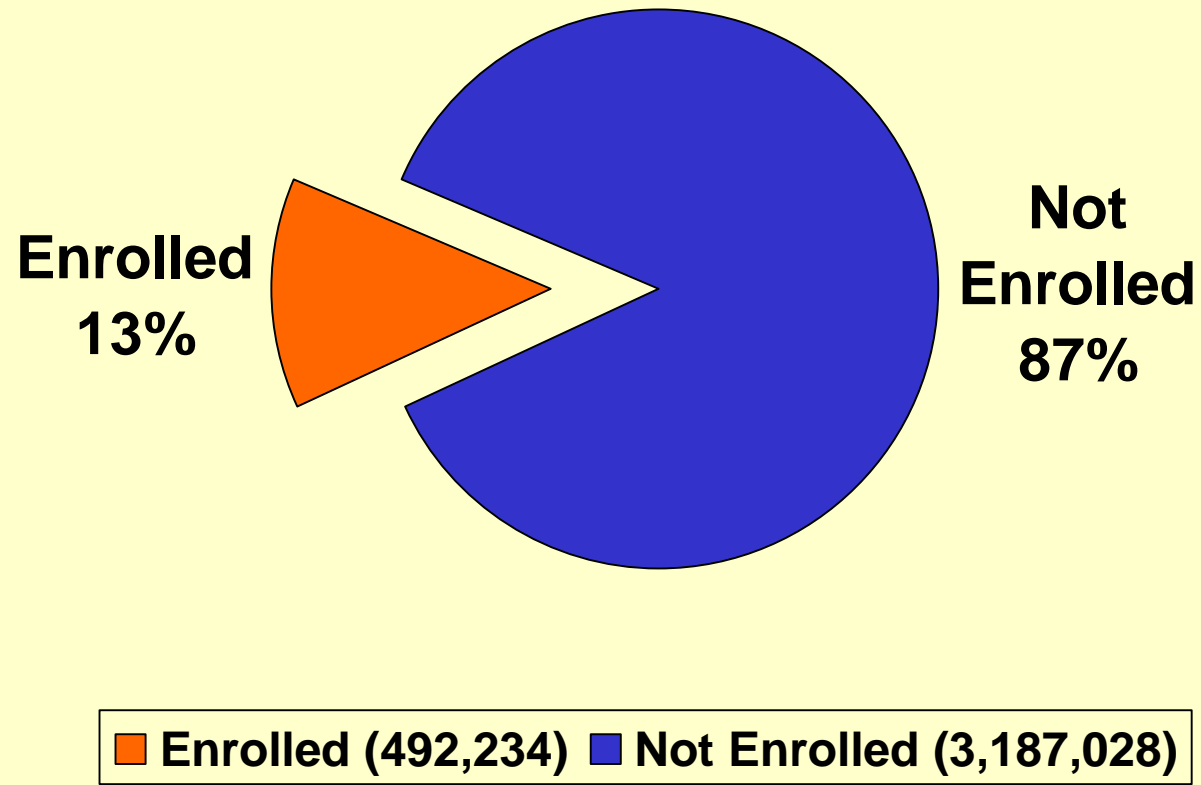
Processing Years 2003-2005



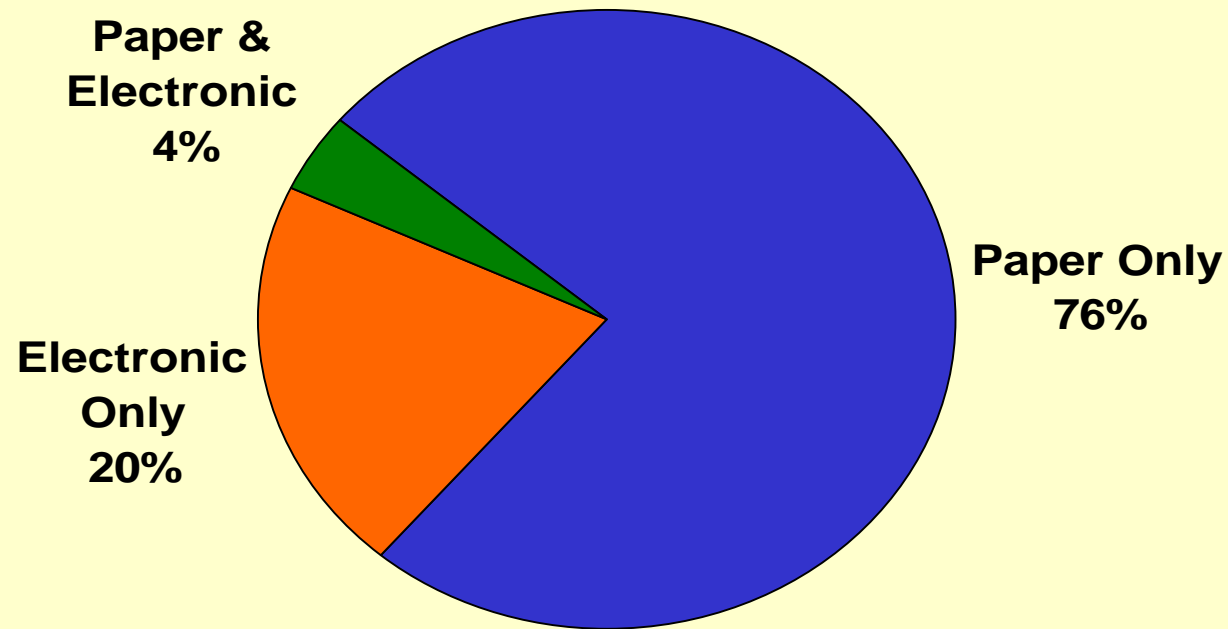
*The database does not break down magnetic media by diskette, modem or magnetic tape. This option was not available after June 30, 2003.

Form 1041 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2005

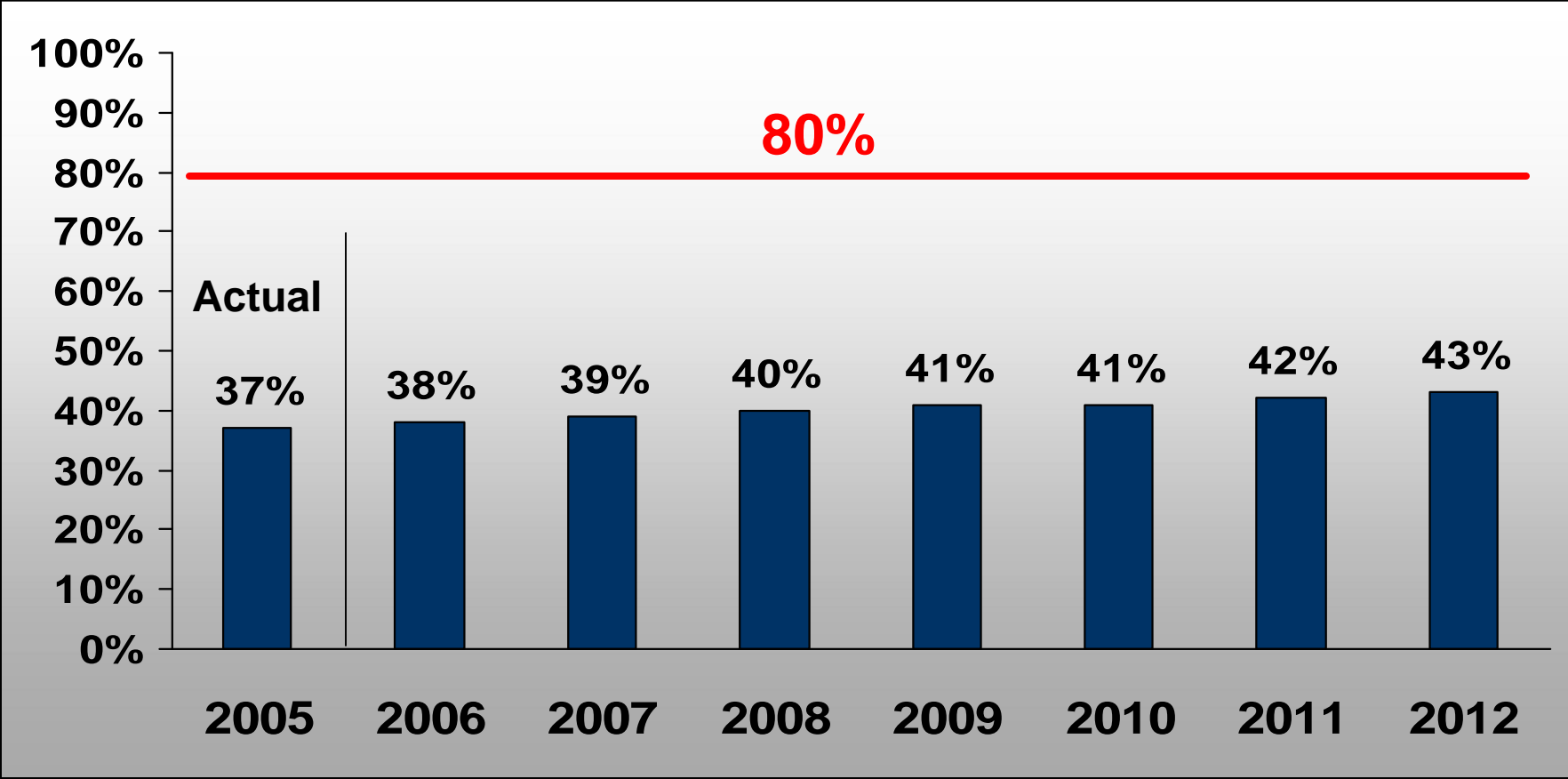


Total Number of Form 1041 Taxpayers Making Payments

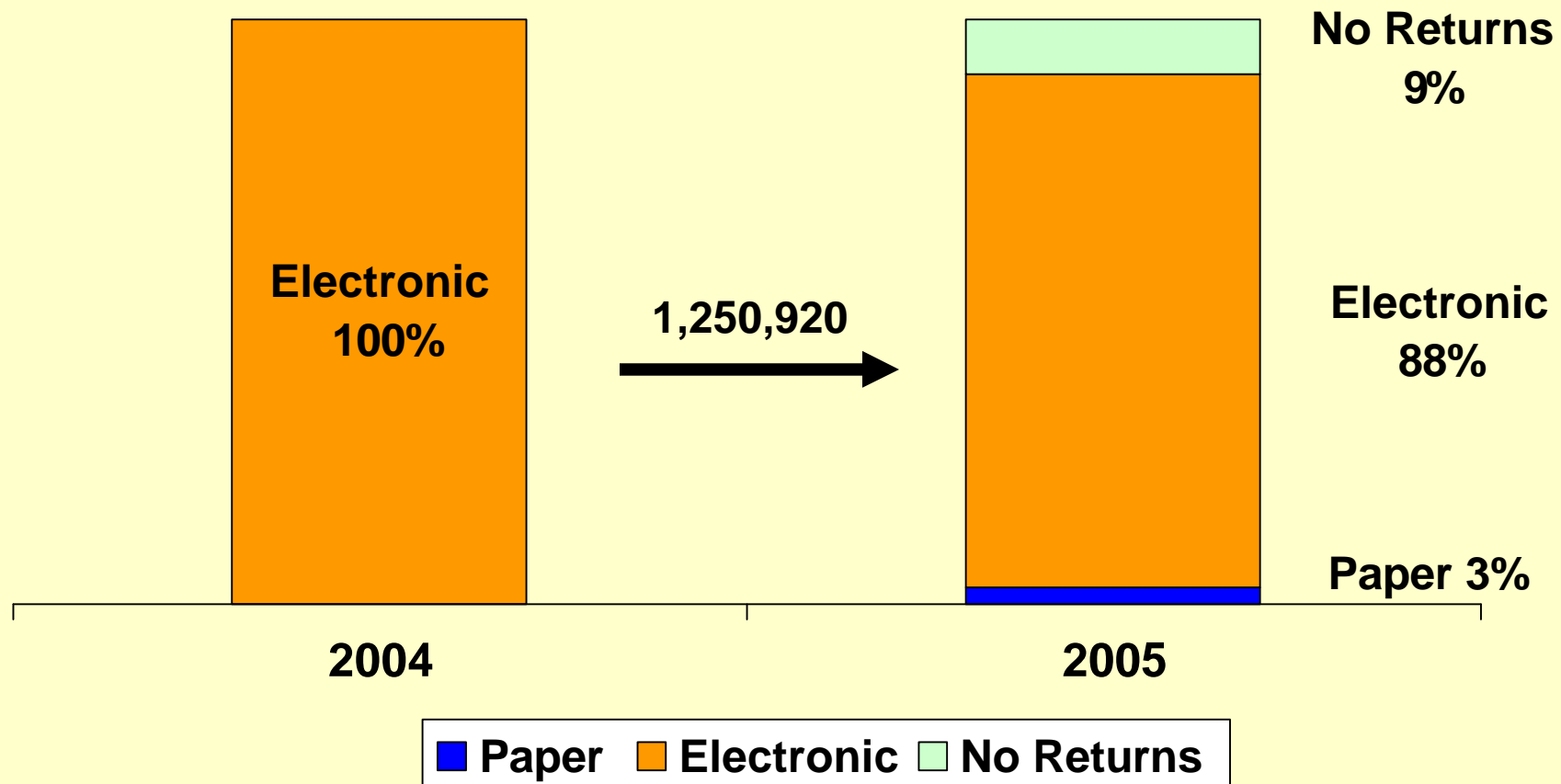


■ Paper Only (597,119)	■ Electronic Only (166,124)
■ Paper & Electronic (32,194)	

Form 1041 Projected *e-file* Penetration Rate

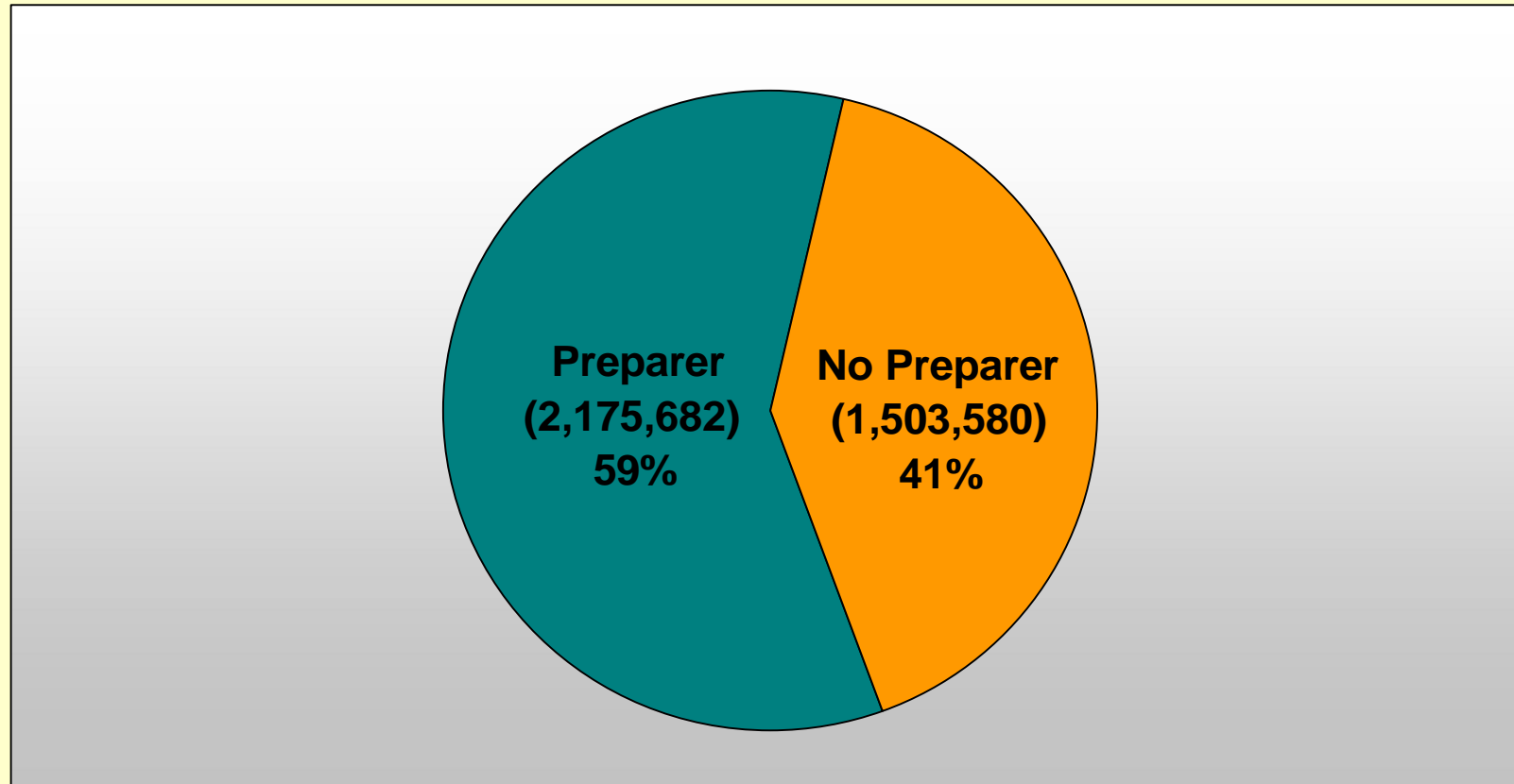


e-file Migration Between Filing Options



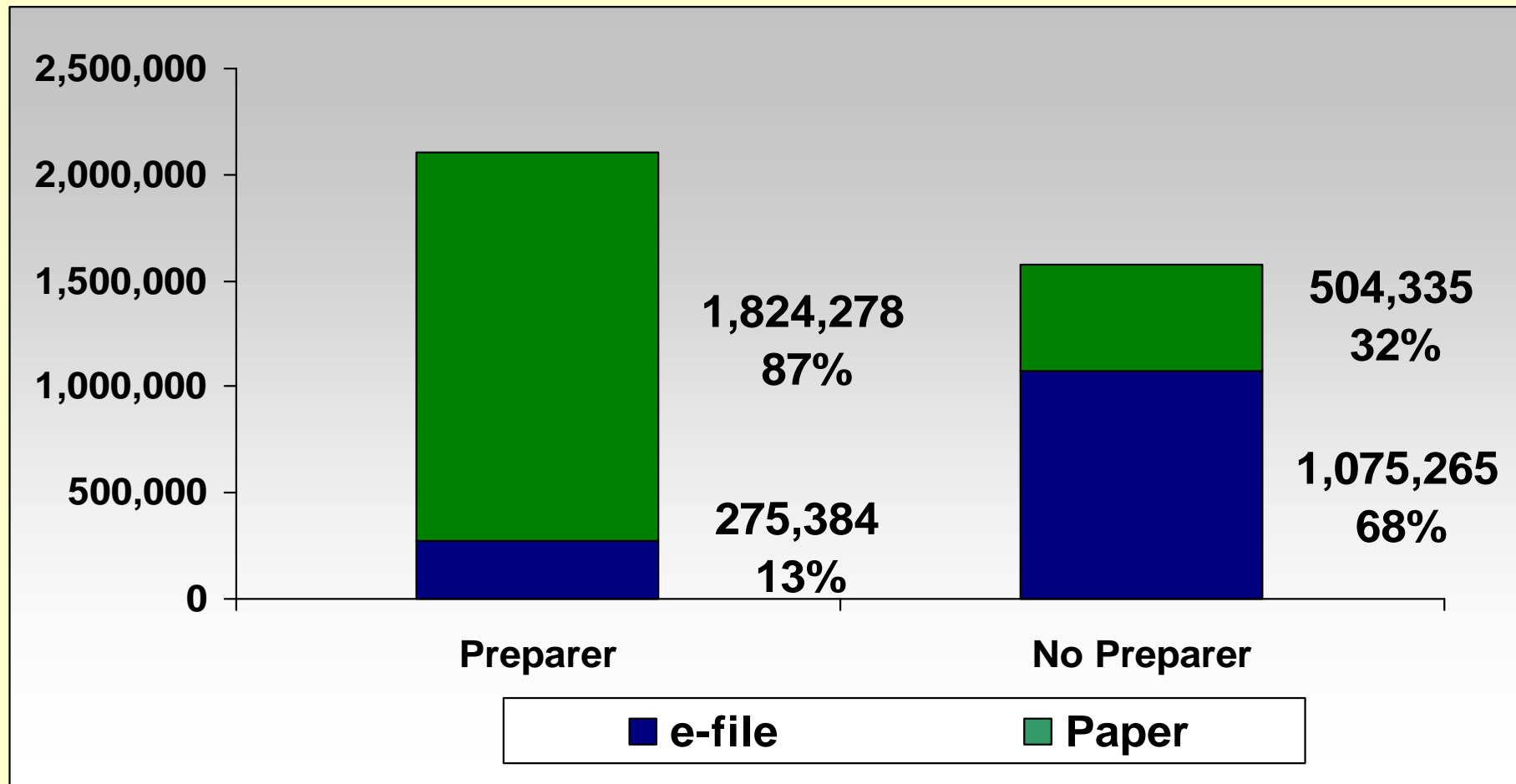
Preparer/No Preparer

Total: 3,679,262



Processing Year 2005

Self & Paid Preparation by Filing Method



Processing Year 2005

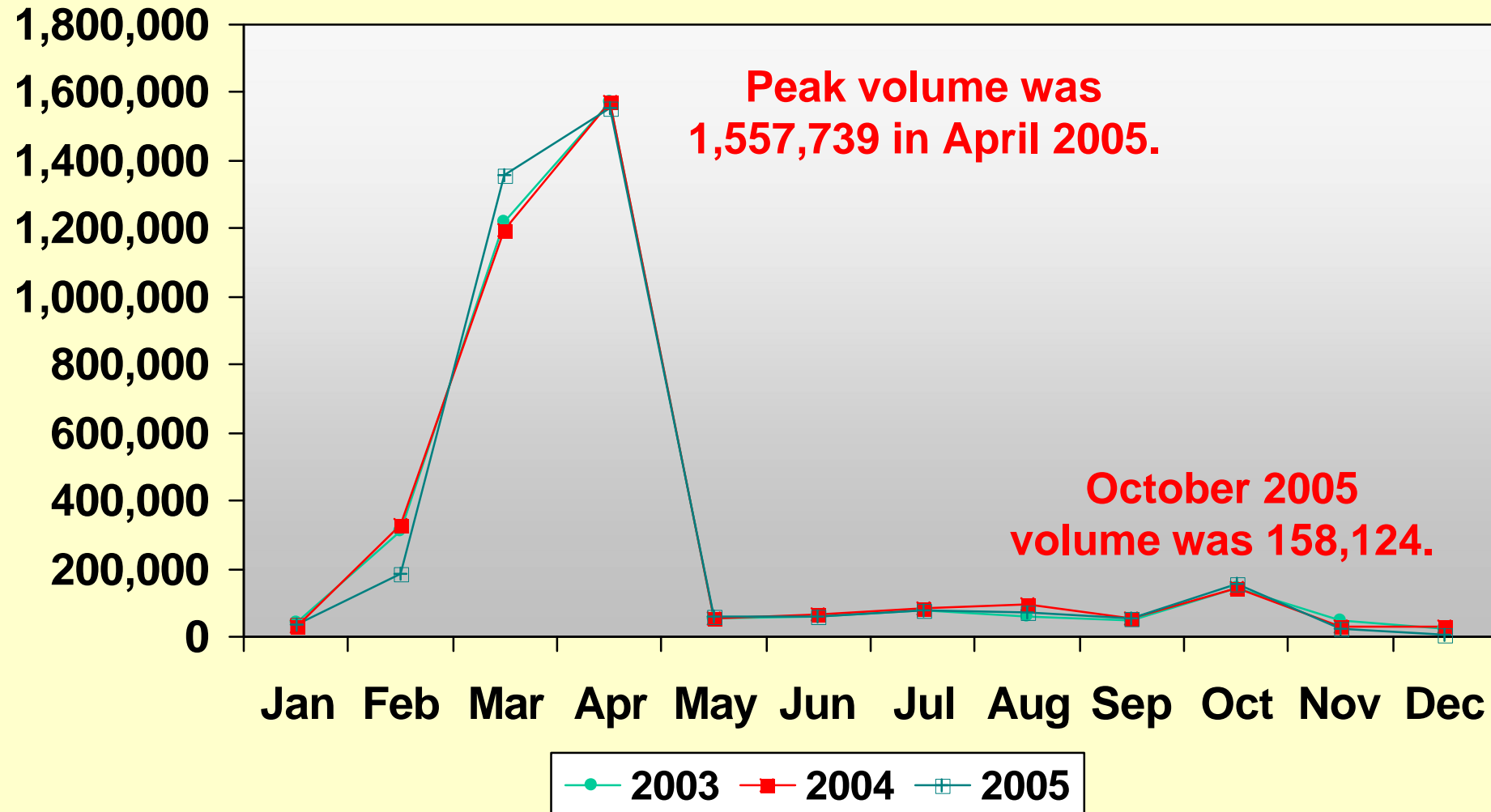
111

These are three forms in the 1041 Series:

- Form 1041: 2,325,075
- Form 1041 e-file: 1,350,649
- Form 1041QFT*: 3,538

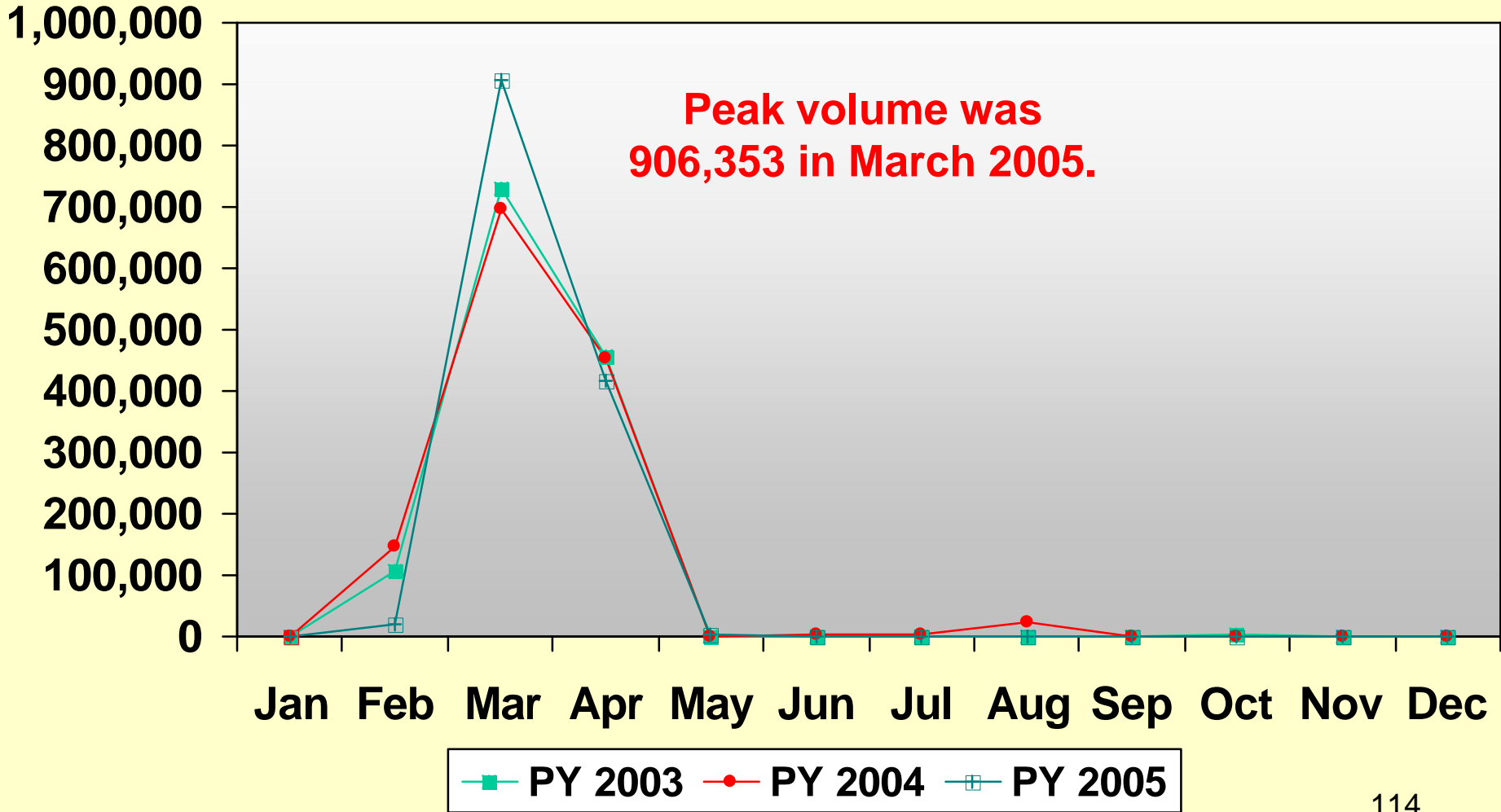
*U.S. Income Tax Return for Qualified Funeral Trusts

Form 1041: Monthly Filing Patterns



Source: 2005 ETA Marketing Database

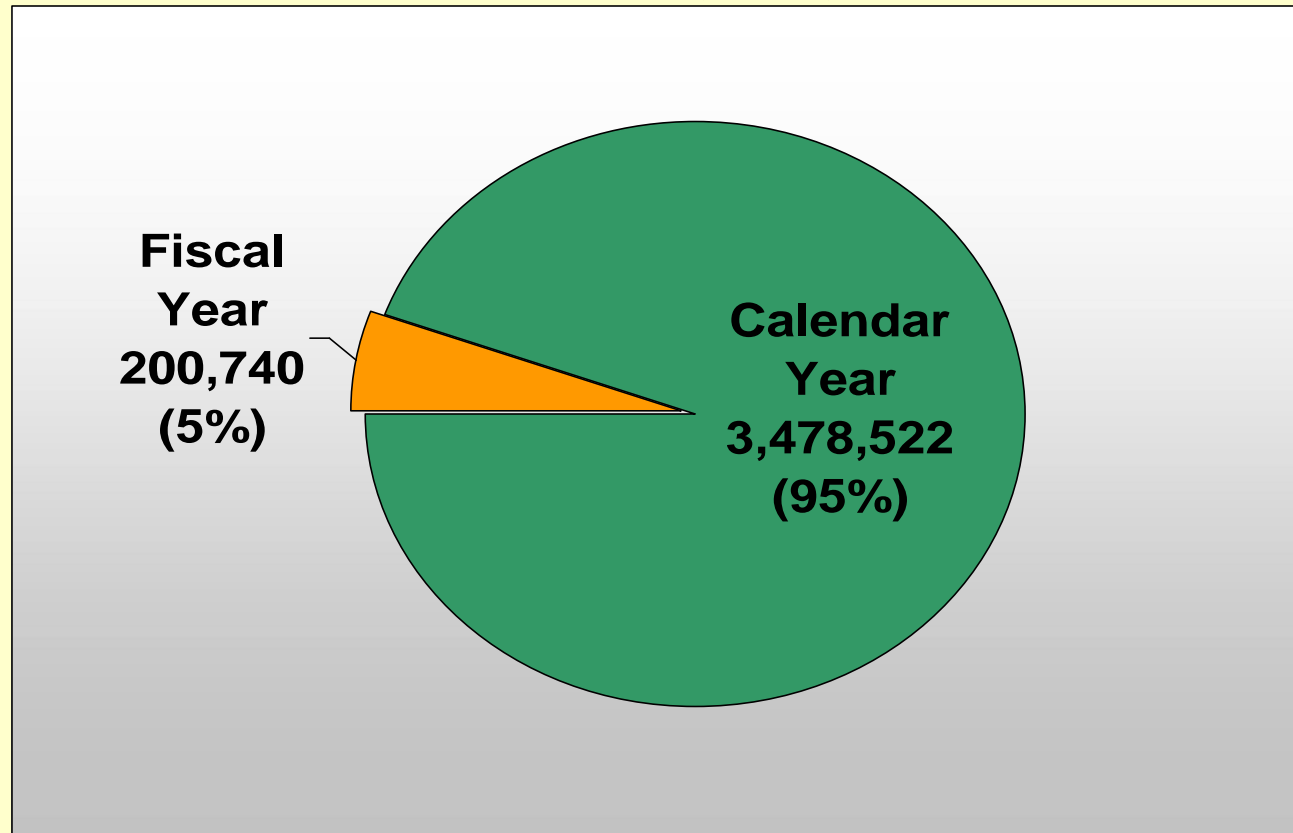
e-file Form 1041 Monthly Filing Patterns



Source: 2005 ETA Marketing Database

Fiscal Year Returns vs. Calendar Year Returns

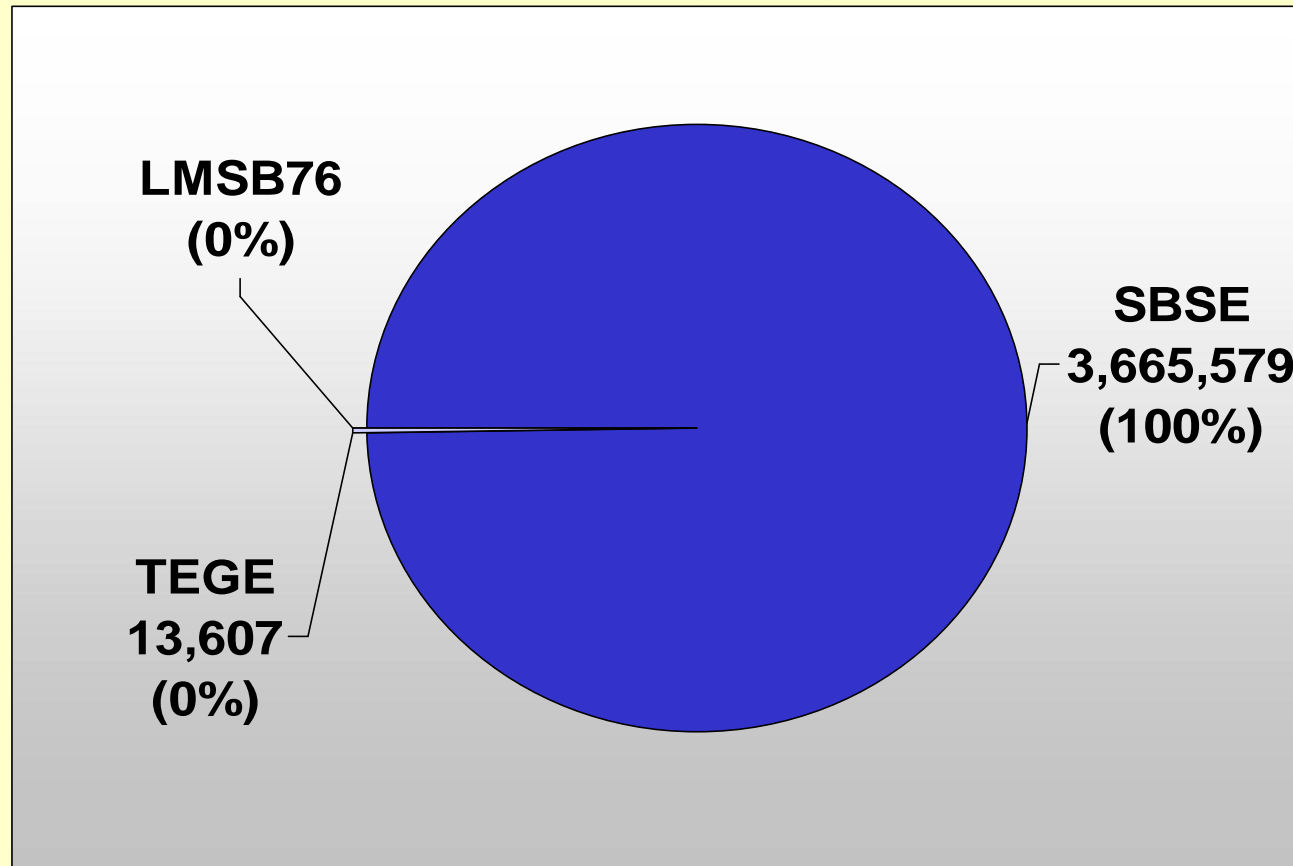
Total: 3,679,262



Processing Year 2005

Forms 1041 by Business Operating Division

Total: 3,679,262



Processing Year 2005

Forms 1041 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>TITLE</u>	<u>2004</u>	<u>2005</u>
813000	Religious, Grantmaking, Civic, Professional, & Similar Organizations	7,018	6,703
525000	Funds, Trusts, & Other Financial Vehicles	1,736	2,552
525920	Trusts, Estates, & Agency Accounts	681	715
522294	Secondary Market Financing	475	431
522292	Real Estate Credit	111	273
525110	Pension Funds	175	259
523930	Investment Advice	188	185
813211	Grantmaking Foundations	159	171
525990	Other Financial Vehicles	95	107
523991	Trust, Fiduciary, and Custody Activities	73	104

No NAICS code accounted for 1% in Processing Year 2005.

117

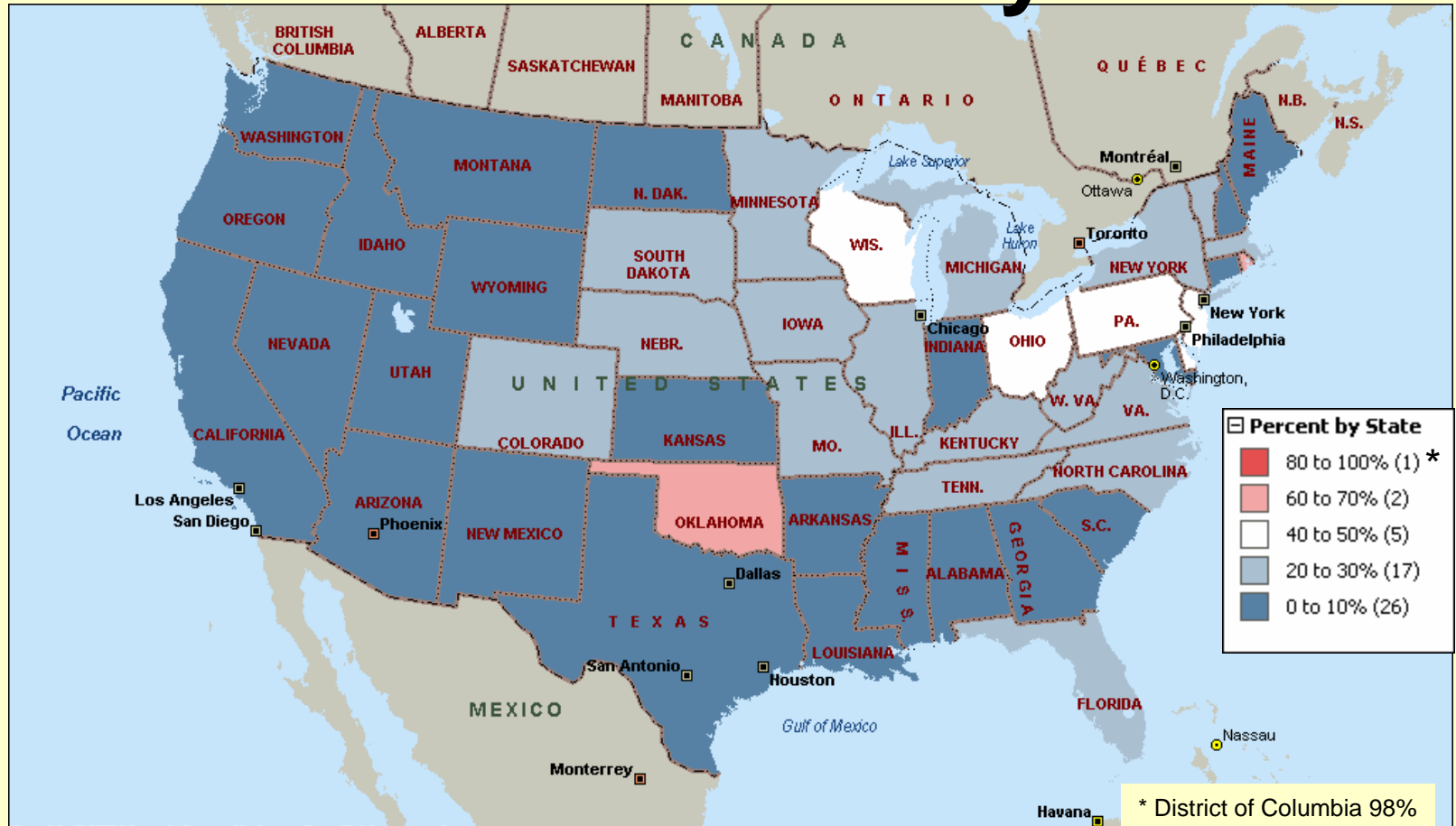
Source: 2005 ETA Marketing Database

Form 1041 by State



Alaska (AK)	3,266	Hawaii (HI)	13,058	Maine (ME)	25,864	New Jersey (NJ)	131,212	South Dakota (SD)	9,697
Alabama (AL)	27,484	Iowa (IA)	49,942	Michigan (MI)	94,066	New Mexico (NM)	10,911	Tennessee (TN)	40,499
Arkansas (AR)	16,807	Idaho (ID)	7,564	Minnesota (MN)	50,302	Nevada (NV)	17,444	Texas (TX)	191,897
Arizona (AZ)	40,076	Illinois (IL)	200,284	Missouri (MO)	80,310	New York (NY)	307,346	Utah (UT)	13,879
California (CA)	319,899	Indiana (IN)	48,346	Mississippi (MS)	11,167	Ohio (OH)	175,575	Virginia (VA)	68,532
Colorado (CO)	52,948	Kansas (KS)	26,237	Montana (MT)	7,124	Oklahoma (OK)	81,063	Vermont (VT)	9,235
Connecticut (CT)	44,905	Kentucky (KY)	33,065	North Carolina (NC)	67,533	Oregon (OR)	33,264	Washington (WA)	58,989
Delaware (DE)	24,256	Louisiana (LA)	18,982	North Dakota (ND)	5,961	Pennsylvania (PA)	175,722	Wisconsin (WI)	94,190
Florida (FL)	170,579	Massachusetts (MA)	140,145	Nebraska (NE)	23,374	Rhode Island (RI)	40,443	West Virginia (WV)	10,767
Georgia (GA)	42,594	Maryland (MD)	57,461	New Hampshire (NH)	13,380	South Carolina (SC)	20,644	Wyoming (WY)	5,792

e-file Penetration by State



Alaska (AK)	2%	Hawaii (HI)	13%	Maine (ME)	21%	New Jersey (NJ)	29%	South Dakota (SD)	1%
Alabama (AL)	6%	Iowa (IA)	3%	Michigan (MI)	14%	New Mexico (NM)	4%	Tennessee (TN)	9%
Arkansas (AR)	4%	Idaho (ID)	2%	Minnesota (MN)	17%	Nevada (NV)	19%	Texas (TX)	11%
Arizona (AZ)	20%	Illinois (IL)	15%	Missouri (MO)	10%	New York (NY)	24%	Utah (UT)	10%
California (CA)	27%	Indiana (IN)	10%	Mississippi (MS)	3%	Ohio (OH)	16%	Virginia (VA)	14%
Colorado (CO)	13%	Kansas (KS)	8%	Montana (MT)	1%	Oklahoma (OK)	7%	Vermont (VT)	12%
Connecticut (CT)	29%	Kentucky (KY)	7%	North Carolina (NC)	10%	Oregon (OR)	16%	Washington (WA)	11%
Delaware (DE)	24%	Louisiana (LA)	8%	North Dakota (ND)	1%	Pennsylvania (PA)	18%	Wisconsin (WI)	10%
Florida (FL)	13%	Massachusetts (MA)	31%	Nebraska (NE)	5%	Rhode Island (RI)	33%	West Virginia (WV)	3%
Georgia (GA)	14%	Maryland (MD)	21%	New Hampshire (NH)	23%	South Carolina (SC)	8%	Wyoming (WY)	1%

Form 1041 Summary

- **39% of all 1041's are projected to be filed electronically in 2007.**
- **13% of all 1041 taxpayers are enrolled in EFTPS.**
- **1041 *e-filers* have an 88% loyalty rate.**
- **Over 86% of all 1041's are filed by the end of April.**
- **SB/SE accounts for 100% of 1041's.**
- **No one NAICS Code accounted for 1% of 1041's.**
- **59% of 1041 filers use a preparer.**
- **The top two *e-file* transmitters account for 23% of all 1041's.**
- **The top 10 Form 1041 preparers collectively filed 69% of their returns electronically .**

Form 990 Filers

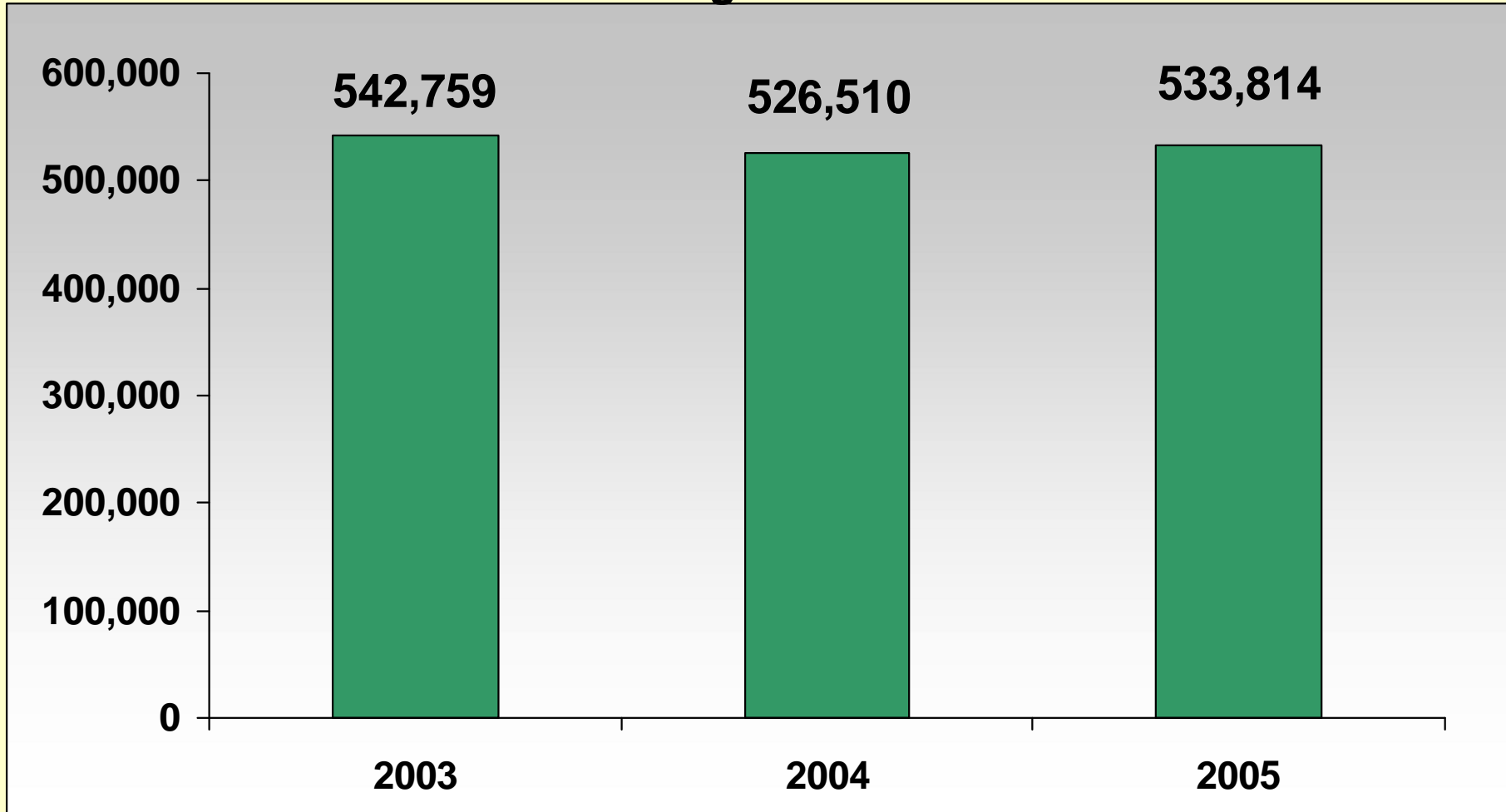
Exempt Organization
Income Tax Return

Processing Year 2005



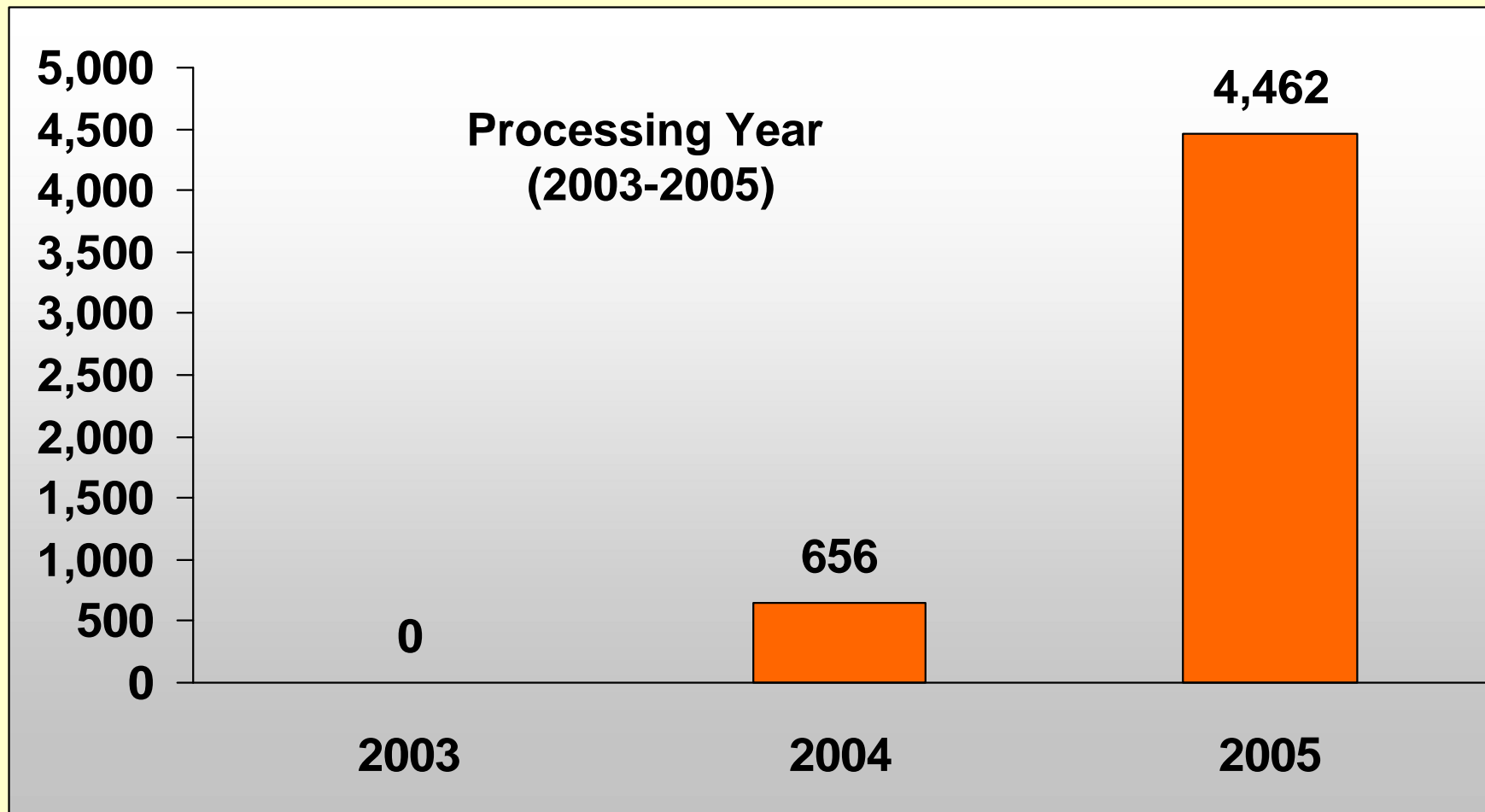
Form 990 Annual Filing Volume

Processing Years 2003-2005



Source: 2005 ETA Marketing Database

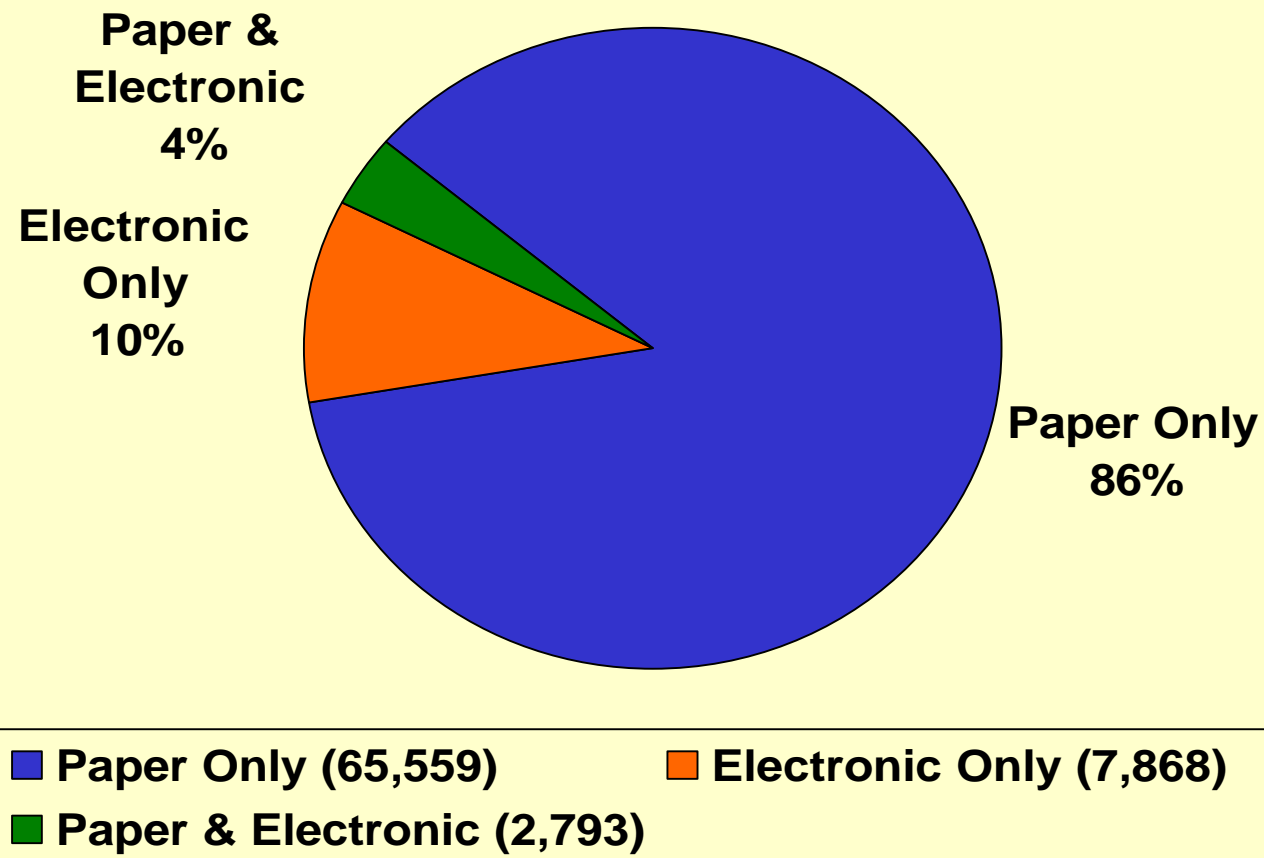
Annual Filing Volume for *e-file* Form 990



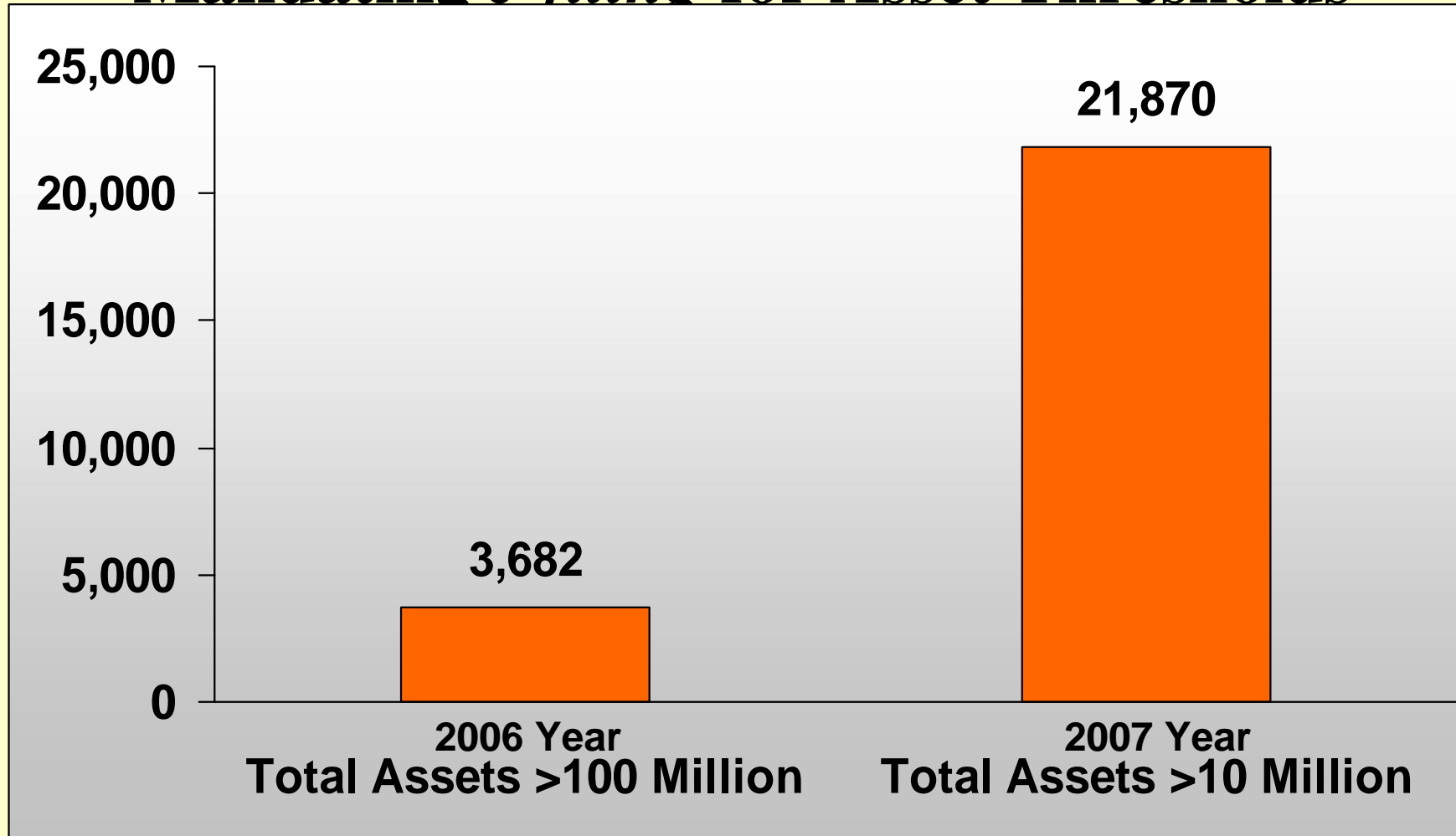
Source: 2005 ETA Marketing Database

**In Processing Year
2005, fewer than 1% of
all Forms 990 were
*e-filed.***

Total Number of Form 990 Taxpayers Making Payments



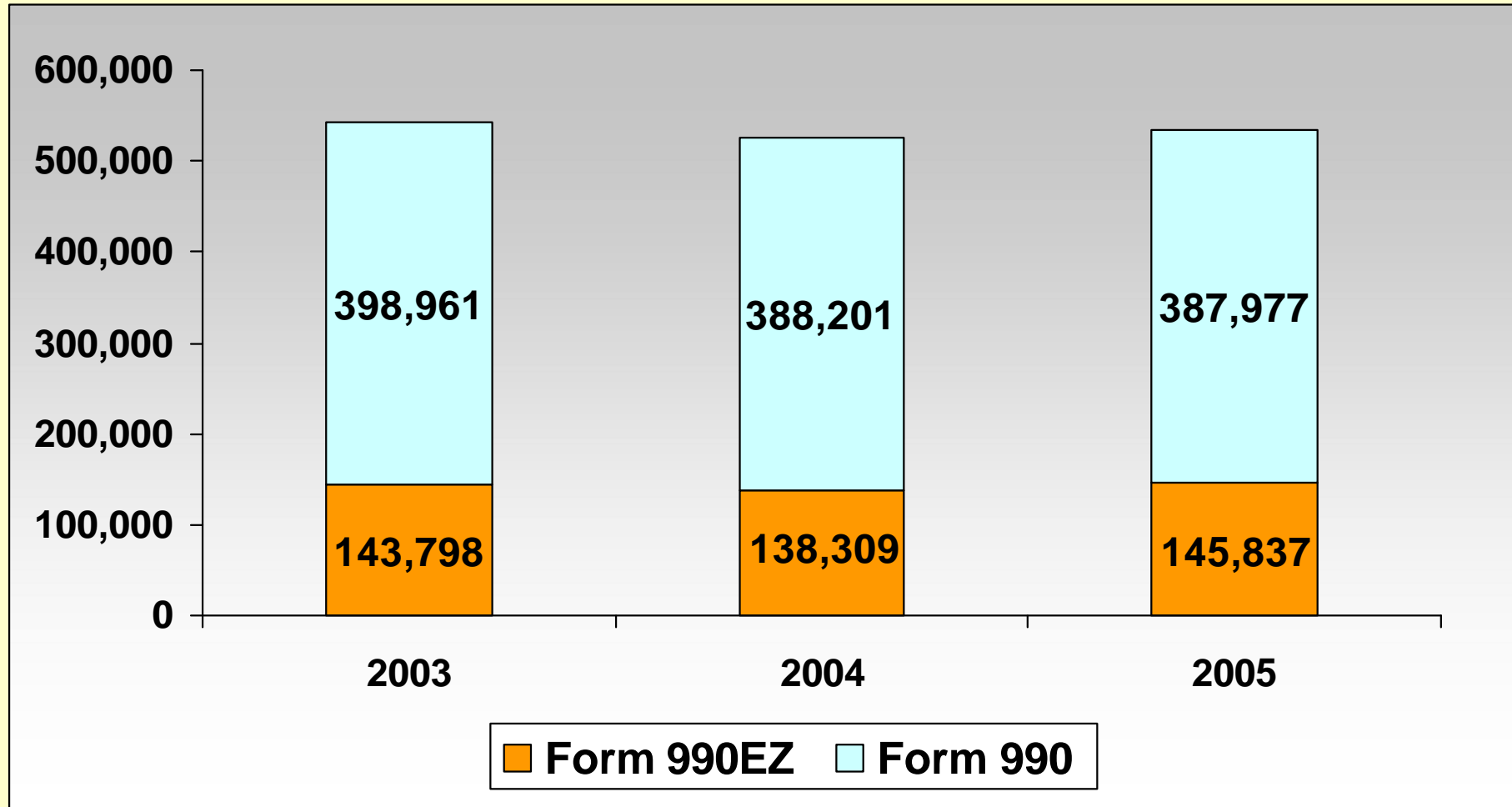
Form 990 Taxpayers Impacted by Mandating *e-filing* for Asset Thresholds



The electronic filing requirements only apply to entities that file at least 250 returns, including income tax, excise 126 tax, information and employment tax returns, during a calendar year.

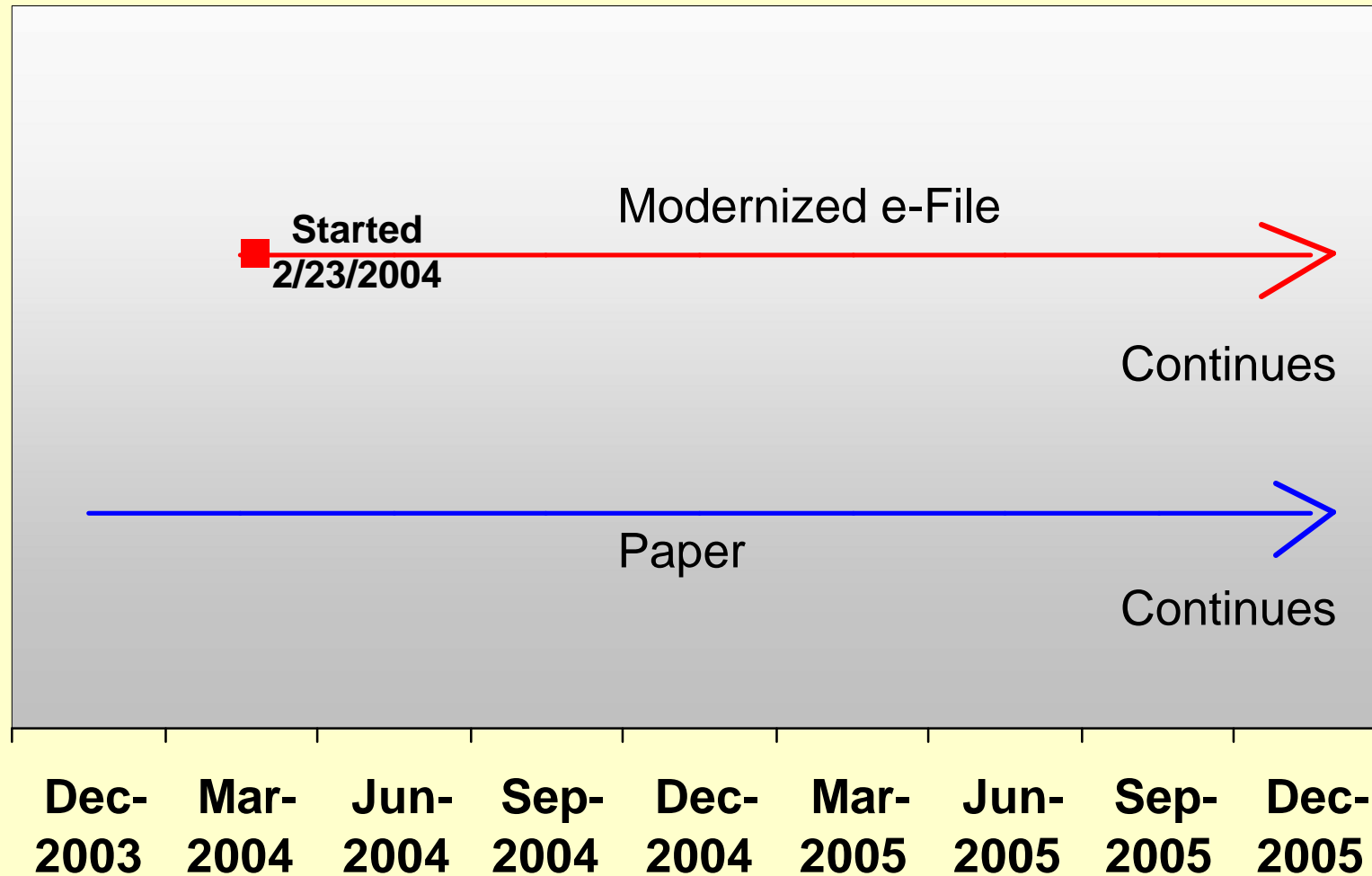
Form 990 by Series

Processing Years 2003-2005

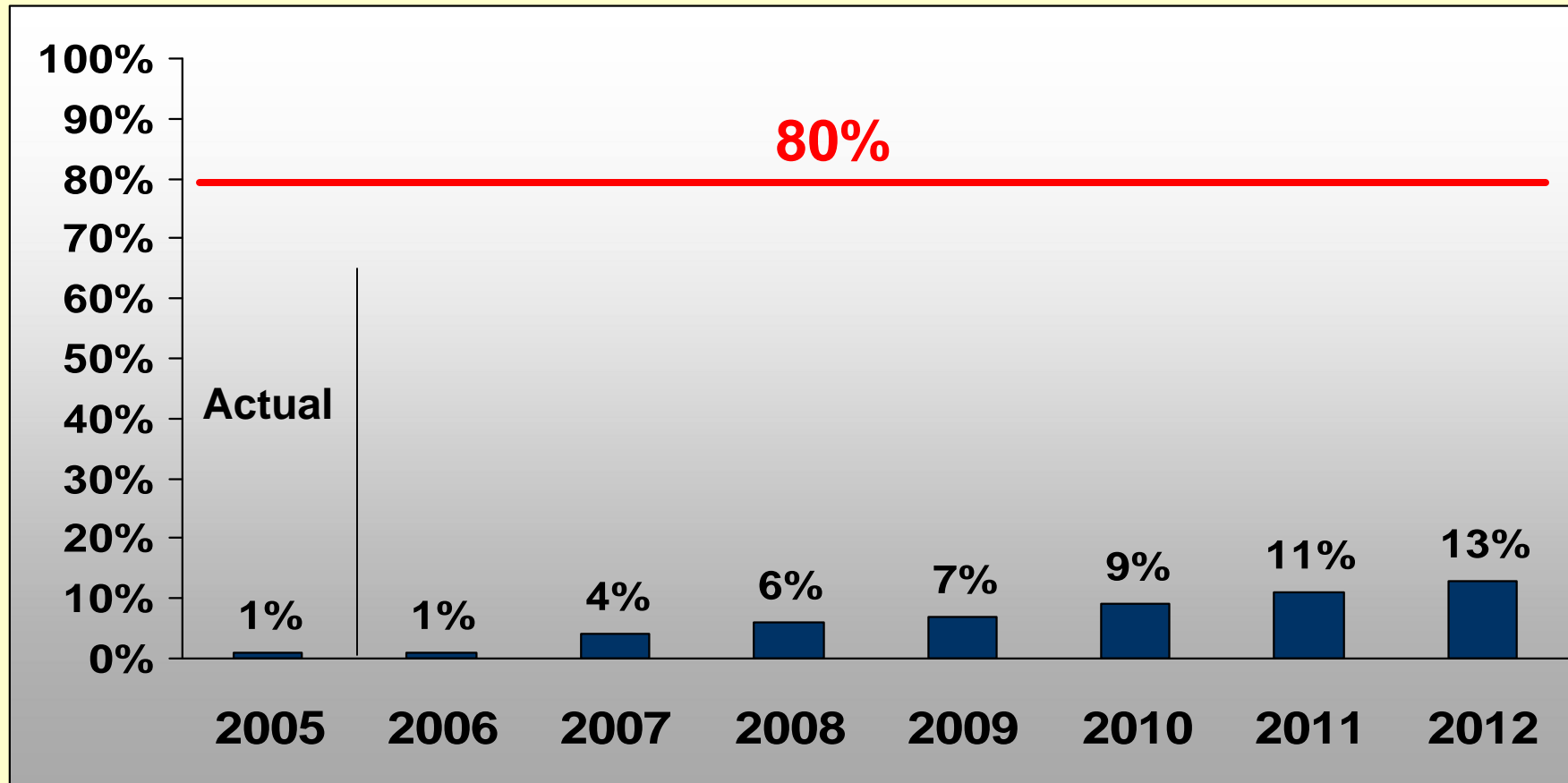


Source: 2005 ETA Marketing Database

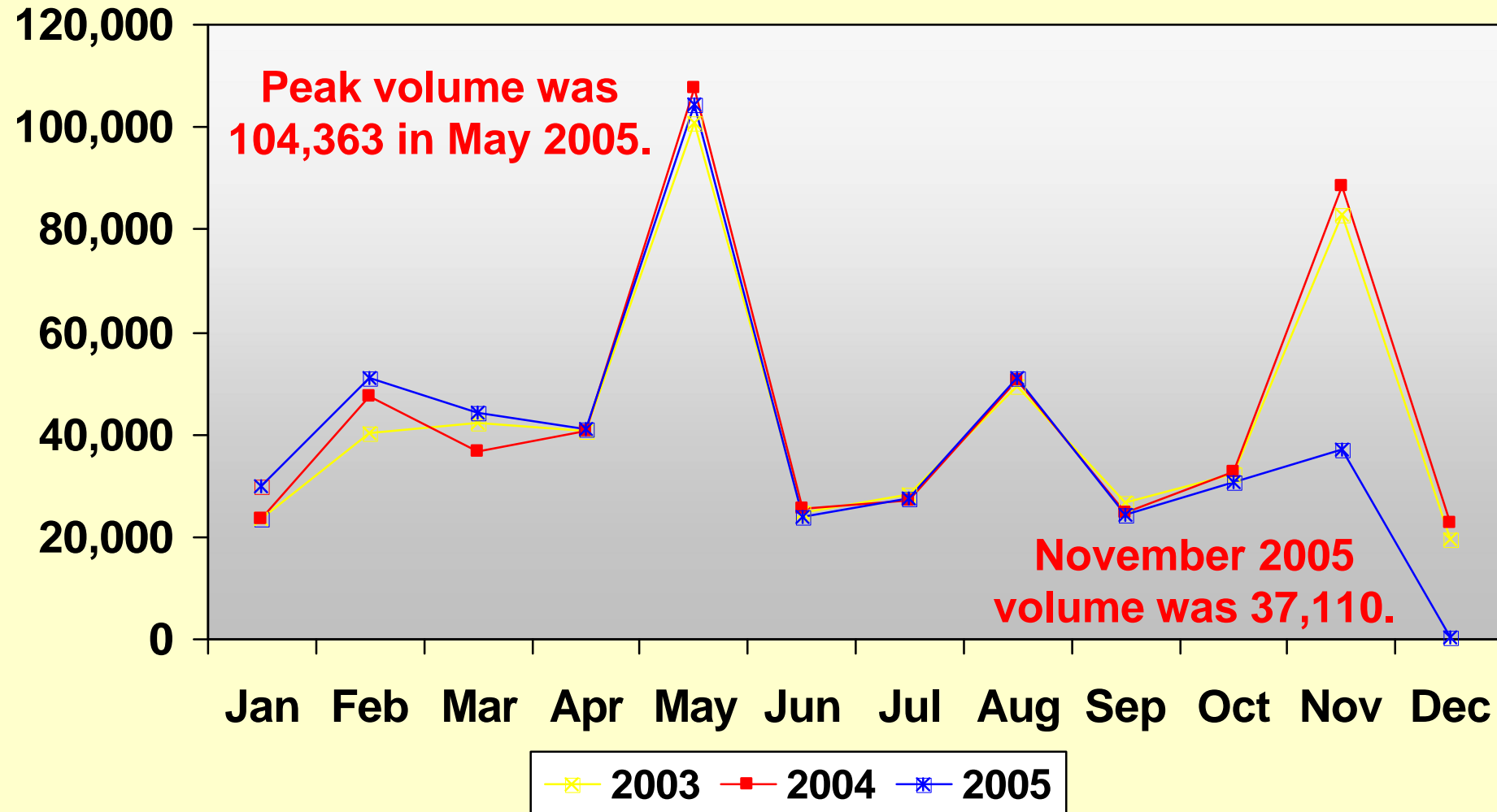
Form 990: Implementation Schedule



Form 990 Projected *e-file* Penetration Rate

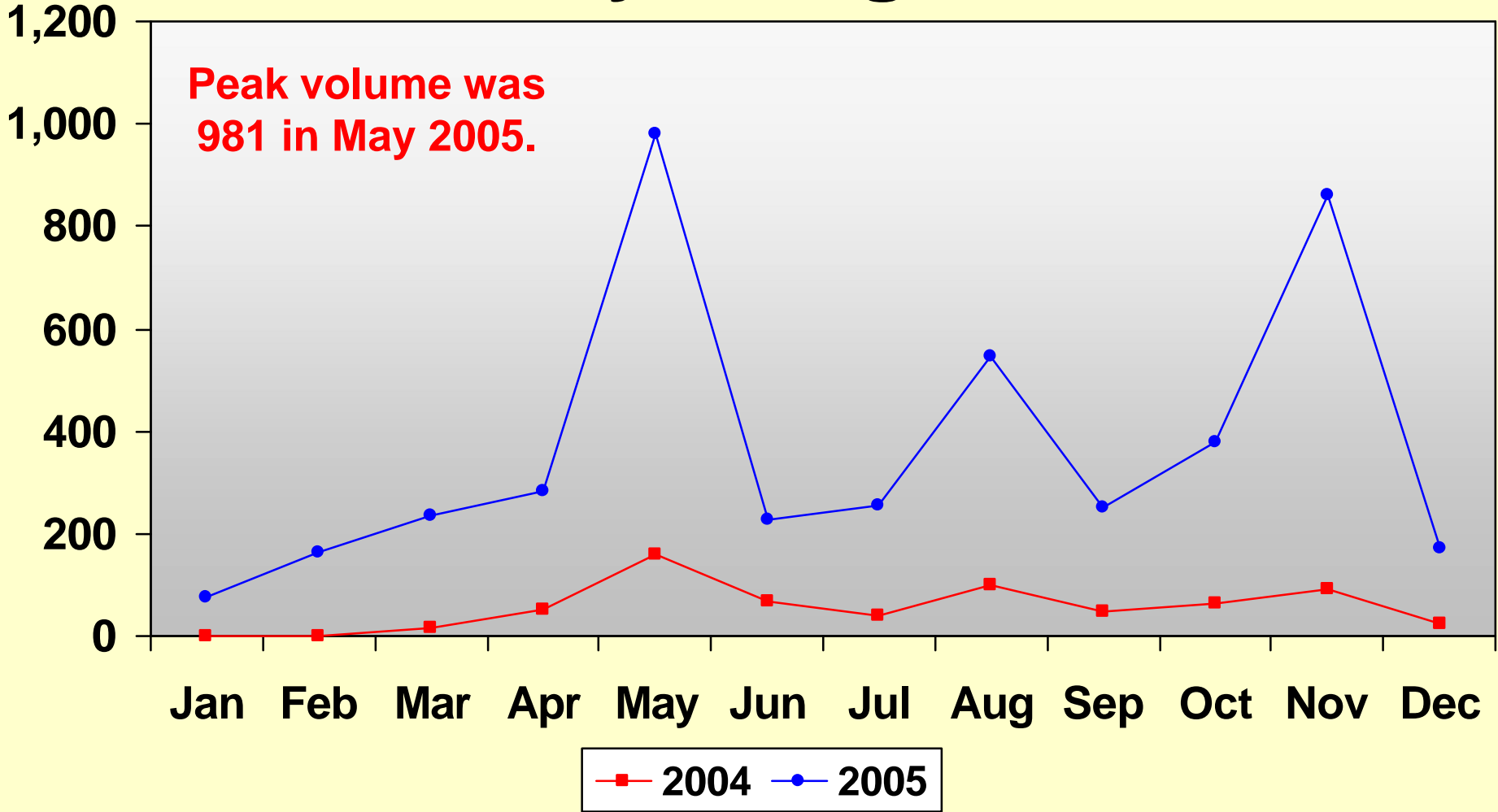


Form 990: Monthly Filing Patterns



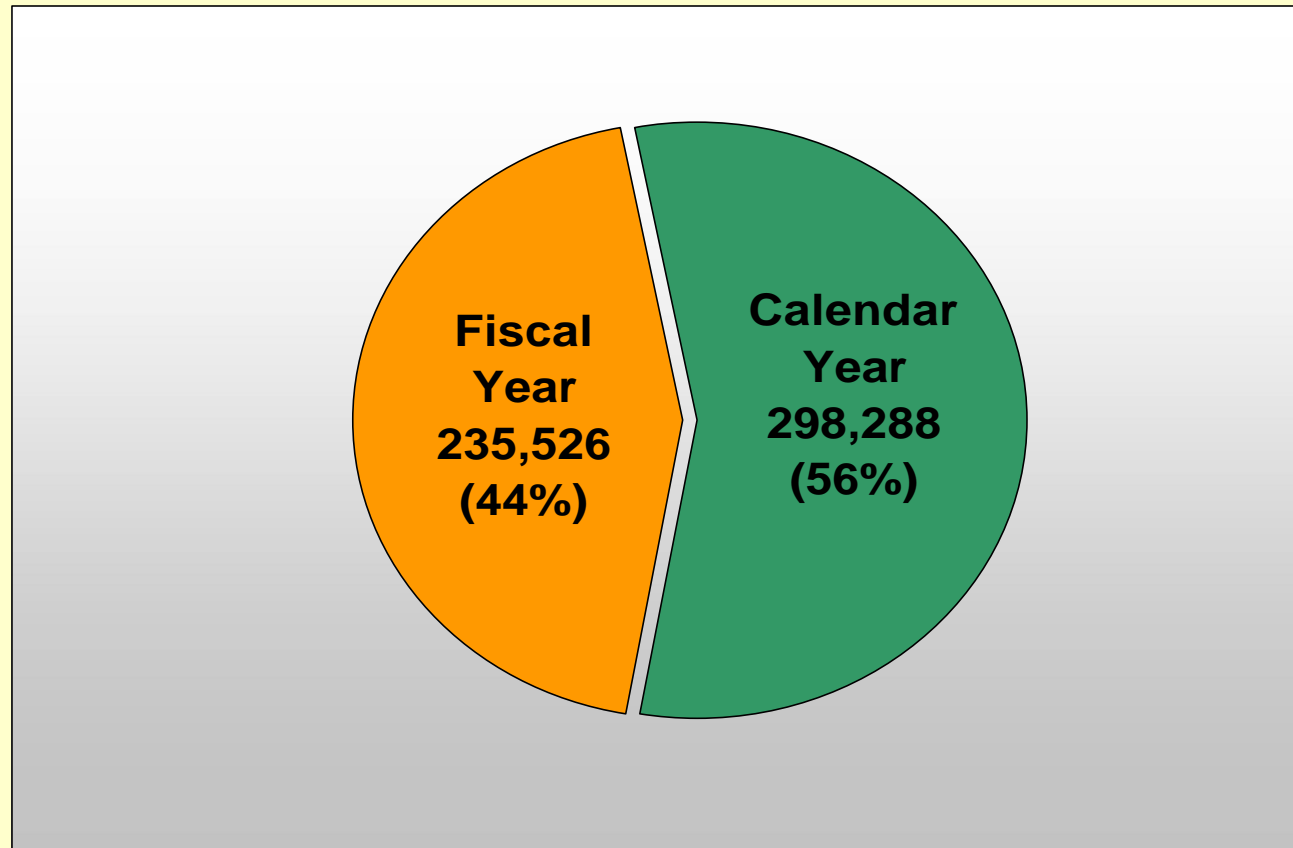
Source: 2005 ETA Marketing Database

e-file Form 990 Monthly Filing Patterns



Fiscal Year Returns vs. Calendar Year Returns

Total: 533,814

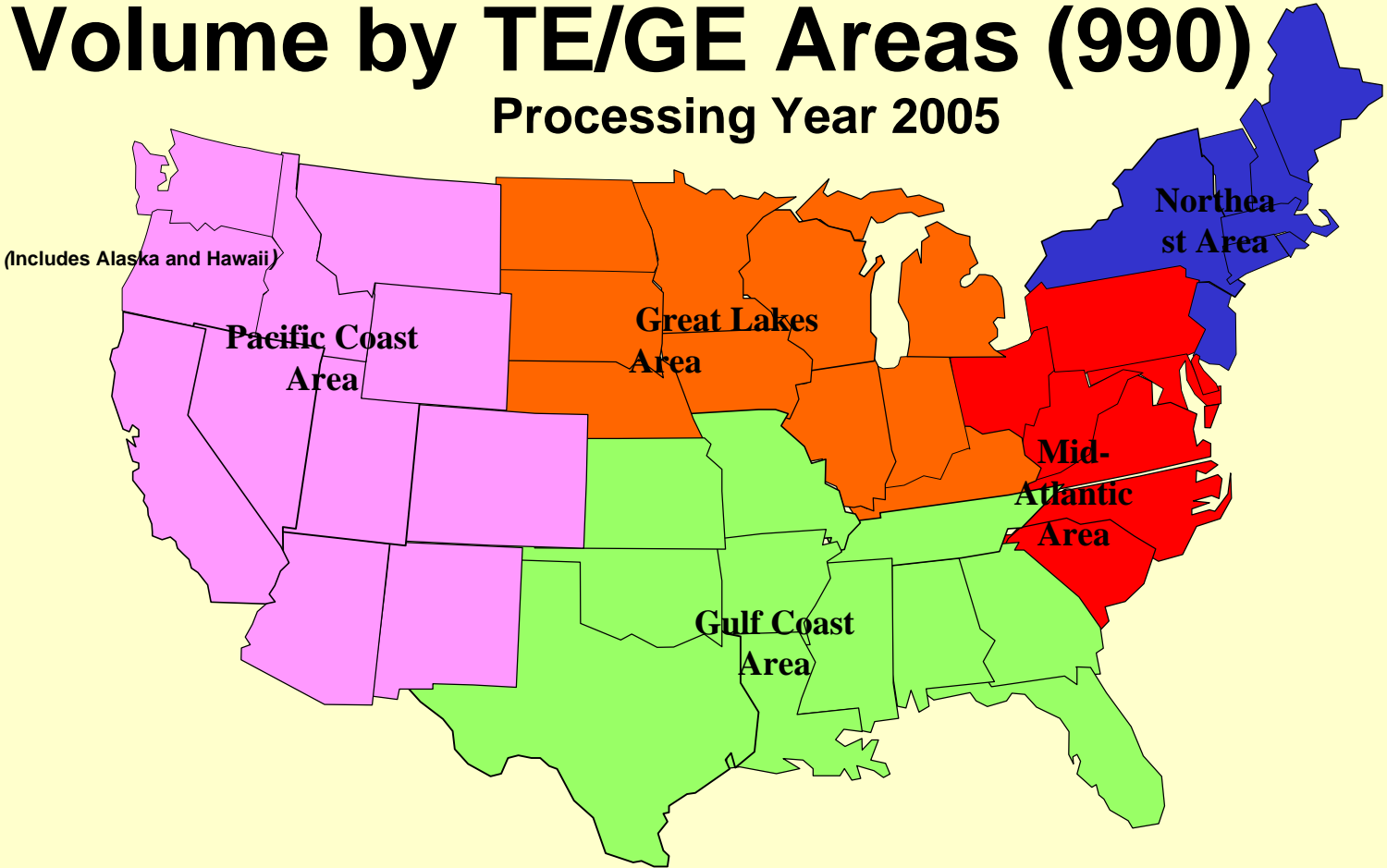


Processing Year 2005

Source: 2005 ETA Marketing Database

Volume by TE/GE Areas (990)

Processing Year 2005



	NORTH EAST	MID- ATLANTIC	GULF COAST	GREAT LAKES	PACIFIC COAST	OTHER*
Total	89,969	106,193	117,908	100,660	117,850	1,234
e-file	635	892	914	1,203	815	3

*Other includes international, and miscellaneous returns that could not apply to an area.

Source: 2005 ETA Marketing Database

Form 990 by State



Alaska (AK)	2,132	Hawaii (HI)	2,547	Maine (ME)	3,543	New Jersey (NJ)	15,854	South Dakota (SD)	2,190
Alabama (AL)	6,170	Iowa (IA)	7,656	Michigan (MI)	16,845	New Mexico (NM)	3,593	Tennessee (TN)	8,775
Arkansas (AR)	4,358	Idaho (ID)	2,506	Minnesota (MN)	12,852	Nevada (NV)	2,520	Texas (TX)	31,004
Arizona (AZ)	7,301	Illinois (IL)	22,826	Missouri (MO)	11,644	New York (NY)	37,197	Utah (UT)	2,908
California (CA)	58,270	Indiana (IN)	13,078	Mississippi (MS)	3,629	Ohio (OH)	22,848	Virginia (VA)	14,779
Colorado (CO)	10,001	Kansas (KS)	6,015	Montana (MT)	3,006	Oklahoma (OK)	5,788	Vermont (VT)	2,499
Connecticut (CT)	8,218	Kentucky (KY)	6,388	North Carolina (NC)	14,364	Oregon (OR)	8,535	Washington (WA)	12,993
Delaware (DE)	1,776	Louisiana (LA)	6,002	North Dakota (ND)	2,098	Pennsylvania (PA)	25,794	Wisconsin (WI)	12,394
Florida (FL)	22,999	Massachusetts (MA)	15,890	Nebraska (NE)	4,333	Rhode Island (RI)	3,543	West Virginia (WV)	3,724
Georgia (GA)	11,524	Maryland (MD)	11,350	New Hampshire (NH)	3,225	South Carolina (SC)	5,699	Wyoming (WY)	1,538

Form 990 Summary

- **4% of all 990's are projected to be filed electronically in 2007.**
- **990's have two peak volume filing times: May and November.**
- **990's are TE/GE accounts.**
- **One NAICS Code (813000: Religious, Grantmaking, Civic, Professional, & Similar Organizations) accounts for 35% of all 990's.**
- **There is no preparer information available for paper 990 returns.**

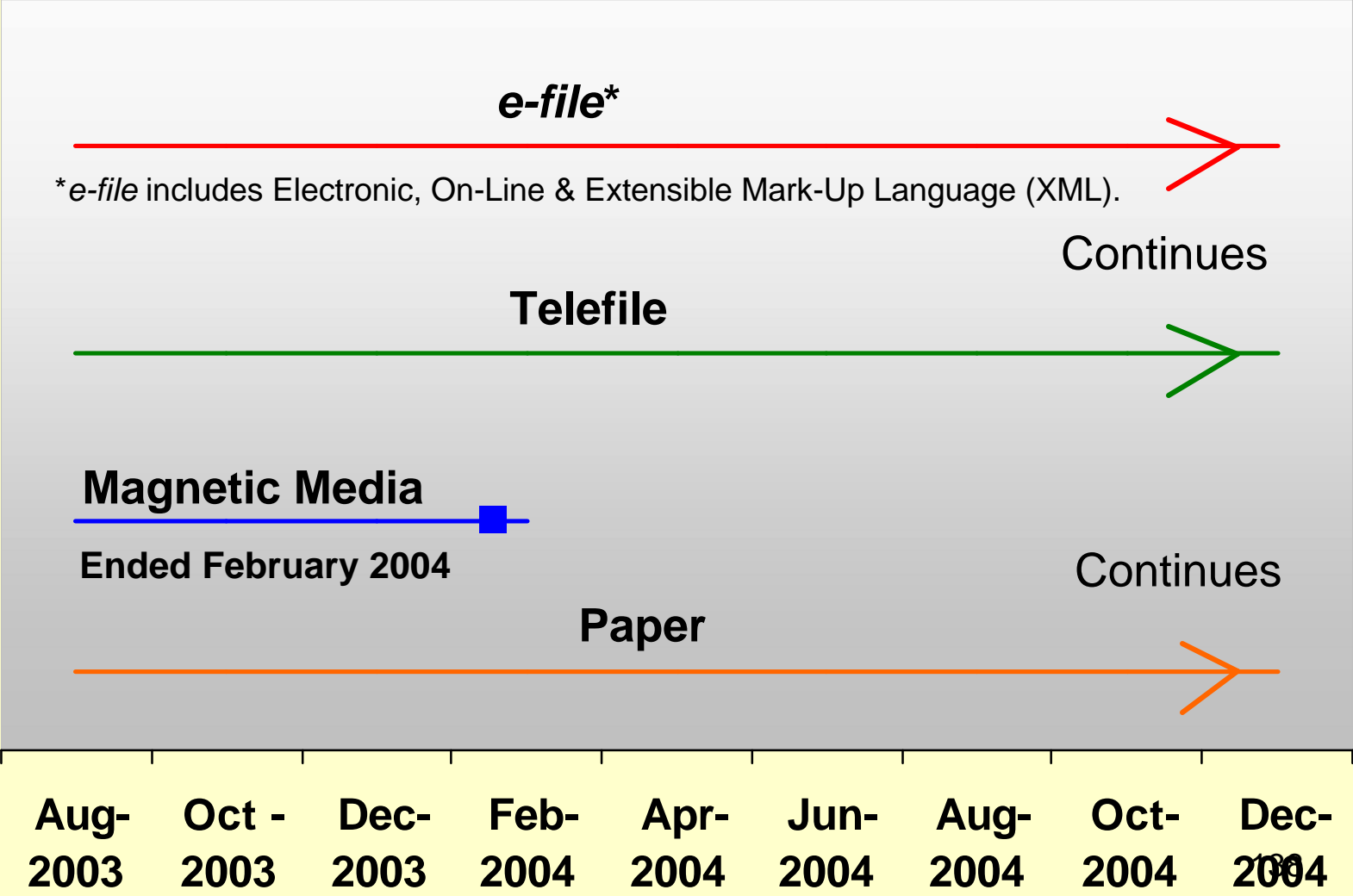
Form 941 Filers

Employer's Quarterly Federal Tax Return

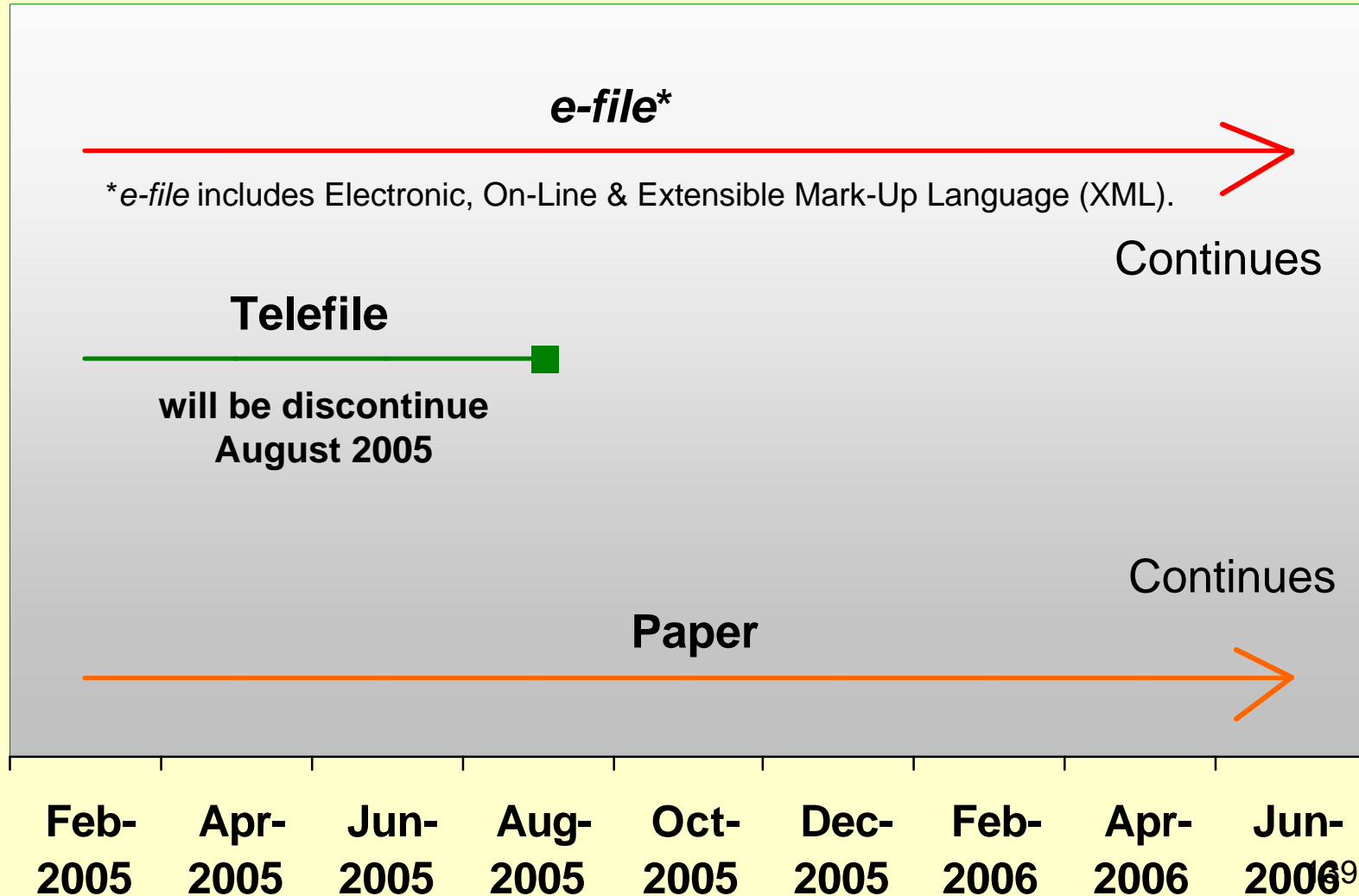
Processing Year 2005



Form 941: 2004 Implementation Schedule

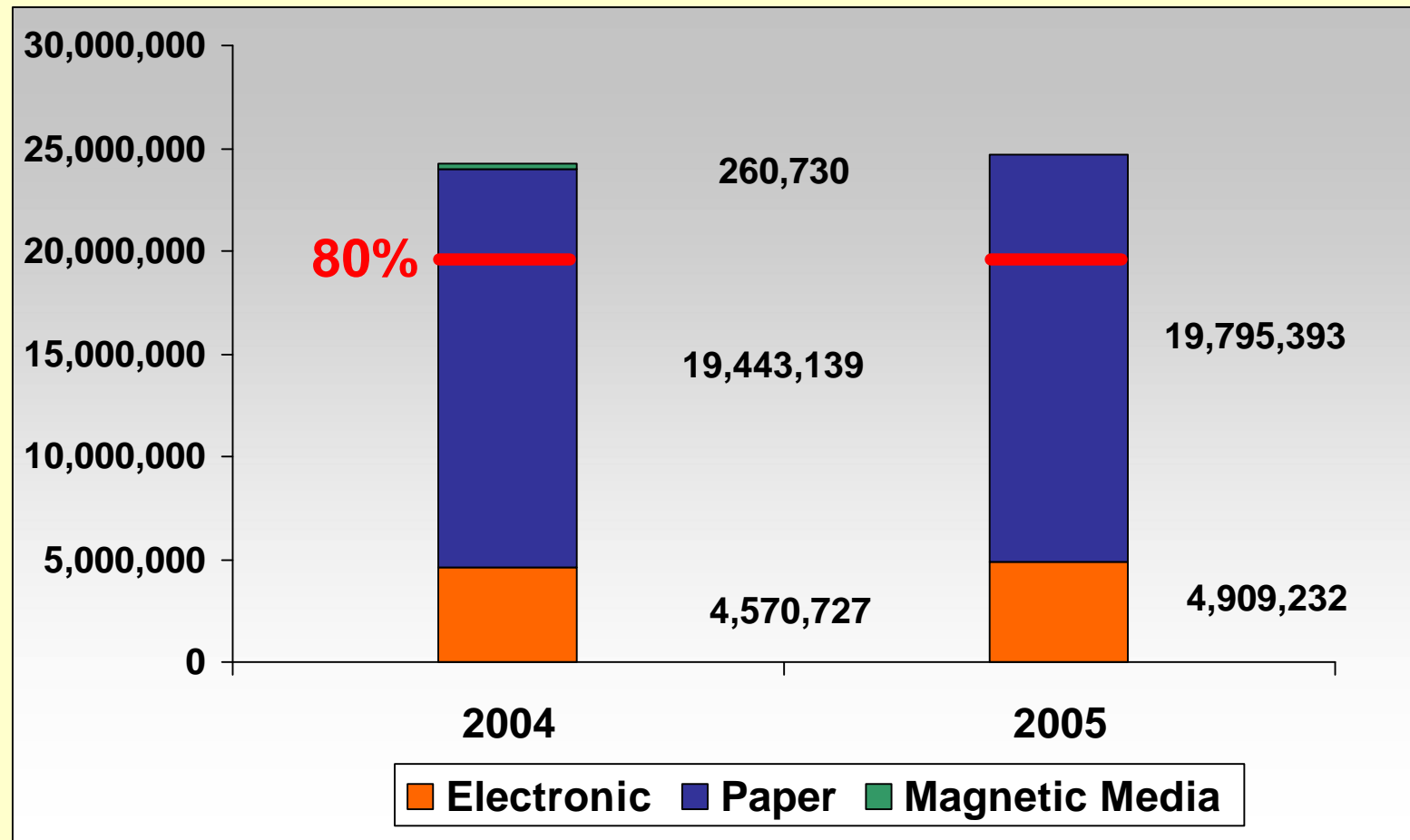


Form 941: 2005 Implementation Schedule



Form 941 Annual Filing Volume

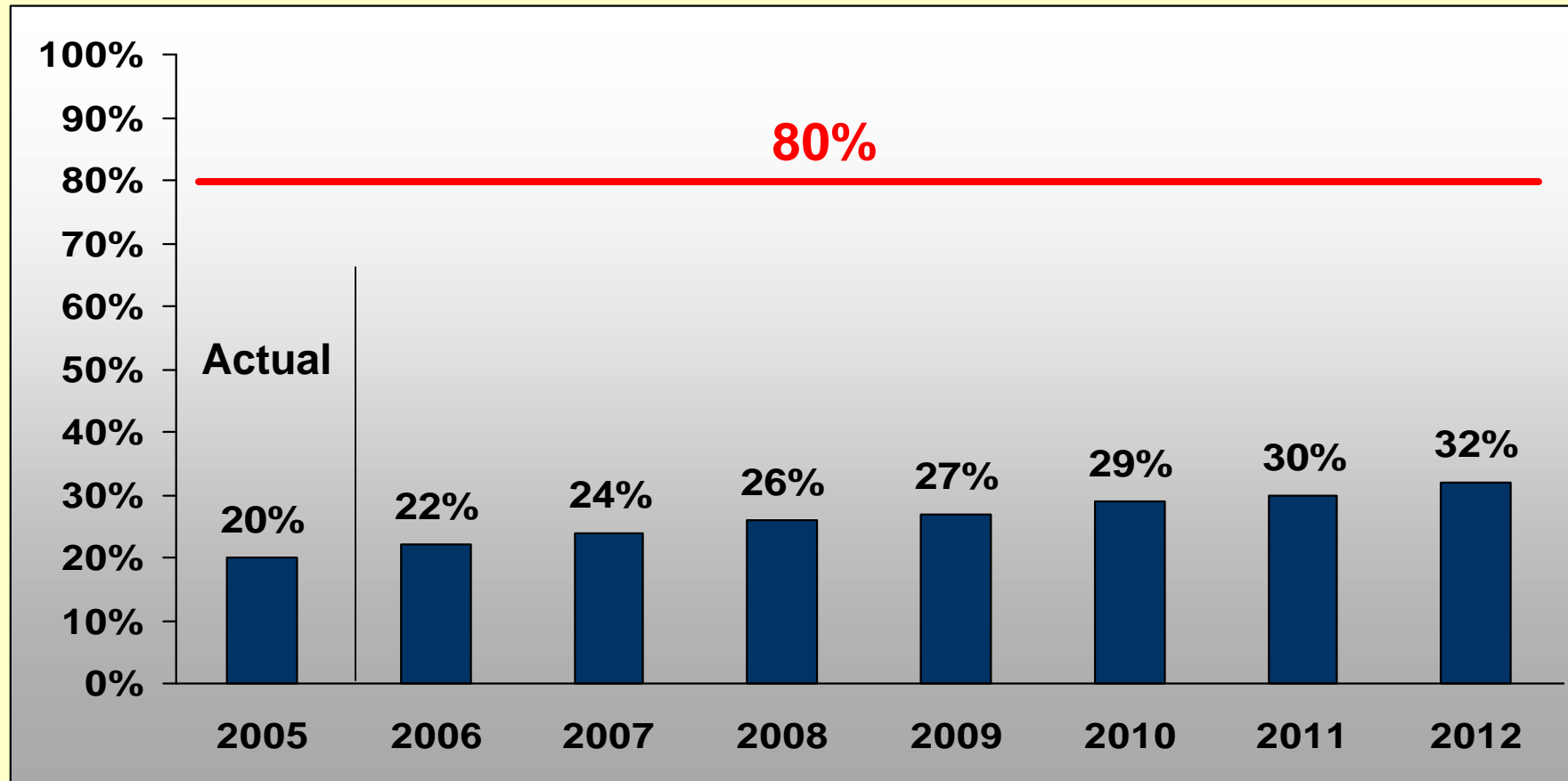
Processing Years 2005



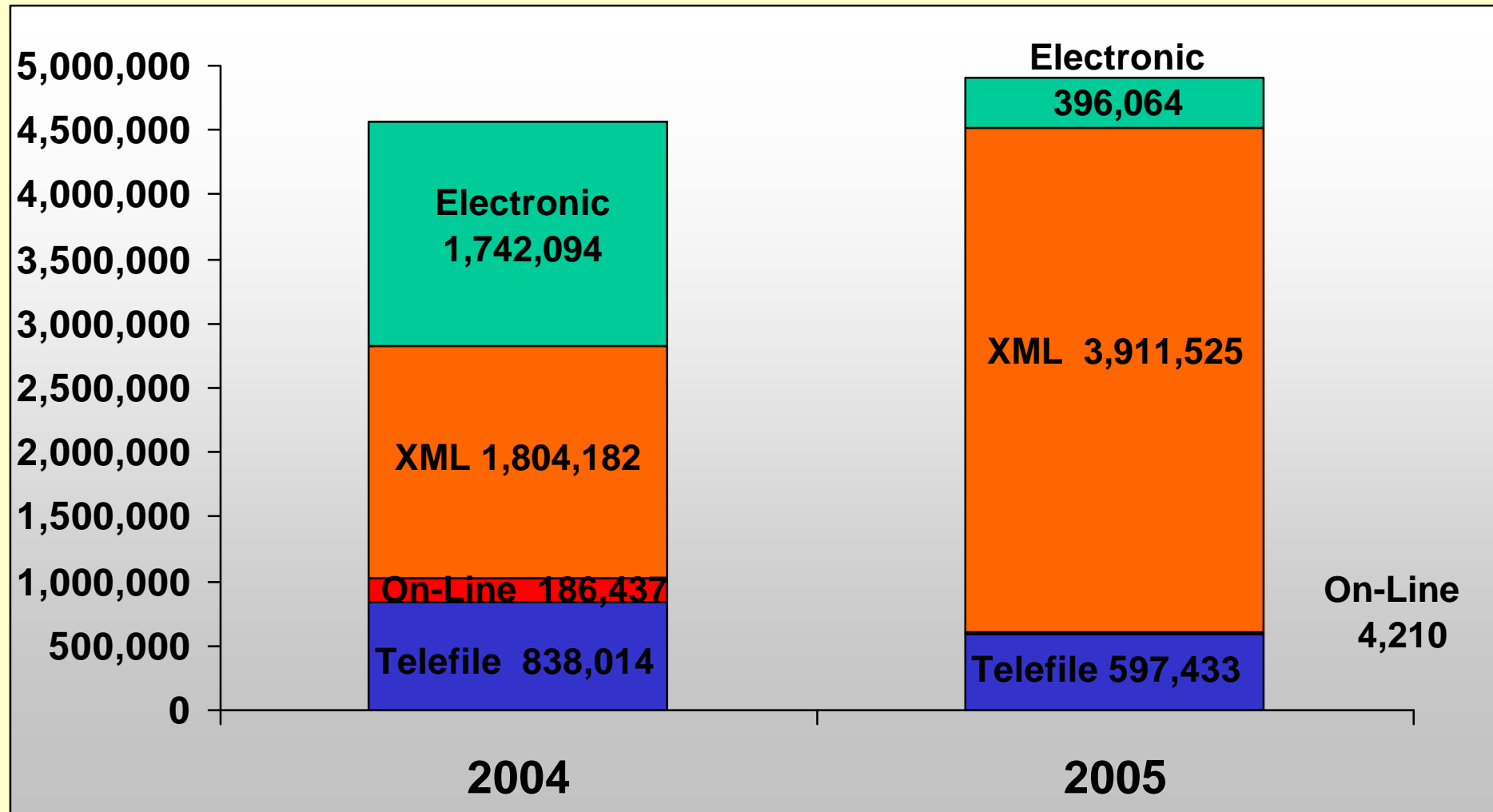
Source: 2005 ETA Marketing Database

**In Processing Year
2005, fewer than 21%
of all Forms 941 filed
were *e-filed*.**

Form 941 Projected Electronic Penetration Rate



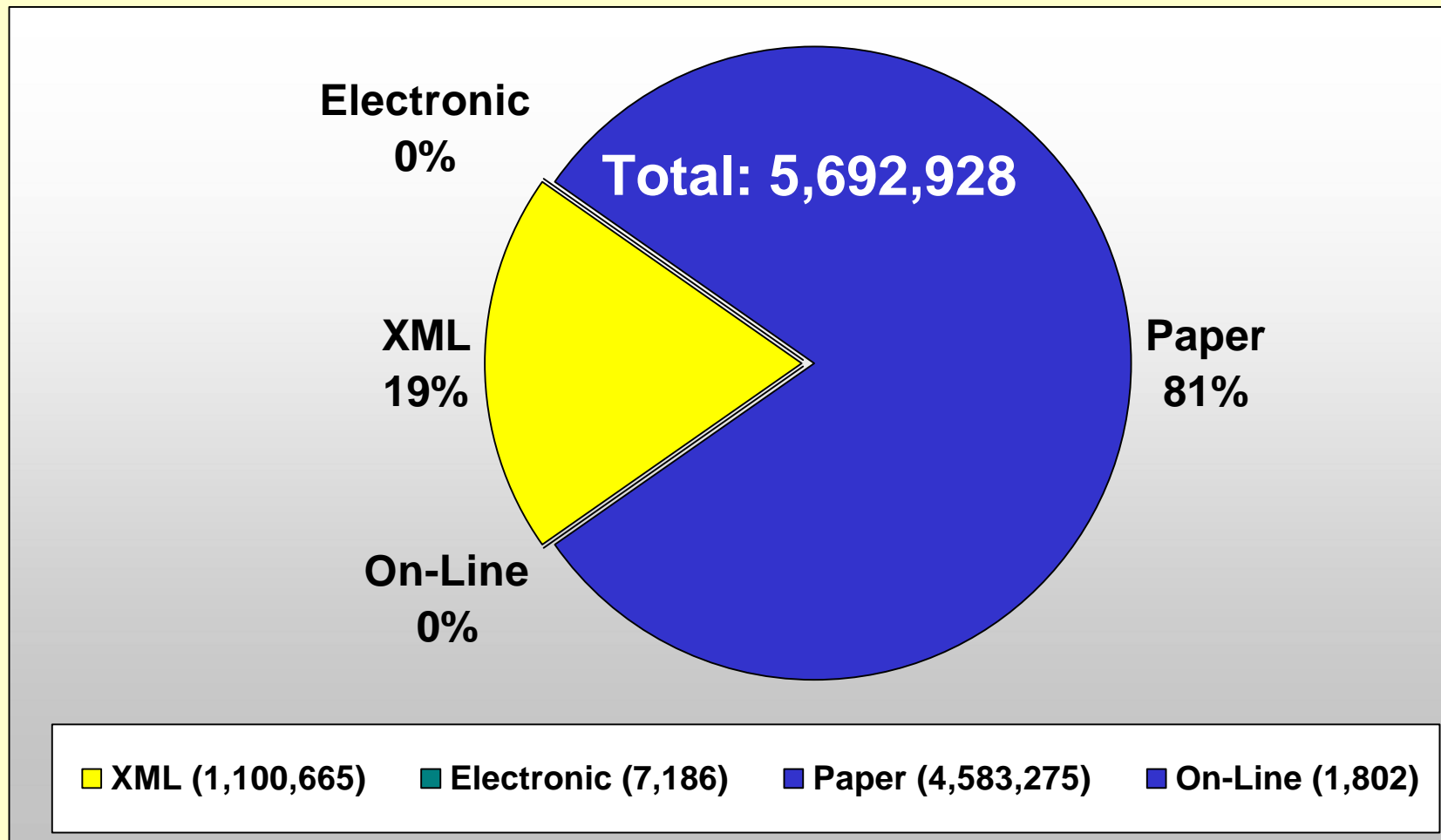
Annual Filing Volume for Electronically Filed Forms 941



Source: 2005 ETA Marketing Database

XML is the Extensible Markup Language electronic format

Forms 941 Volume – 3rd Quarter

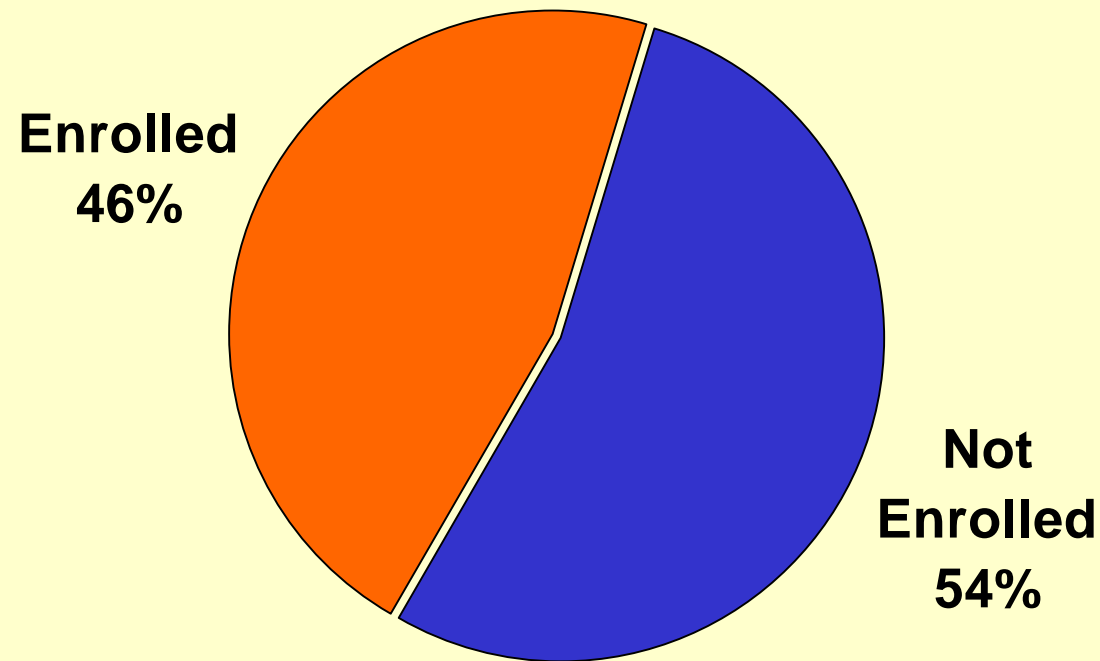


Third Quarter 2005

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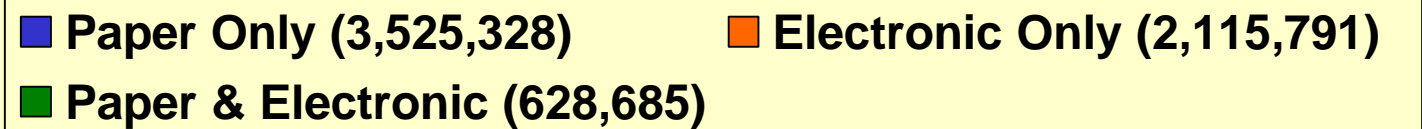
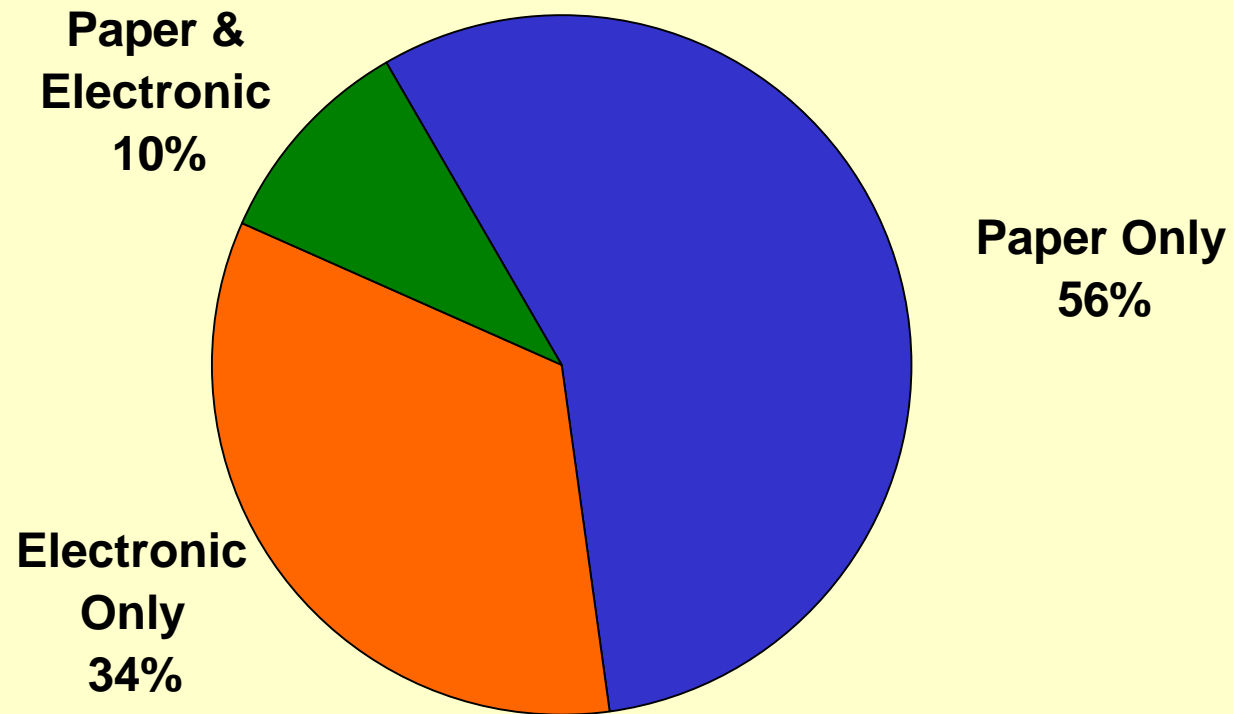
Form 941 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2005

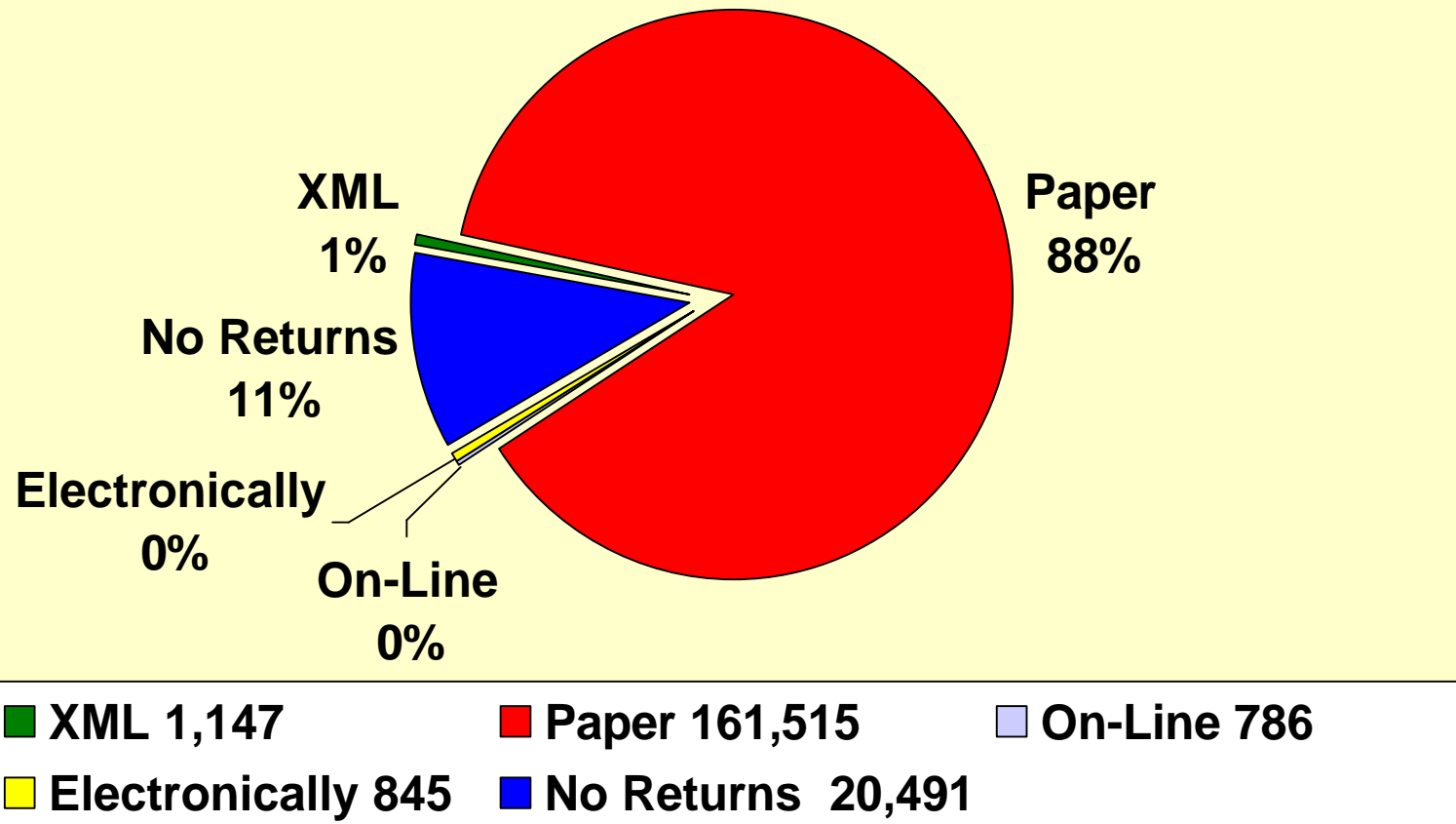


■ Enrolled (11,445,844) ■ Not Enrolled (13,258,781)

Total Number of 941 Series Taxpayers Making Payments



Telefile Migration to New Filing Options



1.5% of Telefile Users Migrated to *e-file*

Source: 2005 ETA Marketing Database

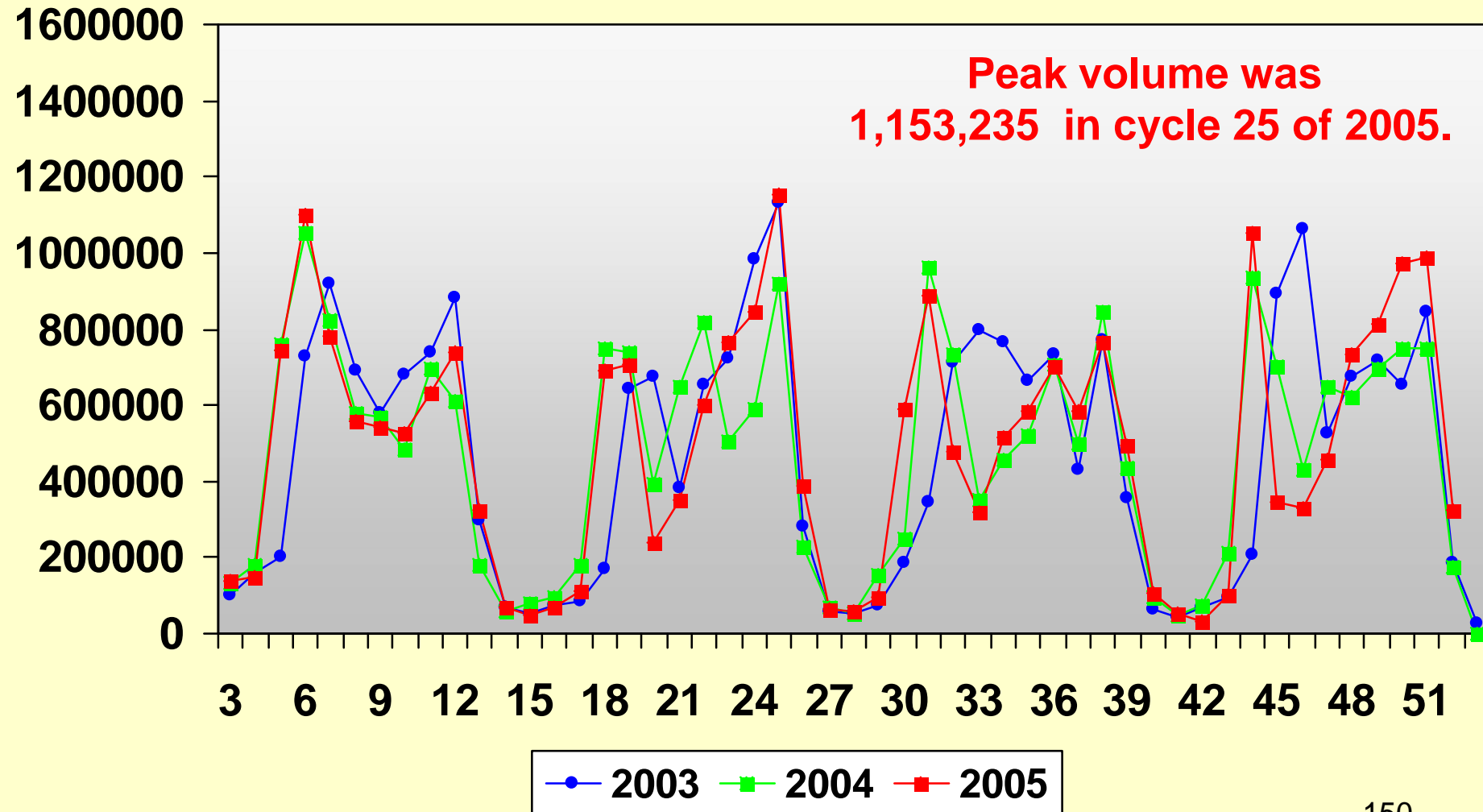
There are 6 forms in the 941 Series:

- Form 941: Employer's Quarterly Federal Tax Return
- Form 941PR: Employer's Quarterly Federal Tax Return (Puerto Rican Version)
- Form 941C: Supporting Statement To Correct Information Previously Reported on Employees Tax Return
- Form 941C(PR): Statement to Correct Information (Puerto Rican Version)
- Form 941M: Employer's Monthly Federal Tax Return
- Form 941SS: Employer's Quarterly Federal Tax Return (For employers in American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands to report social security and Medicare taxes for their workers)

Counts of the forms in the 941 Series:

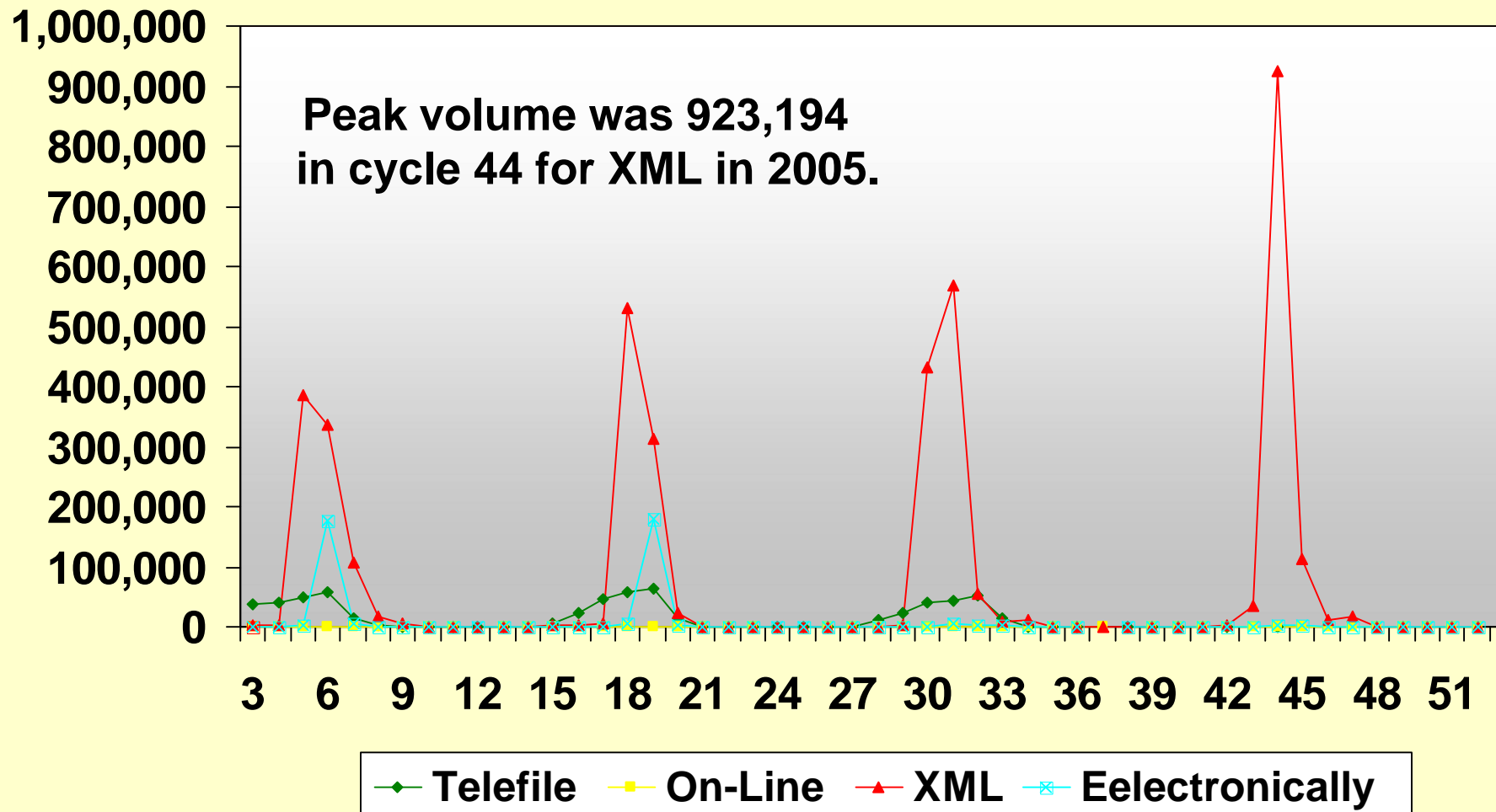
- Form 941, 941PR, 941C, 941C(PR), 941M, 941SS, 941TEL : 20,392,826
- Form 941 *e-file* :2,611,125
- Form 941Online: 1,700,674

Filing Patterns: Form 941 by Cycle Posted



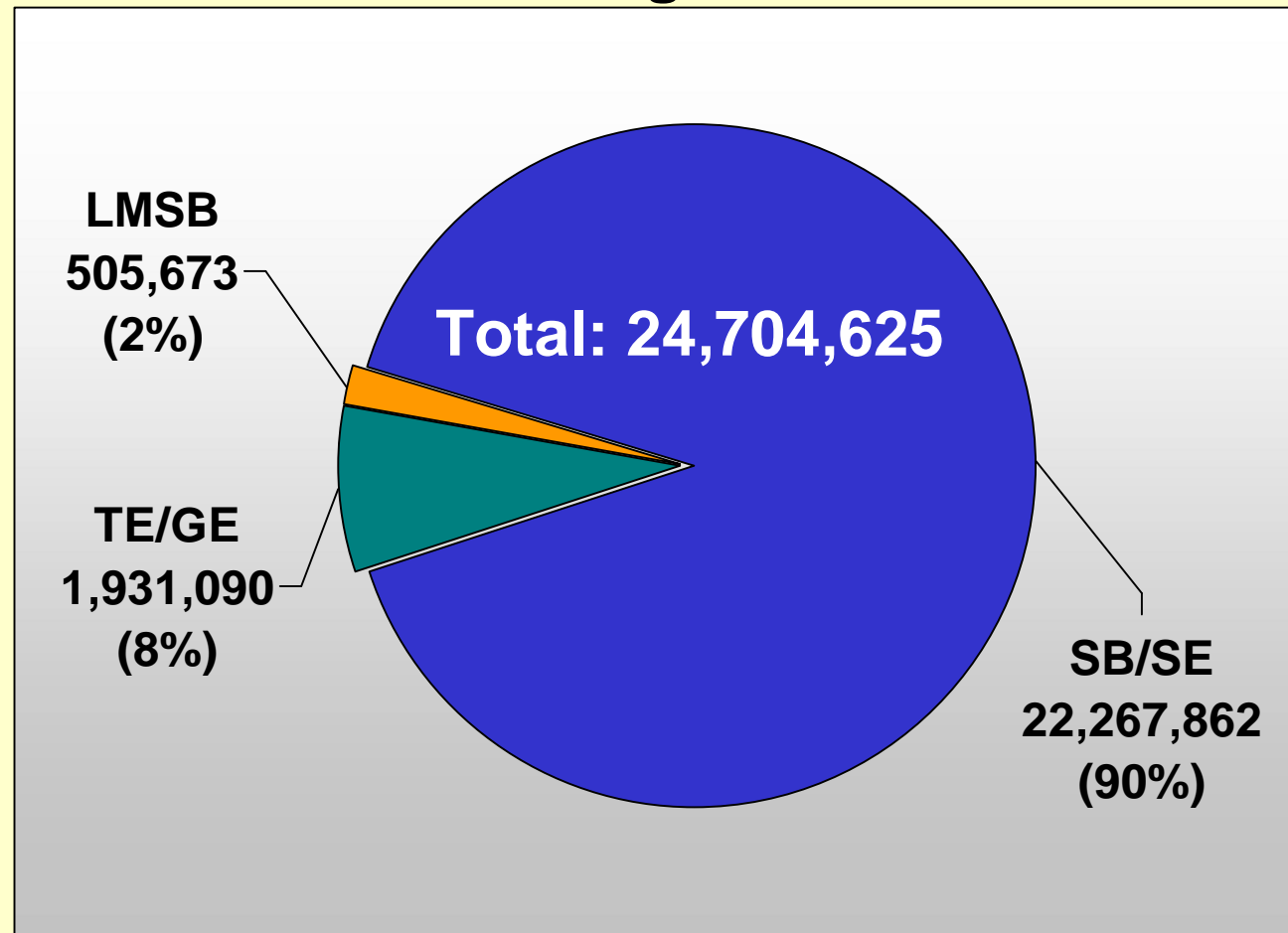
Source: 2005 ETA Marketing Database

Filing Patterns: Form 941 by Method & Cycle Posted



Source: 2005 ETA Marketing Database

Forms 941 by Business Operating Division Processing Year 2005



Source: 2005 ETA Marketing Database

All Forms 941 by Industry

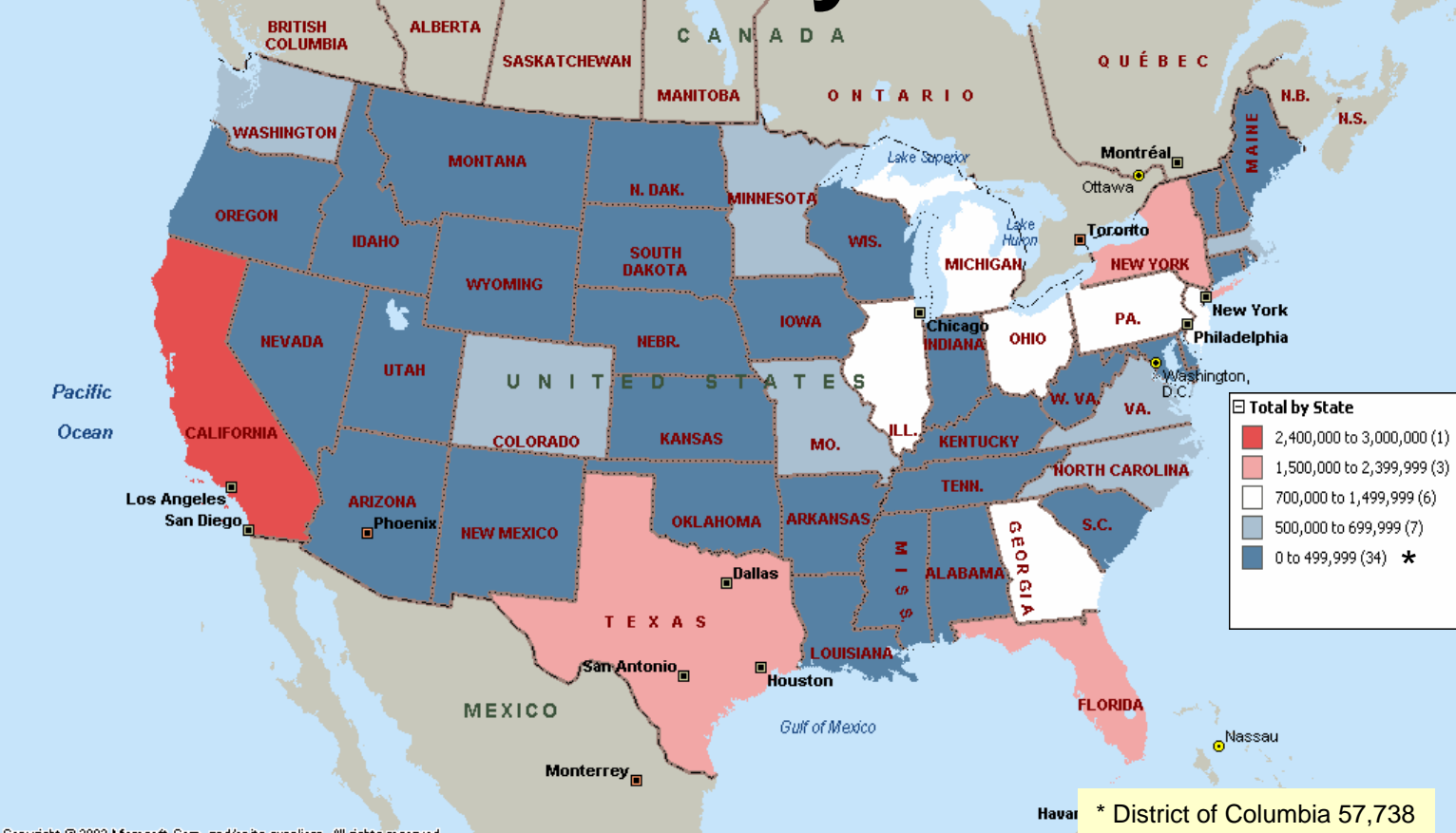
(The North American Industry Classification System - NAICS)

<u>NAICS</u>	<u>TITLE</u>	<u>2005</u>	<u>%</u>
621111	Offices of Physicians	514,686	2%
813000	Religious, Civic, & Similar Organizations	480,166	2%
722110	Full-Service Restaurants	469,579	2%
	All Other Professional, Scientific, & Technical		
541990	Services	457,986	2%
238900	Other Special Trade Contractor	416,427	2%
541110	Offices of Lawyers	396,049	2%
236110	Residential Building Construction	337,404	1%
524210	Insurance Agencies and Brokerages	278,031	1%
812990	All Other Personal Services	270,753	1%
621210	Offices of Dentists	267,756	1%

* The percentage of all Forms 941 filed in PY 2005.

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Form 941 by State



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Alaska (AK)	65,100	Hawaii (HI)	102,002	Maine (ME)	139,726	New Jersey (NJ)	849,077	South Dakota (SD)	87,792
Alabama (AL)	313,245	Iowa (IA)	264,201	Michigan (MI)	793,904	New Mexico (NM)	142,717	Tennessee (TN)	405,700
Arkansas (AR)	212,621	Idaho (ID)	146,125	Minnesota (MN)	505,399	Nevada (NV)	181,460	Texas (TX)	1,551,461
Arizona (AZ)	411,448	Illinois (IL)	1,071,860	Missouri (MO)	510,406	New York (NY)	1,798,309	Utah (UT)	218,910
California (CA)	2,825,560	Indiana (IN)	469,411	Mississippi (MS)	184,778	Ohio (OH)	855,630	Virginia (VA)	598,269
Colorado (CO)	507,113	Kansas (KS)	257,486	Montana (MT)	123,081	Oklahoma (OK)	293,439	Vermont (VT)	77,051
Connecticut (CT)	309,945	Kentucky (KY)	293,094	North Carolina (NC)	685,272	Oregon (OR)	350,946	Washington (WA)	579,669
Delaware (DE)	79,830	Louisiana (LA)	319,465	North Dakota (ND)	74,906	Pennsylvania (PA)	980,000	Wisconsin (WI)	478,949
Florida (FL)	1,684,341	Massachusetts (MA)	576,263	Nebraska (NE)	172,695	Rhode Island (RI)	102,441	West Virginia (WV)	129,610
Georgia (GA)	704,369	Maryland (MD)	446,229	New Hampshire (NH)	126,418	South Carolina (SC)	324,251	Wyoming (WY)	67,109

e-file Penetration by State



Alaska (AK)	5%	Hawaii (HI)	18%	Maine (ME)	23%	New Jersey (NJ)	33%	South Dakota (SD)	6%
Alabama (AL)	9%	Iowa (IA)	7%	Michigan (MI)	17%	New Mexico (NM)	8%	Tennessee (TN)	13%
Arkansas (AR)	7%	Idaho (ID)	6%	Minnesota (MN)	24%	Nevada (NV)	22%	Texas (TX)	15%
Arizona (AZ)	24%	Illinois (IL)	18%	Missouri (MO)	14%	New York (NY)	27%	Utah (UT)	14%
California (CA)	31%	Indiana (IN)	14%	Mississippi (MS)	5%	Ohio (OH)	20%	Virginia (VA)	18%
Colorado (CO)	18%	Kansas (KS)	12%	Montana (MT)	5%	Oklahoma (OK)	10%	Vermont (VT)	14%
Connecticut (CT)	33%	Kentucky (KY)	10%	North Carolina (NC)	14%	Oregon (OR)	21%	Washington (WA)	16%
Delaware (DE)	27%	Louisiana (LA)	11%	North Dakota (ND)	5%	Pennsylvania (PA)	21%	Wisconsin (WI)	15%
Florida (FL)	17%	Massachusetts (MA)	37%	Nebraska (NE)	9%	Rhode Island (RI)	40%	West Virginia (WV)	6%
Georgia (GA)	17%	Maryland (MD)	27%	New Hampshire (NH)	26%	South Carolina (SC)	10%	Wyoming (WY)	6%

Zero Wage Returns

No Withholding, No Tax Liability, No Deposits, & No Taxes to Report

	Total 941 Population	Zero Wage returns	%
Total	24,704,625	2,515,642	10%

Form 941 Even Return Filers

No Balance or Refund Due

	Total 941 Population	Number of even returns	%
Total	24,704,625	18,653,211	76%

Processing Year 2005

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Form 941 Summary

- 24% of all 941's are projected to be filed electronically in 2007.
- 46% of all 941 taxpayers are enrolled in EFTPS
- SB/SE accounts for 90% of 941's.
- 941's are not dominated by any industry.
- 76% of all 941 returns are even returns.
- There is no preparer information available for paper 941 returns.
- **The top two e-file/ Magnetic Media Reporting agents account for 64% of all 941's.**
- Telefile 941 was discontinued in August 2005.

Form 940 Filers

Employer's Annual Federal Unemployment Tax Return

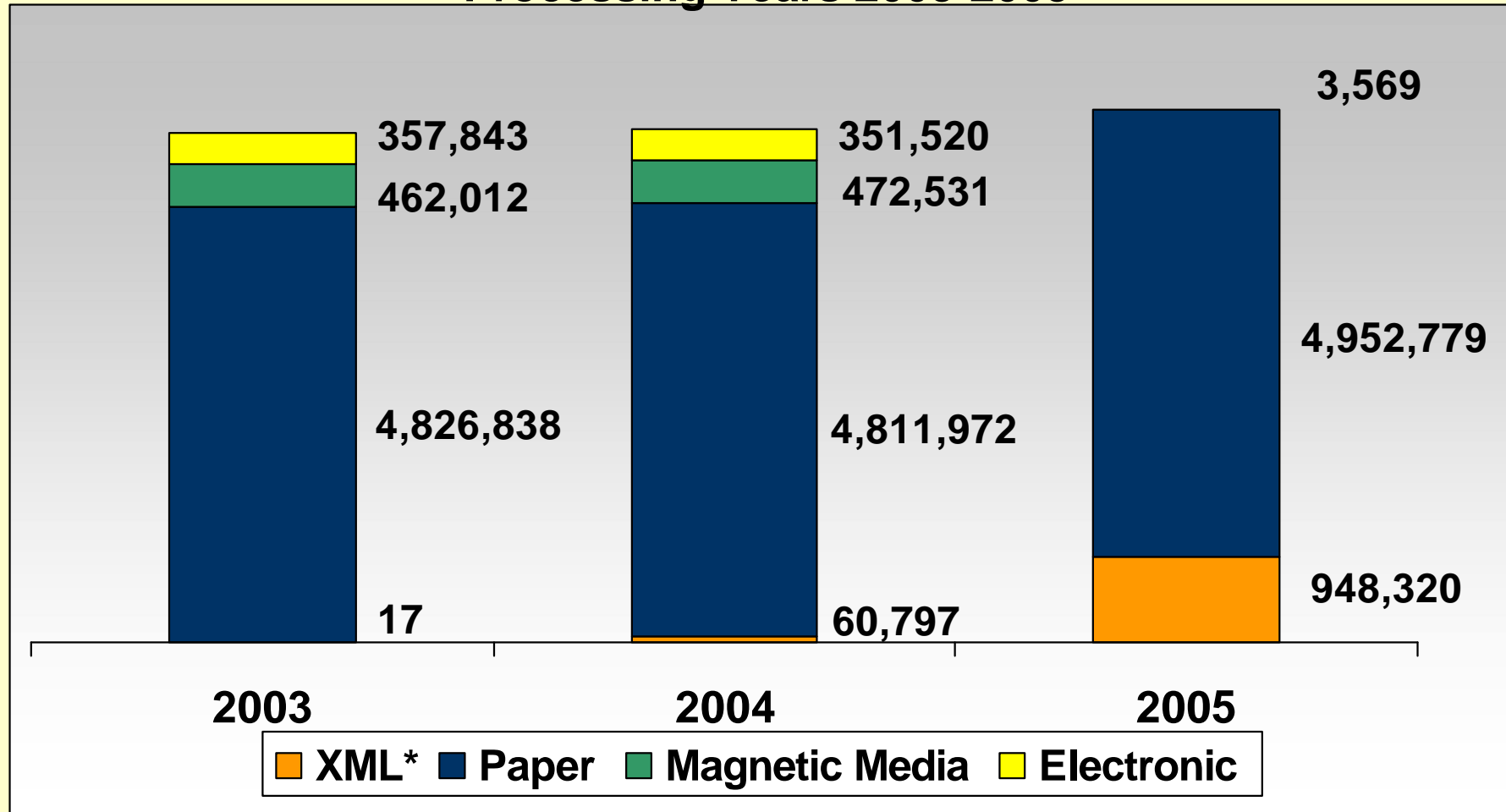
Processing Year 2005



Form 940

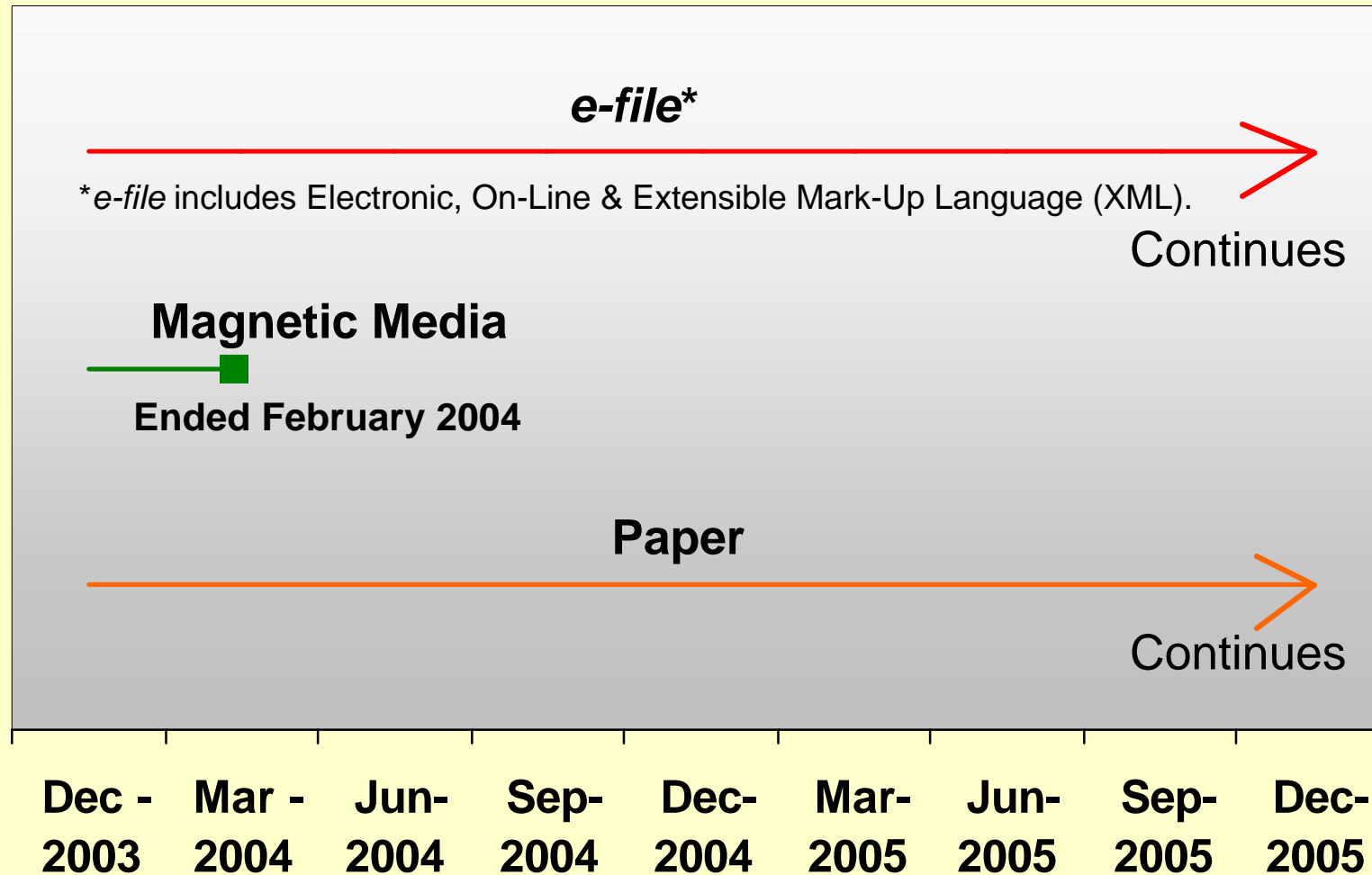
Annual Filing Volume

Processing Years 2003-2005



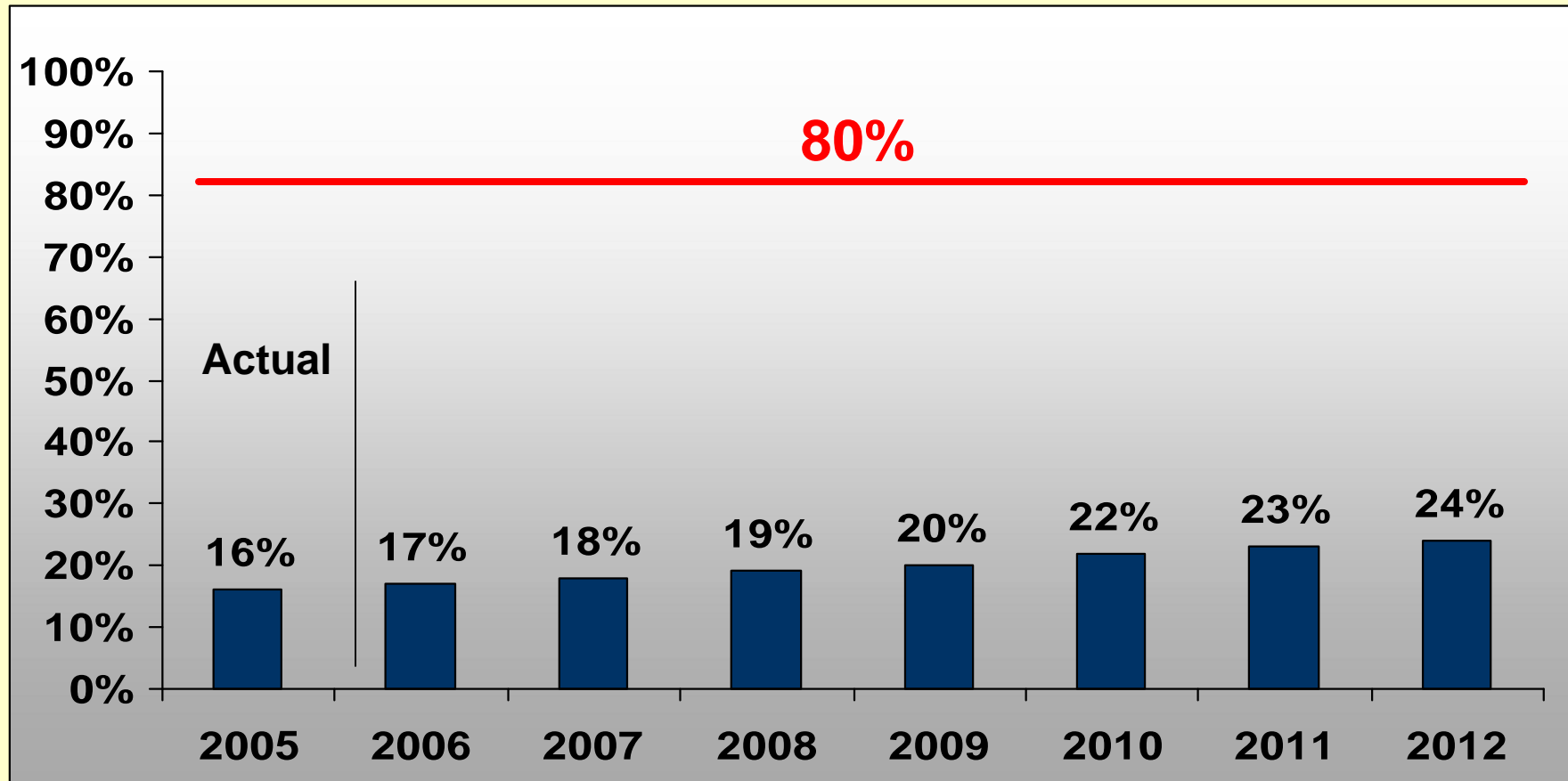
* XML - modernized e-file/ prepared by either a preparer or taxpayer Electronic - traditional e-file/preparer prepared Online - traditional e-file/taxpayer prepared
 Source: 2005 ETA Marketing Database

Form 940: Implementation Schedule



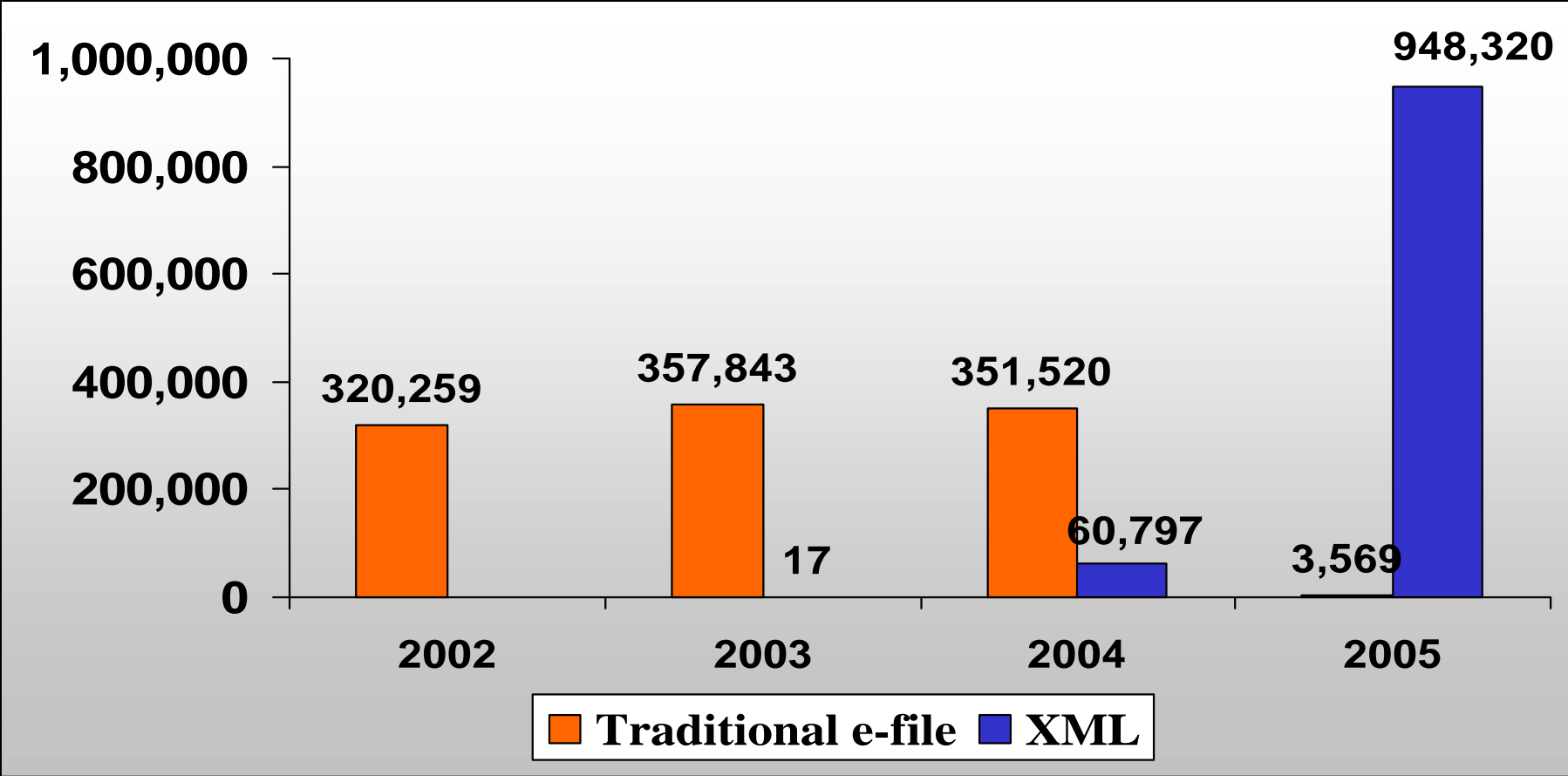
**In Processing Year 2005,
16% of all Forms 940
were filed electronically.**

Form 940 Projected *e-file* Penetration Rate



Form 940: Electronic Returns

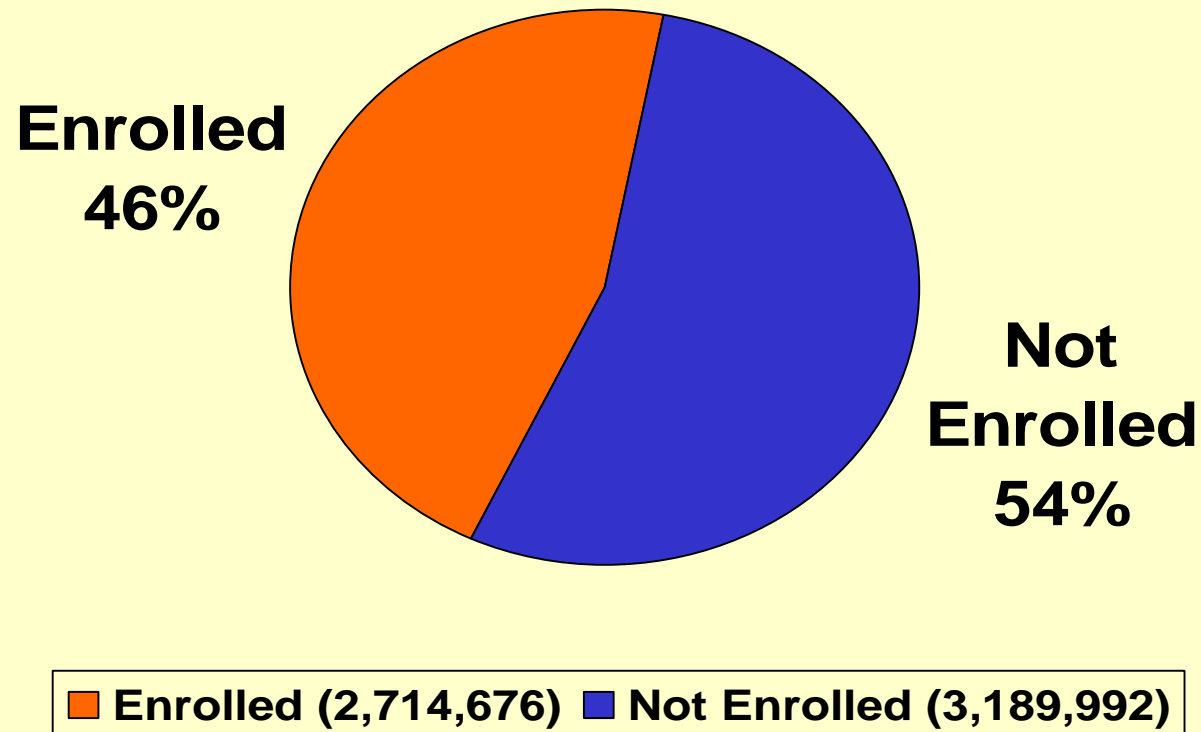
Processing Year (2002-2005)



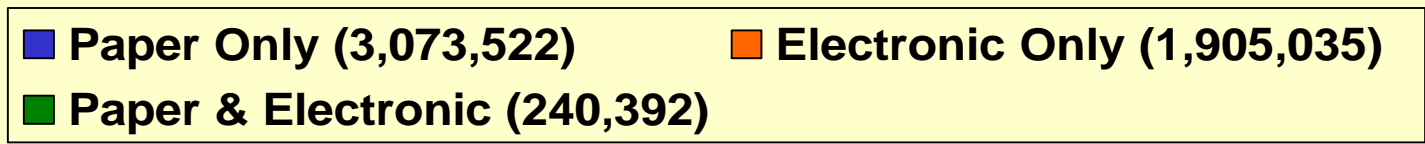
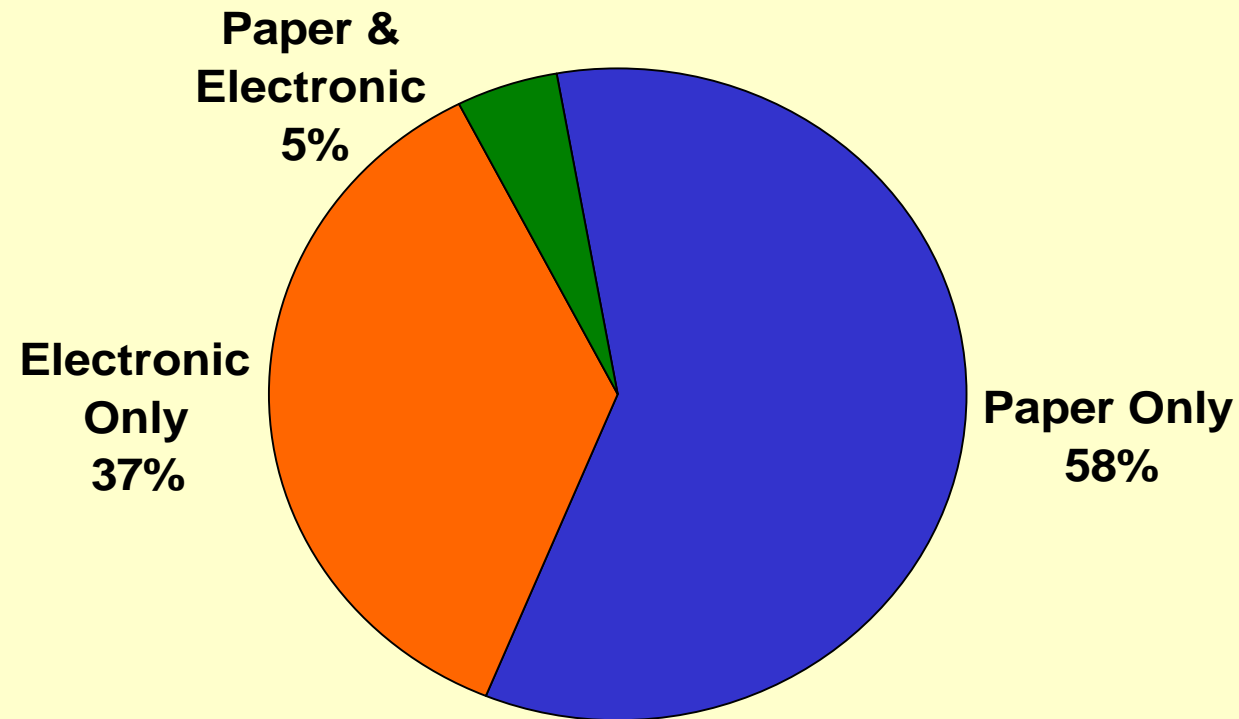
Source: 2005 ETA Marketing Database

Form 940 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

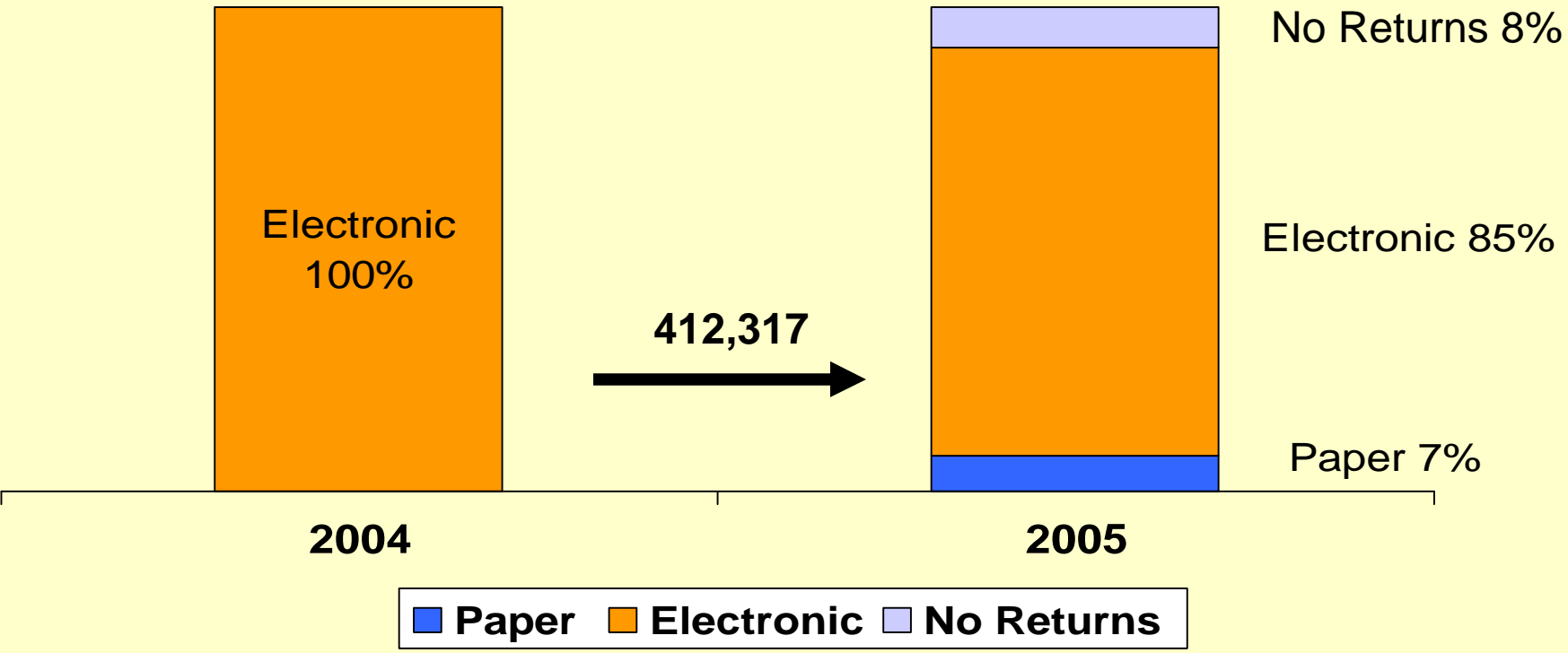
Processing Year 2005



Total Number of Form 940 Taxpayers Making Payments



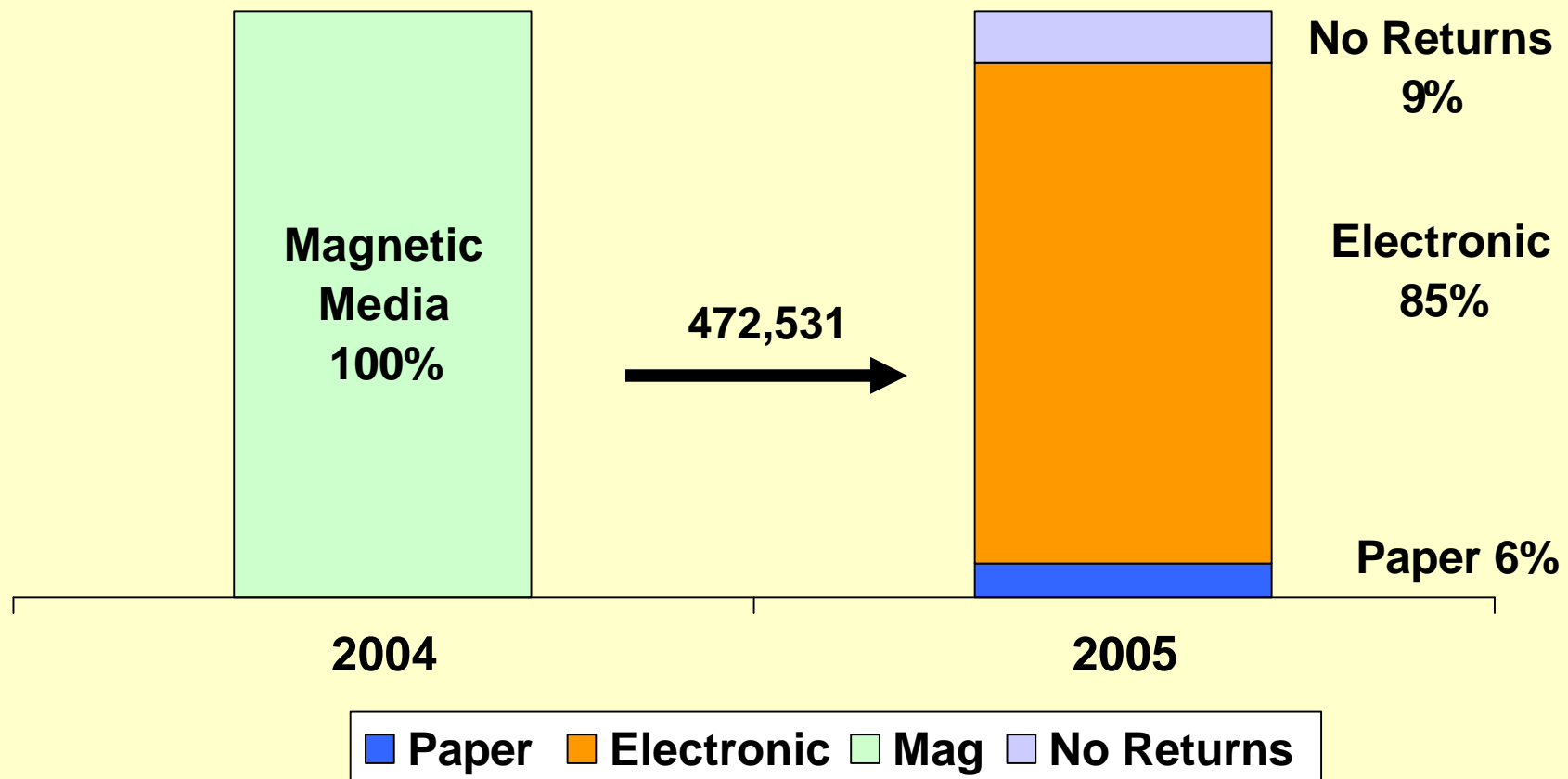
Electronic Migration Between Filing Options



85% of Form 940 electronic users remained loyal.

Source: 2005 ETA Marketing Database

Magnetic Media Migration Between Filing Options



There are three forms in the 940 Series:

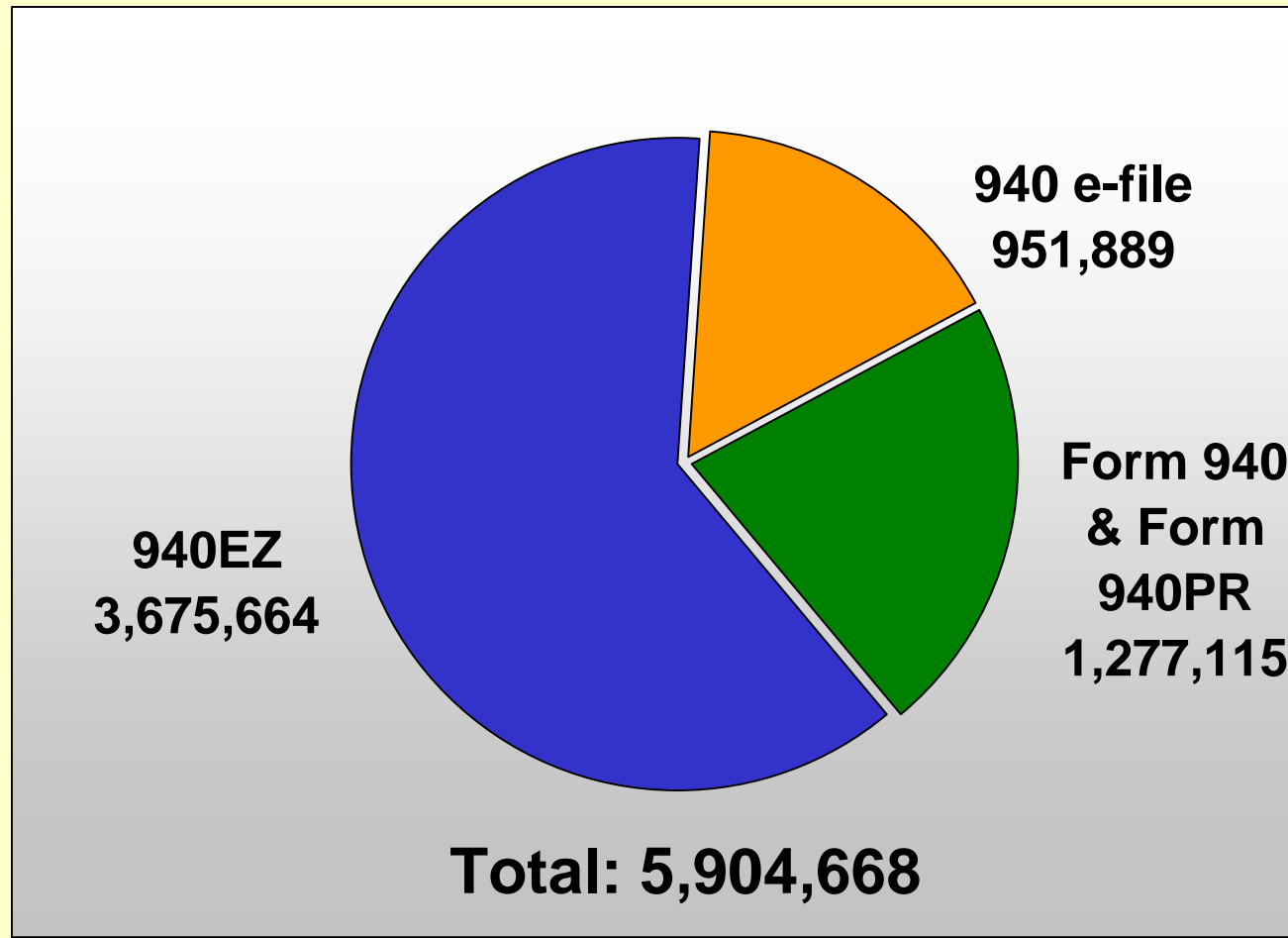
- Form 940EZ
- Form 940 *e-file*
- Form 940 & 940PR*

In Processing Years 2003, 2004 and 2005, electronic filing was not available for Forms 940EZ and 940PR*.

*Employer's Annual Federal Employment Tax Return
(Puerto Rican Version)

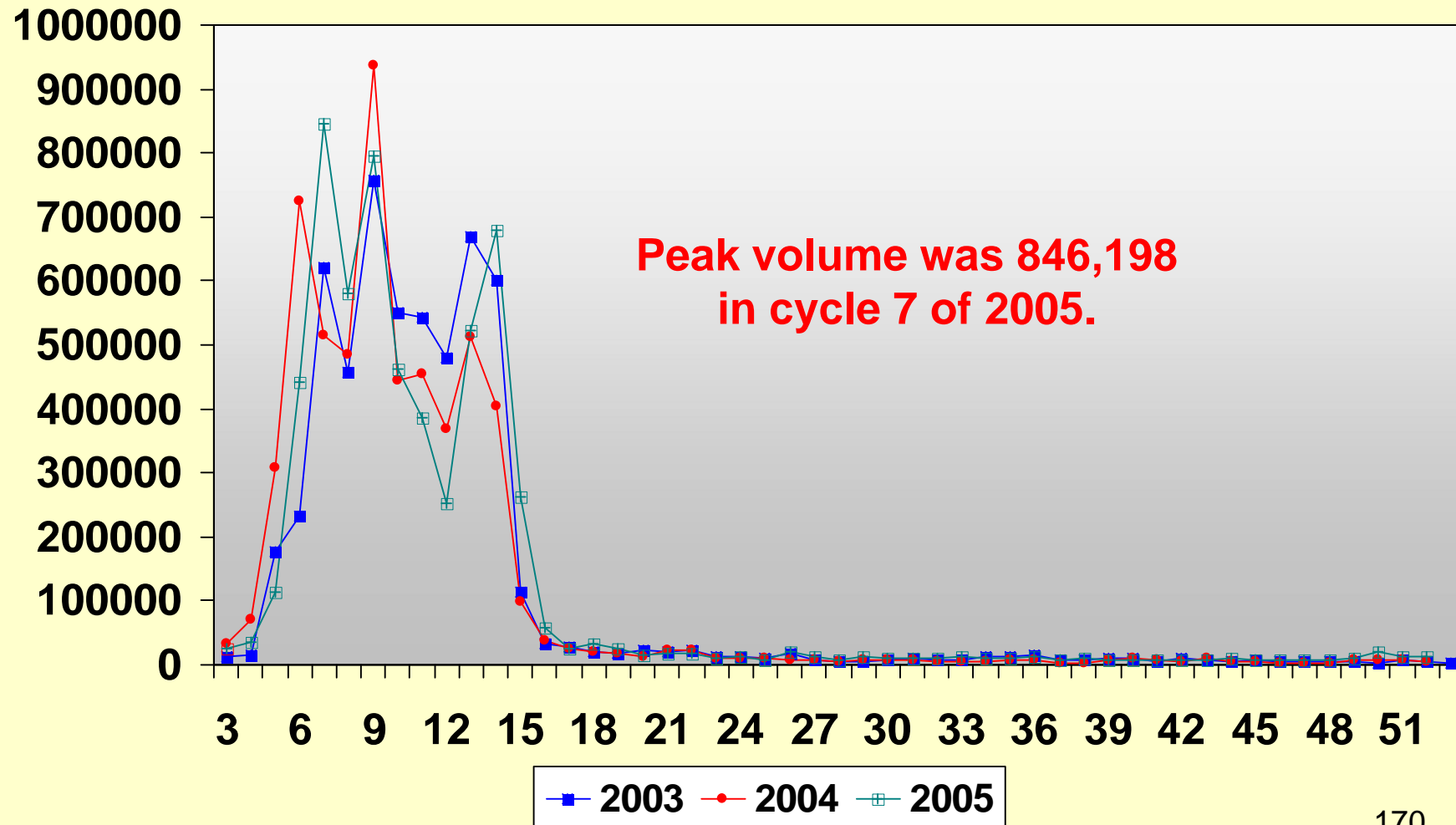
Forms 940 by Series

Processing Year 2005



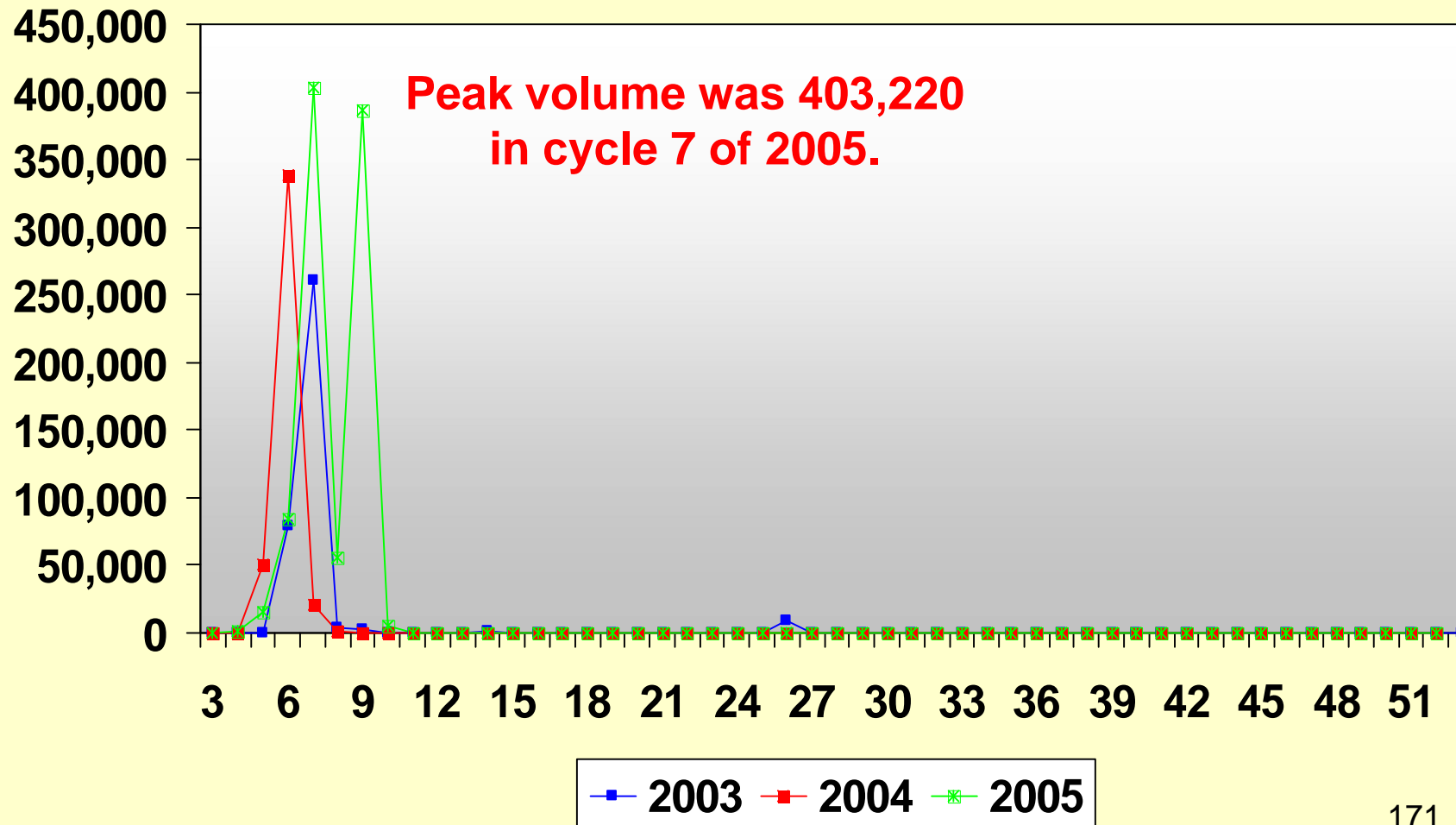
Source: 2005 ETA Marketing Database

Filing Patterns Form 940 by Cycle Posted



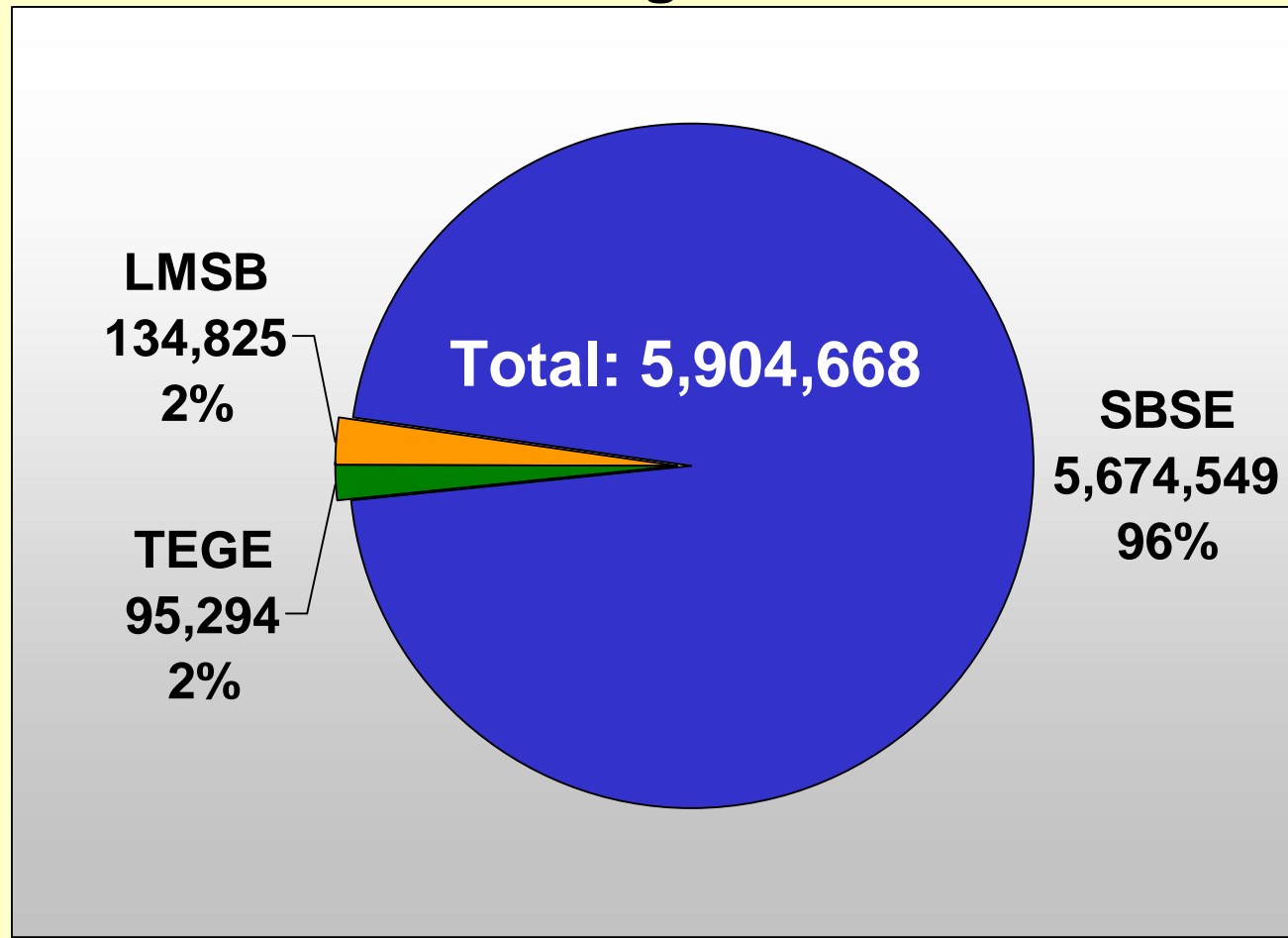
Source: 2005 ETA Marketing Database

Filing Patterns for *e-file* Form 940 by Cycle Posted



Source: 2005 ETA Marketing Database

Forms 940 by Business Operating Division Processing Year 2005



Source: 2005 ETA Marketing Database

Forms 940 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>TITLE</u>	<u>2004</u>	<u>2005</u>	<u>%*</u>
621111	Offices of Physicians	128,485	132,753	2%
722110	Full-Service Restaurants	120,269	126,444	2%
541990	All Other Professional, Scientific, & Technical Services	114,974	119,298	2%
238900	Other Special Trade Contractor	95,530	107,314	2%
541110	Offices of Lawyers	97,491	101,975	2%
236110	Residential Building Construction	72,309	85,893	1%
524210	Insurance Agencies & Brokerages	67,601	71,019	1%
722210	Limited-Service Eating Places	66,333	70,511	1%
812990	All Other Personal Services	66,719	70,494	1%
621210	Offices of Dentists	64,567	68,387	1%

* The percentage of all Forms 940 filed in PY 2005.

Electronic Forms 940 by Industry

(The North American Industry Classification System - NAICS)

<u>CODE</u>	<u>TITLE</u>	<u>2004</u>	<u>2005</u>	<u>%*</u>
621111	Offices of Physicians	16,712	33,559	10%
541990	All Other Professional, Scientific, & Technical Services	12,380	26,297	8%
722110	Full-Service Restaurants	11,062	26,283	8%
541110	Offices of Lawyers	11,362	23,856	7%
621210	Offices of Dentists	8,514	16,797	5%
524210	Insurance Agencies & Brokerages	6,588	14,840	4%
238900	Other Special Trade Contractor	6,509	14,114	4%
531390	Other Activities Related to Real Estate	5,763	13,967	4%
541519	Other Computer Related Services	6,174	12,911	4%
722210	Limited-Service Eating Places	4,749	12,288	4%

* The percentage of all electronic Forms 940 filed in Processing Year 2005.

Form 940 by State

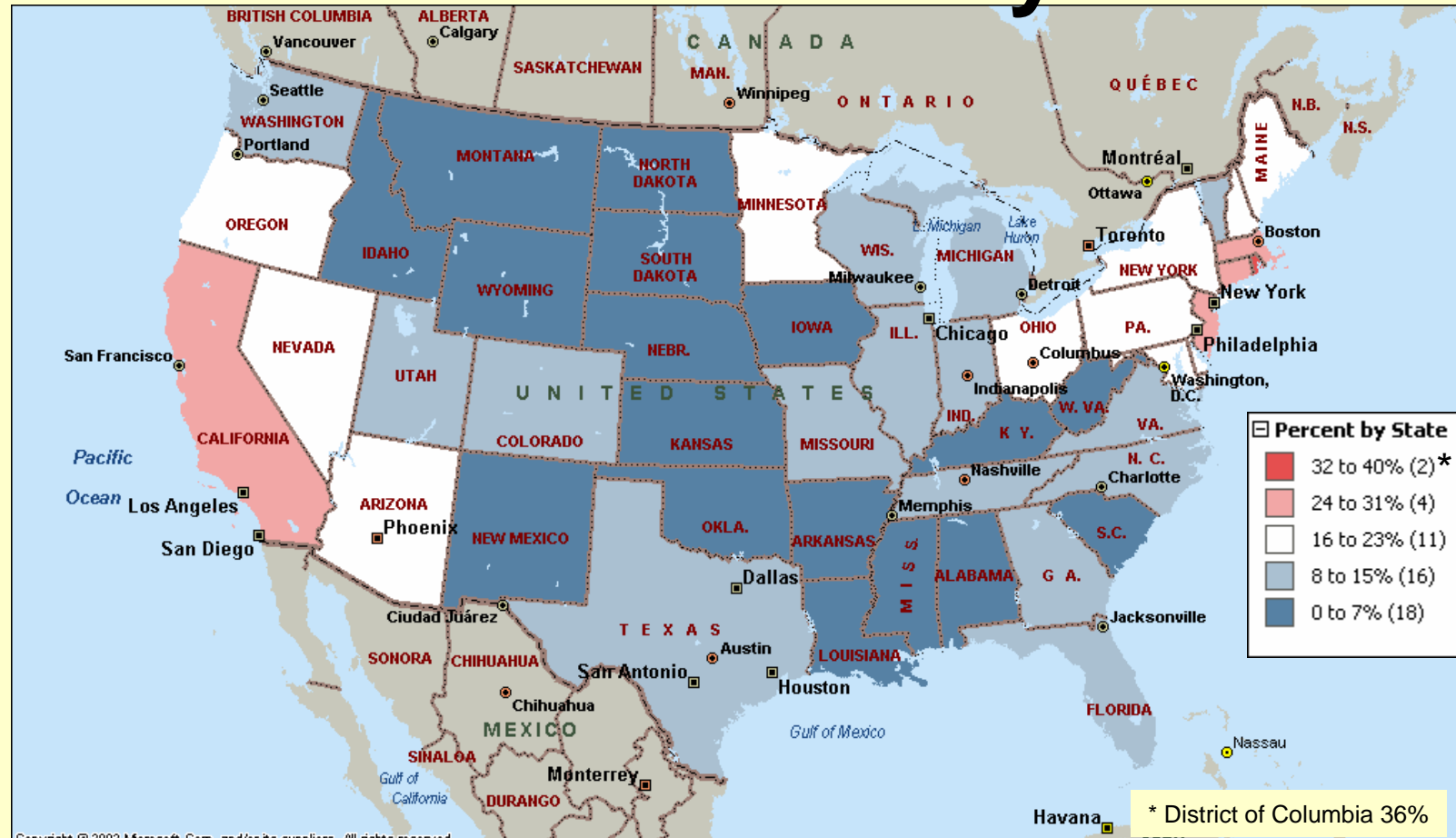


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* District of Columbia 11,706

Alaska (AK)	14,845	Hawaii (HI)	24,784	Maine (ME)	32,511	New Jersey (NJ)	200,200	South Dakota (SD)	19,341
Alabama (AL)	70,947	Iowa (IA)	60,861	Michigan (MI)	189,026	New Mexico (NM)	33,136	Tennessee (TN)	93,375
Arkansas (AR)	49,684	Idaho (ID)	35,014	Minnesota (MN)	117,842	Nevada (NV)	45,398	Texas (TX)	370,898
Arizona (AZ)	100,176	Illinois (IL)	252,916	Missouri (MO)	120,452	New York (NY)	433,219	Utah (UT)	53,760
California (CA)	709,527	Indiana (IN)	108,794	Mississippi (MS)	42,844	Ohio (OH)	199,690	Virginia (VA)	139,435
Colorado (CO)	121,064	Kansas (KS)	58,582	Montana (MT)	28,593	Oklahoma (OK)	66,849	Vermont (VT)	17,417
Connecticut (CT)	73,877	Kentucky (KY)	67,255	North Carolina (NC)	159,545	Oregon (OR)	84,512	Washington (WA)	139,537
Delaware (DE)	19,518	Louisiana (LA)	76,970	North Dakota (ND)	15,790	Pennsylvania (PA)	231,152	Wisconsin (WI)	111,827
Florida (FL)	410,722	Massachusetts (MA)	149,830	Nebraska (NE)	39,548	Rhode Island (RI)	28,111	West Virginia (WV)	28,703
Georgia (GA)	165,820	Maryland (MD)	106,308	New Hampshire (NH)	29,772	South Carolina (SC)	74,898	Wyoming (WY)	15,536

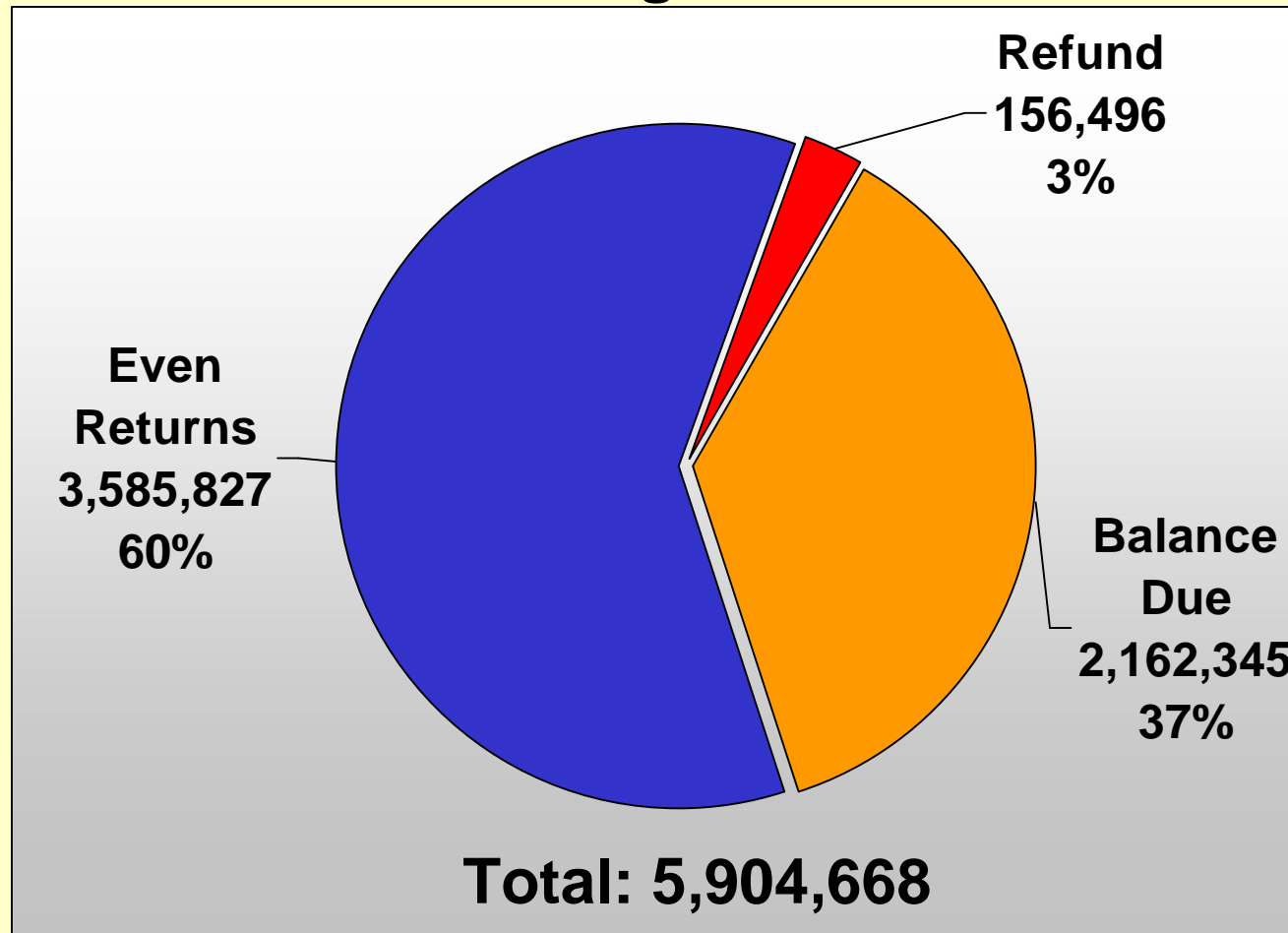
e-file Penetration by State



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Alaska (AK)	2%	Hawaii (HI)	13%	Maine (ME)	21%	New Jersey (NJ)	29%	South Dakota (SD)	1%
Alabama (AL)	6%	Iowa (IA)	3%	Michigan (MI)	14%	New Mexico (NM)	4%	Tennessee (TN)	9%
Arkansas (AR)	4%	Idaho (ID)	2%	Minnesota (MN)	17%	Nevada (NV)	19%	Texas (TX)	11%
Arizona (AZ)	20%	Illinois (IL)	15%	Missouri (MO)	10%	New York (NY)	24%	Utah (UT)	10%
California (CA)	27%	Indiana (IN)	10%	Mississippi (MS)	3%	Ohio (OH)	16%	Virginia (VA)	14%
Colorado (CO)	13%	Kansas (KS)	8%	Montana (MT)	1%	Oklahoma (OK)	7%	Vermont (VT)	12%
Connecticut (CT)	29%	Kentucky (KY)	7%	North Carolina (NC)	10%	Oregon (OR)	16%	Washington (WA)	11%
Delaware (DE)	24%	Louisiana (LA)	8%	North Dakota (ND)	1%	Pennsylvania (PA)	18%	Wisconsin (WI)	10%
Florida (FL)	13%	Massachusetts (MA)	31%	Nebraska (NE)	5%	Rhode Island (RI)	33%	West Virginia (WV)	3%
Georgia (GA)	14%	Maryland (MD)	21%	New Hampshire (NH)	23%	South Carolina (SC)	8%	Wyoming (WY)	1%

Forms 940 by Balance Due & Overpayment Processing Year 2005



Average 940 Filers for Balance Due & Overpayment

Processing Year	Average Refund	Average Balance Due
2005	\$380	\$230
2004	\$346	\$362
2003	\$532	\$212
2002	\$400	\$208

Form 940 Summary

- **18% of all 940's are projected to be filed electronically in 2007.**
- **46% of all 940 taxpayers are enrolled in EFTPS.**
- **940 filers have an 85% *e-file* loyalty rate.**
- **Over 94% of all 940's are filed by April 15th**
- **SB/SE accounts for 96% of all 940's.**
- **940's are not dominated by any industry.**
- **Only 3% of 940's result in a refund.**
- **There is no preparer information available for paper 940 returns.**
- **The top two *e-file*/ Magnetic Media preparers account for 13% of all 940's.**