

# Projections of Federal Tax Return Filings: Calendar Years 2005-2012

by *Taukir Hussain*

**T**axpayers are expected to file a grand total of 229.3 million tax returns with the Internal Revenue Service (IRS) during Calendar Year (CY) 2006. That projected level reflects a modest increase of only 0.1 percent over the estimated CY 2005 filings of 229.0 million. However, the small growth in grand total return filings in 2006 is a net effect that masks some rather dramatic shifts among certain return volumes. In particular, IRS efforts to reduce taxpayer burden will result in a noticeable decrease in filings of Form 941 and Form 2688 returns during 2006. These drops, in turn, will serve to suppress the growth in total filings for 2006.

After 2006, however, grand total return filings are projected to grow at a more typical average annual rate of 1.2 percent and to reach 246.8 million by the year 2012. That more common rate of growth is driven primarily by the projected trends for the major return categories that comprise grand total filings, including individual income tax returns, employment tax returns, and estimated tax payments by individuals.

Furthermore, over the forecast horizon, IRS is projected to continue to make solid gains in the share of total returns filed electronically. This growth of electronic filing furthers IRS's strategic goal to improve taxpayer service. For example, under current trends, total individual electronic returns are estimated to be 51 percent of all individual income tax returns in 2005 and are projected to constitute 55 percent of all returns in 2006, and 70 percent in 2012.

## Trend in Grand Total Returns

Table 1 provides a complete list of the most current yearly filing projections by major form type for CY's 2006 to 2012. In developing these forecasts, in most cases, partial-year data through the first 8 months of 2005 were used to produce estimates for the year. As a point of reference, the actual number of forms filed in 2004 (the most current year for which complete data are available) is included too. In all cases applicable, the number of returns filed is

broken down by medium of filing--paper or electronic. The "grand total" is comprised of a wide range of tax forms. This includes individual, fiduciary, corporation, employment, partnership, exempt organization, government entity, political organization, estate, gift, excise, estimated tax vouchers, and various other forms as delineated in Table 1 [1, 2].

In 2004, the 3 largest tax return categories accounted for the bulk of the forms handled by the IRS submissions processing operations. Individual income tax returns made up 58.5 percent of the grand total. Employment tax returns made up 13.6 percent, while individual estimated tax payment vouchers accounted for another 12.3 percent. Together, these three form types constituted almost 85 percent of the grand total of return filings in 2004.

Figure A shows the growth rate of selected tax forms year-over-year from 2005 to 2006 and the average annual change over the period from 2006 to 2012. As mentioned earlier, a total of 229.3 million returns are projected to be filed in 2006, which is a 0.1-percent increase over the estimated 2005 filings of 229.0 million. However, over the period 2006-2012, the grand total will increase at an average rate of 1.2 percent to reach 246.8 million. Under current trends, paper filings will decline at a 2.5-percent rate to a total of 124.5 million by 2012. Simultaneously, electronic filings or "e-file" will increase at a rate of 6.1 percent to equal 122.3 million by the same time, thus attaining near parity with paper return volumes as seen in Figure B.

## Changes in Forms 941, 944, 2688, and 7004 and their Impact on Grand Total

Figure A shows an estimated total of 24.4 million Form 941, *Employer's Quarterly Federal Tax Return*, returns will be filed in 2005. However, the total will drop to 21.9 million in 2006, a reduction of roughly 2.5 million. Additionally, in 2005, an estimated 3.6 million Form 2688, *Application for Additional Extension of Time To File U.S. Individual Income Tax Return*, returns will be filed, followed by its elimination in 2006 and beyond. Together, these two forms will be responsible for a total reduction of 6.1 million filings in 2006 as part of IRS initiatives to mitigate taxpayer burden. The combined effect contributes to the slow growth of grand total filings in 2006 as observed earlier.

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# Projections of Federal Tax Return Filings: Calendar Years 2005-2012

## Figure A

### Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2005-2012

Type of return	Estimated 2005	Projected 2006	Percentage increase over 2005	Projected 2012	Average annual percentage increase 2006-2012
	(1)	(2)	(3)	(4)	(5)
<b>Grand total</b> .....	<b>228,985,300</b>	<b>229,270,000</b>	<b>0.1</b>	<b>246,826,400</b>	<b>1.2</b>
Paper grand total.....	151,150,200	144,638,900	-4.3	124,548,700	-2.5
Electronic grand total.....	77,835,100	84,631,200	8.7	122,277,600	6.1
<b>Individual, total</b> .....	<b>132,766,200</b>	<b>134,901,700</b>	<b>1.6</b>	<b>143,903,300</b>	<b>1.1</b>
Forms 1040, 1040A, and 1040EZ.....	132,022,400	134,134,600	1.6	142,961,500	1.1
Total individual paper returns.....	63,866,500	59,928,300	-6.2	41,744,600	-6.0
Form 1040.....	45,249,300	42,885,900	-5.2	28,718,000	-6.7
Form 1040A.....	10,187,000	8,456,800	-17.0	6,411,000	-4.6
Form 1040EZ.....	8,430,200	8,585,600	1.8	6,615,700	-4.3
Total individual electronic returns.....	68,155,900	74,206,300	8.9	101,216,900	5.2
Online filing.....	17,076,100	21,003,600	23.0	26,630,100	4.0
Practitioner electronic filing.....	47,786,200	53,202,700	11.3	74,586,800	5.6
TeleFile.....	3,293,600	--	--	--	--
Form 1040NR.....	628,200	649,000	3.3	809,100	3.7
Forms 1040PR and 1040SS.....	115,700	118,100	2.1	132,800	2.0
<b>Individual estimated tax, Form 1040-ES, total</b> .....	<b>29,022,900</b>	<b>29,548,300</b>	<b>1.8</b>	<b>30,330,900</b>	<b>0.4</b>
Form 1040-ES, paper.....	28,959,300	29,473,600	1.8	30,195,500	0.4
Form 1040-ES, electronic (credit card).....	63,600	74,700	17.5	135,400	9.9
<b>Corporation, total</b> .....	<b>6,147,300</b>	<b>6,290,000</b>	<b>2.3</b>	<b>7,322,200</b>	<b>2.5</b>
Paper corporation returns, total.....	5,934,400	5,842,900	-1.5	4,592,700	-4.0
Electronic corporation returns, total.....	212,900	447,000	110.0	2,729,500	30.2
Form 1120, total.....	2,055,600	2,041,800	-0.7	1,973,600	-0.6
Form 1120, electronic.....	57,900	139,200	140.4	815,800	29.5
Form 1120A, total.....	208,600	201,000	-3.6	158,200	-4.0
Form 1120F, total.....	26,700	27,500	3.0	33,300	3.2
Form 1120FSC, total.....	1,000	--	--	--	--
Form 1120H, total.....	170,400	176,200	3.4	210,400	3.0
Form 1120RIC, total.....	11,900	12,300	3.4	14,000	2.2
Form 1120S, total.....	3,663,200	3,821,000	4.3	4,919,900	4.2
Form 1120S, electronic.....	155,000	307,800	98.6	1,913,700	30.5
Forms 1120L/PC/REIT/SF, total.....	9,700	10,200	5.2	12,900	3.9
<b>Employment, total</b> .....	<b>30,634,400</b>	<b>28,108,000</b>	<b>-8.2</b>	<b>29,692,000</b>	<b>0.9</b>
Paper employment returns.....	24,652,200	22,261,200	-9.7	21,067,300	-0.9
Magnetic tape employment returns.....	--	--	--	--	--
Electronic employment returns.....	5,982,200	5,846,800	-2.3	8,624,700	6.5
Forms 940, 940EZ, and 940PR, total.....	5,795,300	5,816,300	0.4	5,964,900	0.4
Forms 940, 940EZ, and 940PR, paper.....	4,843,400	4,802,300	-0.8	4,558,200	-0.9
Form 940, magnetic tape.....	--	--	--	--	--
Form 940, e-file/online/XML.....	951,900	1,014,000	6.5	1,406,700	5.5
Forms 941, 941PR/SS/E, total.....	24,422,400	21,887,000	-10.4	22,412,000	0.4
Forms 941, 941PR/SS/E, paper.....	19,392,100	17,054,200	-12.1	15,226,600	-1.9
Form 941, magnetic tape.....	--	--	--	--	--
Form 941, e-file/online/XML.....	4,393,200	4,832,800	10.0	7,185,500	6.6
Form 941 TEL.....	637,100	--	--	--	--
Forms 943 and 943 PR.....	263,200	256,700	-2.5	220,900	-2.5
Form 944, total.....	--	--	--	976,200	--
Form 944 e-file.....	--	--	--	32,600	--
Form 945.....	151,600	146,000	-3.7	116,100	-3.8
Form CT-1.....	1,900	1,900	--	1,900	--
<b>Exempt organization, total</b> .....	<b>853,500</b>	<b>863,100</b>	<b>1.1</b>	<b>1,023,900</b>	<b>2.8</b>
Paper exempt organization, total.....	848,700	851,100	0.3	891,000	0.8
Electronic exempt organization, total.....	4,800	12,000	150.0	132,900	40.1
Form 990, total.....	430,000	430,000	--	534,000	3.6
Form 990, electronic.....	3,400	8,600	152.9	91,700	39.4
Form 990EZ, total.....	146,600	149,400	1.9	169,200	2.1
Form 990EZ, electronic.....	1,300	2,700	107.7	26,000	37.7

Footnotes at end of figure.

# Projections of Federal Tax Return Filings: Calendar Years 2005-2012

**Figure A--Continued**

## Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2005-2012--Continued

Type of return	Estimated 2005	Projected 2006	Percentage increase over 2005	Projected 2012	Average annual percentage increase 2006-2012
	(1)	(2)	(3)	(4)	(5)
<b>Exempt organization total--continued</b>					
Form 990PF.....	88,600	92,200	4.1	111,800	3.2
Form 990PF, electronic.....	100	800	700.0	15,200	49.1
Form 990T.....	58,700	59,600	1.5	65,200	1.5
Form 4720.....	2,000	2,100	5.0	2,600	3.6
Form 5227.....	127,700	129,800	1.6	141,100	1.4
<b>Form 990C.....</b>	<b>3,400</b>	<b>3,200</b>	<b>-5.9</b>	<b>2,500</b>	<b>-4.1</b>
<b>Supplemental documents, total</b> .....	<b>20,334,600</b>	<b>20,124,000</b>	<b>-1.0</b>	<b>23,788,900</b>	<b>2.8</b>
Form 1040X.....	3,218,800	3,256,600	1.2	3,468,900	1.1
Form 4868, total.....	9,336,800	9,622,500	3.1	11,337,000	2.7
Paper.....	7,525,200	7,549,200	0.3	7,488,700	-0.1
Electronic.....	1,811,600	2,073,400	14.5	3,848,300	10.3
Credit card.....	33,300	34,900	4.8	55,600	7.8
E-file.....	1,191,200	2,038,500	71.1	3,792,700	10.3
TeleFile.....	587,100	--	--	--	--
Form 2688.....	3,594,600	--	--	--	--
Form 1120X.....	12,800	12,400	-3.1	10,600	-2.6
Form 5558.....	352,800	349,100	-1.0	327,200	-1.1
Form 7004, total.....	3,364,000	6,422,700	90.9	8,095,500	3.9
Electronic.....	47,900	292,800	511.3	2,878,300	38.1
Form 8868, total.....	454,800	460,600	1.3	549,700	2.9
Electronic.....	1,900	5,300	178.9	74,000	43.9

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

At the same time, a newly changed Form 7004, *Application for Automatic Extension of Time To File Corporation Income Tax Return*, will see a projected 90.9-percent increase in 2006 over 2005, from 3.4 million to 6.4 million returns filed. This is an increase of 3.1 million returns. There will also be the introduction of new Form 944, *Employer's Annual Federal Tax Return*, starting in 2007. Thus, the changes taken together have offsetting effects relative to the Form 941 and Form 2688 volumes. In the process, they also contribute to a more robust annual growth rate of 1.2 percent for the grand total over the longer horizon. All of these changes and other developments are discussed in more detail below.

### Form 941 and New Form 944

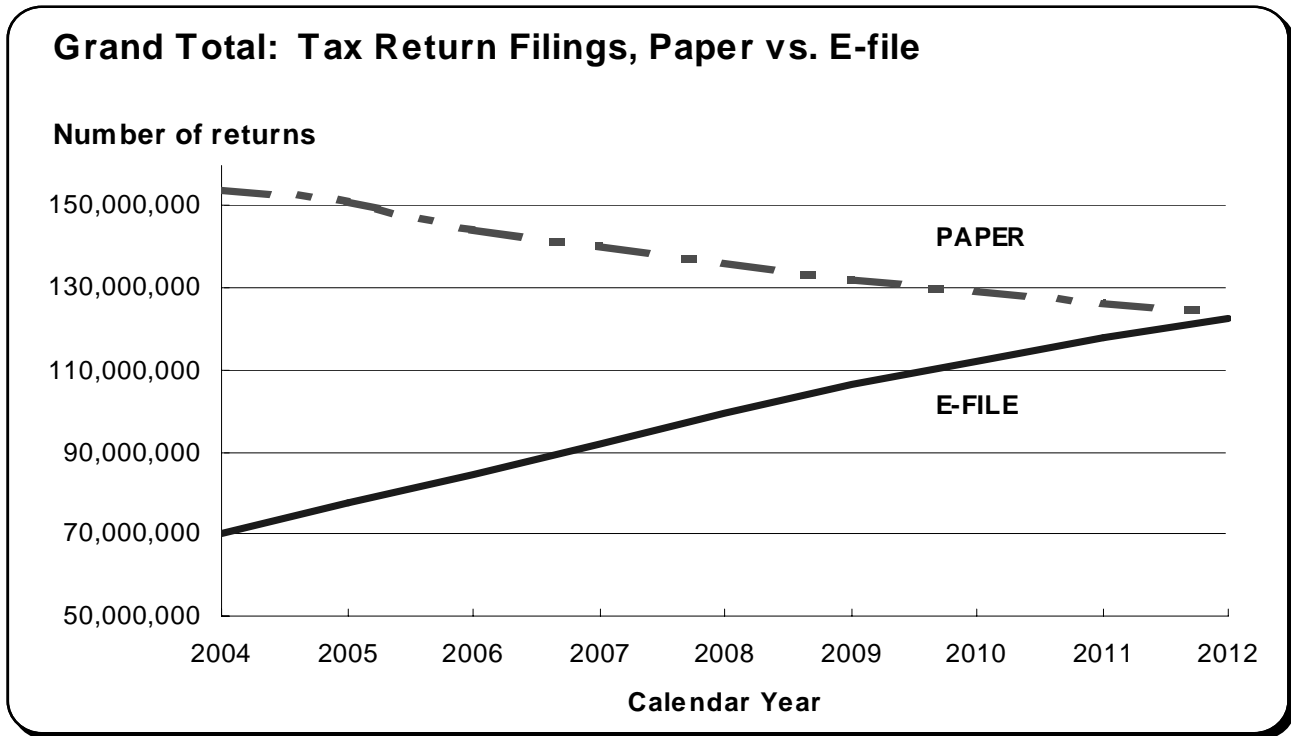
In an effort to reduce taxpayer burden on small businesses, IRS plans to issue Form 944. This new form is an annualized version of Form 941 and will be available to taxpayers starting in January 2007. Form 944 will be available to business filers with annual employment tax liability of \$1,000 or less. Instead of

filing quarterly Form 941 returns, eligible taxpayers will be required to file Form 944 once a year. Consequently, as qualified taxpayers switch to filing Form 944, return volumes of Form 941 will drop in the early part of CY 2006. As Table 1 shows, around 925,000 taxpayers are expected to switch to Form 944 in its first year. Filings are expected to grow modestly thereafter and reach 976,200 in 2012. At the same time, the forecasts of Form 941 return volumes exhibit associated downward adjustments for the estimated impact of taxpayers switching to the new Form 944.

### Elimination of Form 2688

IRS plans to implement additional taxpayer burden reduction regulations in Filing Year 2006 that will have the de facto effect of eliminating filings of Form 2688. The new regulations will provide taxpayers required to file an individual income tax return an automatic 6-month extension to file, if they submit a Form 4868, *Application for Automatic Extension of Time To File a U.S. Income Tax Return*. In previ-

Figure B



ous years, Form 4868 (i.e., the “first extension”) provided only a 4-month grace period to file, while Form 2688 (i.e., the “second extension”) gave an additional 2-month extension. The effects of these two forms will now be folded into a single 6-month automatic extension via Form 4868. Accordingly, in Table 1, there are no projections for Form 2688 from CY 2006 onwards.

**Expansion of Form 7004**

The scope of Form 7004, *Application for Automatic Extension of Time To File Corporation Income Tax*, which is currently used primarily to request an extension of time to file a corporation income tax (Form 1120 series) return, has now been expanded. Starting in 2006, Form 7004 will not only be used for filing extensions on corporate returns but also extensions for partnership (Form 1065) and fiduciary (Form 1041) returns. A sizable volume of extensions is currently requested for the filing of Forms 1065 and 1041, but such extensions were not among the

many form types formally projected by IRS staff in the past. As a result, their inclusion in the projected volume of the newly released Form 7004 now leads to a dramatic 90.9-percent increase in this return series beginning in 2006.

**Trend in Individual Income Tax Returns**

“Individual, Total” returns include paper and electronic versions of the major individual income tax returns. These are Forms 1040 and 1040-A, *U.S. Individual Income Tax Return*; 1040EZ, *Income Tax Return for Single and Joint Filers with No Dependents*; 1040NR, *U.S. Non-Resident Alien Income Tax Return*; 1040 (PR), *Planilla para la Declaracion de la Contribucion Federal Sobre El Trabajo Por Cuenta Propia--Puerto Rico*; and 1040-SS, *U.S. Self-Employment Tax Return*. This category excludes Form 1040X, *Amended U.S. Individual Income Tax Return*, which is included under the “supplemental documents” heading.

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By far the largest category of tax return filings, the number of individual income tax returns filed, is projected to reach 134.9 million in 2006. This series is expected to grow at an average annual rate of 1.1 percent until 2012. This projected growth is tied mainly to the expected increase in U.S. employment over the same period. At this rate, the projected number of total individual returns filed will be 143.9 million by 2012.

### Trend in Employment Tax Returns

Paper and electronic versions of several business related tax forms fall under the heading of "Employment, total" returns. These form series include: Forms 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*; 941, *Employer's Quarterly Federal Tax Return*; 943, *Employer's Annual Federal Tax Return for Agricultural Employees*; 944, *Employer's Annual Federal Tax Return*, which will be an annualized version of Form 941; 945, *Annual Return of Withheld Federal Income Tax*; and CT-1, *Employer's Annual Railroad Tax Return*. A magnetic tape filing option for Forms 940 and 941 ended in early 2004. As a result, a small volume of returns for this medium is reported for Calendar Year 2004, and none for 2005 and beyond.

In 2004 and 2005, employment tax returns make up the second largest share of the grand total. The interplay between the introduction of the annual Form 944, and the scaling back of the quarterly Form 941 (as discussed earlier), results in a projected 8.2-percent drop in total employment return filings in 2006. After that, the projected annual rate of growth over the entire forecast horizon is a more typical 0.9 percent. The projected filings of Forms 940 and 941 comprise the bulk of employment tax return volume. Their projected growth over the 2006-2012 period is tied mainly to the associated forecasts for U.S. employment and real gross domestic product.

### Trend in Individual Estimated Tax Returns

Form 1040-ES, *U.S. Estimated Tax for Individuals*, is used by individual taxpayers who need to make advance tax payments. Such filers are typically those who expect their tax withholdings to be less than 90 percent of their Federal tax liabilities for the year due to additional income, such as earnings from self-employment, interest, dividends, rents, and alimony. Individual taxpayers who make estimated tax payments

often file more than one voucher (Form 1040-ES) during the course of the year, usually one per quarter.

In 2004 and 2005, Form 1040-ES makes up the third largest share of the grand total. The initial Form 1040-ES filing experience in 2005, however, indicated growth over 2004. Based on this likely development, and the underlying long-term trend, the number of Form 1040-ES filings is projected to grow in the future. In 2006, approximately 29.5 million individual estimated tax vouchers are expected to be filed, an increase of 1.8 percent over the 29.0 million vouchers filed in 2005. A total of 30.3 million returns are projected to be filed by 2012, indicating an average annual growth rate of 0.4 percent from 2006 to 2012.

The number of Form 1040-ES returns filed has actually dropped substantially in recent years from a peak of 39.9 million in 1998 to an estimated 29.0 million in 2005. One reason for this is thought to be the various tax law changes enacted in 2001 and subsequent years which significantly reduced tax liabilities. Other factors that have likely contributed to the prior drop include the stock market slump, the recession, and the "sluggish" economic recovery in the early 2000's. However, with the amelioration of these factors in recent years, future growth is expected in Form 1040-ES filings.

### Trends in Electronic Filing (E-file)

#### Individual Returns

From Table 1, about 61.4 million individual income tax returns were filed electronically in 2004, and 68.2 million electronic returns are estimated to be filed in 2005, representing an 11.0-percent increase. The projection for 2006 is 74.2 million returns, which represent another robust increase of 8.9 percent. This e-file volume is expected to grow at an average rate of 5.2 percent per year, attaining a total of 101.2 million by 2012.

The projected e-file pattern for individual returns in 2006-2012 is one of stronger growth in the initial forecast years, followed by a somewhat dampened growth in the later years. This growth pattern is customary for an innovative commercial product like e-file. Still, the projected growth in e-file is much steeper than the overall growth in total individual return filings. Hence, under current trends, roughly 70 percent of individual income tax returns are projected to be filed electronically by 2012.

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As reported in Table 1, “Total Individual Electronic Returns” are made up of three e-file categories: 1) online filing, 2) practitioner e-file, and 3) TeleFile. Online filing enables taxpayers to use a personal computer, commercial tax preparation software, and the Internet to file their returns. Online filing includes the “Free File” option, which is accessible from the IRS Web site and involves a public-private partnership between the IRS and the Free File Alliance, a consortium of tax preparation software companies. In the case of practitioner electronic filing, taxpayers essentially have returns electronically transmitted to the IRS by a tax preparation professional. The TeleFile program enabled certain taxpayers to use a touch-tone telephone to transmit their Form 1040-EZ returns. However, IRS has announced that the Telefile system will be discontinued after 2005. The general decline in TeleFile usage, the expenses involved, and the growth of other electronic filing alternatives (such as online filing) have all contributed to the discontinuance of this medium of filing. This decision applies to all other IRS TeleFile programs, such as those for Forms 4868 and 941.

Within all three e-file categories, about 17.1 million people utilized online filing in 2005. That number will likely grow to 21.0 million in 2006, a 23-percent increase, fueled in part by the cessation of TeleFile. Meanwhile, practitioners are expected to file 53.2 million returns electronically in 2006, up 11.3 percent over the 47.8 million returns filed in 2005. About 3.3 million people used TeleFile in 2005, the last year of this service, down from 3.8 million in 2004.

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

Another initiative is the Federal/State e-file program for taxpayers. The program makes it pos-

sible for taxpayers to meet both Federal and State return filing requirements with one e-file transmission. Nearly 40 states participate in Federal/State e-file. In addition, several States have mandated e-filing of their State tax returns in certain situations. As a result, IRS has experienced relatively strong growth in electronically-filed Federal returns in States that have mandated e-filing of state returns.

### Business Returns

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

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

Figure A shows that 57,900 Form 1120 and 155,000 Form 1120S returns are estimated to be e-filed in 2005. Assuming growth patterns typical of innovative technology-based products, the forecast for 2006 is 139,200 for the former and 307,800 for the latter. These represent increases of 140.4 percent for Form 1120 and 98.6 percent for Form 1120S. In subsequent years, e-filed Forms 1120/1120S are both expected to continue to grow rapidly. About 816,000 Form 1120 returns and nearly 1.9 million Form 1120S returns are projected to be filed electronically in 2012. Since corporations covered by the mandates in 2007 total only around 30,000, they will represent only a small fraction of the overall Form 1120 and 1120S e-file volumes projected.

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Tax-exempt organizations with \$100 million or more in total assets will also be required to file their Forms 990 electronically in 2006. This threshold is lowered to \$10 million in 2007. Also impacted are private foundations and charitable trusts which will be required to file their Forms 990-PF, *Return of Private Foundation*, electronically, starting in 2007, regardless of their asset sizes. However, the additional mandate criterion that limits its scope to only those organizations filing at least 250 other tax-returns results in a relatively small number of affected tax-exempt filers. Only around 1,200 tax exempt organizations are estimated to be covered by the e-file mandate in Filing Year 2006 and approximately 10,000 in 2007.

From Figure A, an estimated 4,800 Forms 990, 990EZ, and 990-PF returns will be filed electronically in 2005. With the help of the mandates, tax-exempt e-file returns are expected to increase to 12,000 in 2006. In the long term, 132,900 exempt organization tax returns are expected electronically by the year 2012.

### Employment Returns

The changes related to Forms 941 and 944 discussed earlier have a unique short-term impact on the number of e-filed employment tax returns. With the TeleFile program ending after the 2005 filing season, Form 941 TeleFile volumes will drop to zero in 2006. While some former 941 Telefile users are expected to move to other e-file options, some are also expected to revert back to paper. In addition, the introduction of the annual Form 944 in 2007 will lead to a slight decrease in the total number of quarterly Form 941 e-filed returns in 2006.

In 2005, over 5.9 million employment returns will be filed electronically. However that number is projected to drop 2.3 percent to 5.8 million e-filed employment returns in 2006, in the wake of the developments in the Telefile program and the new Form 944. After that unique transition period, the more persistent underlying growth trend is expected to resume. Based on that trend, the total number of e-filed employment returns (i.e., Forms 940, 941, 943, and 944) is expected to be 8.6 million by 2012, growing at an average annual rate of 6.5 percent over this period.

### Grand Total

There are several other individual and business e-file return categories covered in these latest projections, e.g., partnership (Form 1065), fiduciary (Form 1041)

and filings for extensions (e.g., Forms 4868 and 7004). Each form has its own unique set of circumstances. However, what is most striking is the overall net effect of e-file. As presented in Figure B, the projected trend in grand total return filings is one of a marked decline in paper filings and a steep increase in e-file returns through 2012. Indeed, our current forecasts call for essentially half of the 246.8 million total returns in 2012 to be filed electronically. Also, future e-file initiatives by IRS and/or private industry may very well accelerate this migration to electronic filing.

### Data Sources

The reported actual volumes of returns filed in CY 2004 by form type and filing medium are based primarily on filings as recorded on the IRS master files. With a few exceptions, these volumes are the same as those reported in the Internal Revenue Service *Data Book* (Publication 55B) for that processing year. However, master file counts were not available in a few instances. In these cases, tallies of actual filings were provided by program staff in the IRS operating divisions, typically from data capture systems located in the IRS processing campuses. For CY 2005, master file data through August were generally available. The partial-year data were extrapolated to obtain estimates for CY 2005, and typically incorporated into the models used to make the projections.

### Projection Methodology

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

In other instances, models based on linear regression analysis were used with independent (“predictor”) variables such as gross domestic product and employment. For these models, forecasts of the independent variables were provided by Global Insight, Inc. For example, linear regression models

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incorporating economic and demographic variables were used to project the individual income tax return series and employment Forms 940 and 941.

Legislative and administrative changes approved for future implementation and not captured in statistical models are also factored into tax return forecasts as “off-model adjustments.” Such was the case in developing the projections for the new employment Form 944. Analysis of the impact of similar events in the past, as well as input from subject-matter experts is used to develop these off-model adjustments. However such adjustments are made only for enacted tax law changes and confirmed (or reasonably certain) administrative plans and not for initiatives simply under consideration. This is particularly true of electronically-filed returns (e-file). As a result, the e-file forecasts presented in this article are not IRS goals, and should not be interpreted as precluding an alternative e-file future.

### Notes and References

- [1] All values in Table 1 are taken from *Calendar Year Return Projections for the United States and IRS Campuses: 2005-2012*, IRS Document 6186, November 2005, National Headquarters Office of Research, Analysis and Statistics, Internal Revenue Service, U.S. Department of the Treasury.
- [2] Throughout the year, the Projections and Forecasting Group (PFG) under IRS National Headquarters Office of Research publishes forecasts of a large number of tax return filings and other IRS workload categories. These projections provide a foundation for IRS workload estimates/resource requirements contained in budget submissions and also help with other major IRS planning and analysis efforts.

SOURCE: IRS, Statistics of Income Winter 2005-2006 Bulletin, Publication 1136.



# Projections of Federal Tax Return Filings: Calendar Years 2005-2012

**Table 1.--Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2005-2012**

Type of return	Actual 2004	Estimated <sup>1</sup> 2005	Projected						
			2006	2007	2008	2009	2010	2011	2012
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Grand total <sup>2</sup></b> .....	<b>224,477,634</b>	<b>228,985,300</b>	<b>229,270,000</b>	<b>232,502,200</b>	<b>235,723,000</b>	<b>238,673,300</b>	<b>241,670,400</b>	<b>244,334,600</b>	<b>246,826,400</b>
Paper grand total.....	154,277,116	150,816,000	144,638,900	140,338,200	136,222,900	132,481,300	129,291,900	126,604,800	124,548,700
Electronic grand total.....	70,200,518	78,169,300	84,631,200	92,164,000	99,500,100	106,191,900	112,378,500	117,729,800	122,277,600
<b>Total primary returns <sup>3</sup></b> .....	<b>205,078,062</b>	<b>208,650,700</b>	<b>209,146,100</b>	<b>211,748,100</b>	<b>214,366,900</b>	<b>216,699,800</b>	<b>219,100,600</b>	<b>221,133,700</b>	<b>223,037,400</b>
<b>Individual, total <sup>4</sup></b> .....	<b>131,297,517</b>	<b>132,766,200</b>	<b>134,901,700</b>	<b>136,351,800</b>	<b>138,184,300</b>	<b>139,703,600</b>	<b>141,405,900</b>	<b>142,845,900</b>	<b>143,903,300</b>
Forms 1040, 1040A, and 1040EZ <sup>5</sup> .....	130,576,852	132,022,400	134,134,600	135,555,500	137,358,800	138,849,000	140,522,200	141,933,100	142,961,500
Total individual paper returns.....	69,148,584	63,866,500	59,928,300	55,350,000	51,624,600	48,415,200	45,838,700	43,649,600	41,744,600
Form 1040.....	49,640,220	45,249,300	42,885,900	39,877,100	37,383,500	34,826,000	32,804,700	30,813,300	28,718,000
Form 1040A.....	10,862,016	10,187,000	8,456,800	7,562,700	6,894,500	6,616,400	6,328,900	6,265,100	6,411,000
Form 1040EZ.....	8,646,348	8,430,200	8,585,600	7,910,200	7,346,600	6,972,800	6,705,000	6,571,200	6,615,700
Total individual electronic returns.....	61,428,268	68,155,900	74,206,300	80,205,500	85,734,200	90,433,800	94,683,500	98,283,500	101,216,900
Online filing.....	14,562,975	17,076,100	21,003,600	22,953,800	24,458,800	25,469,200	26,155,500	26,525,800	26,630,100
Practitioner electronic filing.....	43,095,365	47,786,200	53,202,700	57,251,700	61,275,400	64,964,600	68,528,000	71,757,700	74,586,800
TeleFile.....	3,769,928	3,293,600	--	--	--	--	--	--	--
Form 1040NR.....	606,758	628,200	649,000	675,800	702,500	729,200	755,800	782,500	809,100
Forms 1040PR and 1040SS.....	113,907	115,700	118,100	120,600	123,000	125,400	127,900	130,300	132,800
<b>Individual estimated tax, Form 1040-ES, total.....</b>	<b>27,669,288</b>	<b>29,022,900</b>	<b>29,548,300</b>	<b>29,953,400</b>	<b>30,139,300</b>	<b>30,237,400</b>	<b>30,289,100</b>	<b>30,316,500</b>	<b>30,330,900</b>
Form 1040-ES, paper.....	27,616,395	28,959,300	29,473,600	29,868,900	30,044,900	30,132,900	30,174,400	30,191,500	30,195,500
Form 1040-ES, electronic (credit card).....	52,893	63,600	74,700	84,500	94,400	104,500	114,700	125,000	135,400
<b>Fiduciary (Form 1041), total.....</b>	<b>3,722,408</b>	<b>3,757,700</b>	<b>3,800,600</b>	<b>3,845,000</b>	<b>3,893,400</b>	<b>3,946,000</b>	<b>4,003,200</b>	<b>4,058,300</b>	<b>4,112,100</b>
Paper fiduciary returns.....	2,396,728	2,379,800	2,368,600	2,358,800	2,351,700	2,347,500	2,345,900	2,343,100	2,339,400
Electronic/magnetic tape fiduciary returns.....	1,325,680	1,377,800	1,432,000	1,486,200	1,541,600	1,598,500	1,657,300	1,715,200	1,772,700
<b>Fiduciary estimated tax, Form 1041-ES.....</b>	<b>664,219</b>	<b>838,500</b>	<b>845,100</b>	<b>851,800</b>	<b>858,500</b>	<b>865,200</b>	<b>871,800</b>	<b>878,500</b>	<b>885,200</b>
<b>Partnership, Forms 1065/1065B, total.....</b>	<b>2,546,439</b>	<b>2,686,200</b>	<b>2,822,100</b>	<b>2,960,800</b>	<b>3,090,600</b>	<b>3,218,100</b>	<b>3,340,700</b>	<b>3,457,600</b>	<b>3,568,100</b>
Paper partnership returns.....	2,451,126	2,513,100	2,585,600	2,649,200	2,692,600	2,722,000	2,735,000	2,730,700	2,708,500
Electronic partnership returns.....	95,313	173,100	236,500	311,500	398,100	496,100	605,700	726,900	859,600
<b>Corporation, total.....</b>	<b>6,012,894</b>	<b>6,147,300</b>	<b>6,290,000</b>	<b>6,467,500</b>	<b>6,621,300</b>	<b>6,798,700</b>	<b>6,979,300</b>	<b>7,155,800</b>	<b>7,322,200</b>
Paper corporation returns.....	5,962,270	5,934,400	5,842,900	5,645,600	5,325,300	4,998,100	4,777,000	4,658,000	4,592,700
Electronic corporation returns.....	50,624	212,900	447,000	821,900	1,296,000	1,800,600	2,202,300	2,497,800	2,729,500
Form 1120, total.....	2,066,806	2,055,600	2,041,800	2,034,100	2,020,500	2,008,700	1,997,000	1,985,300	1,973,600
Form 1120, electronic.....	14,211	57,900	139,200	257,900	408,000	569,000	689,700	766,300	815,800
Form 1120A, total.....	214,709	208,600	201,000	194,600	187,000	179,800	172,600	165,400	158,200
Form 1120F, total.....	25,967	26,700	27,500	28,400	29,300	30,300	31,300	32,300	33,300
Form 1120FSC, total.....	1,597	1,000	--	--	--	--	--	--	--
Form 1120H, total.....	159,487	170,400	176,200	181,900	187,600	193,300	199,000	204,700	210,400
Form 1120RIC, total.....	11,020	11,900	12,300	12,600	12,900	13,200	13,500	13,800	14,000
Form 1120S, total.....	3,523,934	3,663,200	3,821,000	4,005,300	4,172,900	4,361,700	4,553,800	4,741,900	4,919,900
Form 1120S, electronic.....	36,413	155,000	307,800	564,000	888,000	1,231,600	1,512,500	1,731,500	1,913,700
Forms 1120L/PC/REIT/SF, total.....	9,374	9,700	10,200	10,600	11,100	11,500	12,000	12,400	12,900
<b>Small Corporation Election, Form 2553.....</b>	<b>545,884</b>	<b>617,800</b>	<b>638,400</b>	<b>660,300</b>	<b>682,200</b>	<b>706,200</b>	<b>730,700</b>	<b>754,700</b>	<b>777,300</b>
"REMIC," Form 1066.....	19,512	22,700	26,000	29,300	32,500	35,800	39,000	42,300	45,600
<b>Estate, Forms 706 and 706NA, total.....</b>	<b>74,172</b>	<b>48,000</b>	<b>44,900</b>	<b>30,400</b>	<b>28,900</b>	<b>26,700</b>	<b>17,600</b>	<b>7,000</b>	<b>55,100</b>
<b>Gift, Form 709.....</b>	<b>262,164</b>	<b>259,400</b>	<b>256,800</b>	<b>254,300</b>	<b>252,000</b>	<b>249,900</b>	<b>215,200</b>	<b>91,900</b>	<b>244,200</b>
<b>Employment, total.....</b>	<b>30,463,568</b>	<b>30,634,400</b>	<b>28,108,000</b>	<b>28,422,700</b>	<b>28,643,000</b>	<b>28,916,300</b>	<b>29,187,700</b>	<b>29,449,000</b>	<b>29,692,000</b>
Paper employment returns.....	24,748,134	24,652,200	22,261,200	22,134,500	21,929,700	21,757,500	21,562,800	21,335,800	21,067,300
Magnetic tape employment returns.....	735,239	--	--	--	--	--	--	--	--
Electronic employment returns.....	4,980,195	5,982,200	5,846,800	6,288,200	6,713,300	7,158,800	7,624,900	8,113,100	8,624,700
Forms 940, 940EZ, and 940PR, total.....	5,757,193	5,795,300	5,816,300	5,864,700	5,884,000	5,910,400	5,932,100	5,950,200	5,964,900
Forms 940, 940EZ, and 940PR, paper.....	4,872,344	4,843,400	4,802,300	4,784,500	4,738,300	4,698,800	4,655,100	4,608,100	4,558,200
Form 940, magnetic tape.....	472,532	--	--	--	--	--	--	--	--
Form 940, e-file/online/XML.....	412,317	951,900	1,014,000	1,080,200	1,145,700	1,211,600	1,277,000	1,342,100	1,406,700
Forms 941, 941PR/SS/E, total.....	24,278,396	24,422,400	21,887,000	21,238,600	21,442,000	21,690,100	21,940,800	22,183,900	22,412,000
Forms 941, 941PR/SS/E, paper.....	19,447,811	19,392,100	17,054,200	16,061,400	15,905,500	15,774,400	15,624,700	15,445,100	15,226,600
Form 941, magnetic tape.....	262,707	--	--	--	--	--	--	--	--
Form 941, e-file/online/XML.....	3,729,864	4,393,200	4,832,800	5,177,200	5,536,400	5,915,700	6,316,100	6,738,900	7,185,500
Form 941 TEL.....	838,014	637,100	--	--	--	--	--	--	--
Forms 943 and 943 PR.....	269,376	263,200	256,700	251,500	245,000	239,000	233,000	226,900	220,900
Form 944, total.....	--	--	--	925,000	934,300	944,300	954,200	965,100	976,200
Form 944, e-file.....	--	--	--	30,900	31,200	31,500	31,800	32,200	32,600
Form 945.....	156,668	151,600	146,000	141,100	135,700	130,600	125,700	120,800	116,100
Form CT-1.....	1,935	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
<b>Form 1042.....</b>	<b>30,765</b>	<b>31,400</b>	<b>32,100</b>	<b>32,700</b>	<b>33,400</b>	<b>34,100</b>	<b>34,700</b>	<b>35,400</b>	<b>36,000</b>

Footnotes at end of table.

# Projections of Federal Tax Return Filings: Calendar Years 2005-2012

**Table 1.--Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2005-2012--Continued**

Type of return	Actual 2004	Estimated <sup>1</sup> 2005	Projected						
			2006	2007	2008	2009	2010	2011	2012
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Exempt organization, total<sup>8</sup></b>	<b>803,839</b>	<b>853,500</b>	<b>863,100</b>	<b>908,400</b>	<b>917,600</b>	<b>960,900</b>	<b>970,800</b>	<b>1,014,000</b>	<b>1,023,900</b>
Paper exempt organization, total.....	803,183	848,700	851,100	875,400	864,400	889,400	882,500	902,600	891,000
Electronic exempt organization, total.....	656	4,800	12,000	33,000	53,200	71,500	88,400	111,400	132,900
Form 990, total.....	393,286	430,000	430,000	465,000	465,000	498,900	499,500	533,400	534,000
Form 990, electronic.....	330	3,400	8,600	25,900	39,600	51,300	62,100	78,100	91,700
Form 990EZ, total.....	139,684	146,600	149,400	153,400	156,300	159,500	162,700	165,900	169,200
Form 990EZ, electronic.....	326	1,300	2,700	5,400	10,100	13,300	17,100	21,300	26,000
Form 990PF.....	85,692	88,600	92,200	95,500	98,700	102,000	105,300	108,600	111,800
Form 990PF, electronic.....	--	100	800	1,700	3,600	6,900	9,200	12,000	15,200
Form 990T.....	57,721	58,700	59,600	60,500	61,400	62,400	63,300	64,200	65,200
Form 4720.....	1,962	2,000	2,100	2,200	2,300	2,400	2,500	2,500	2,600
Form 5227.....	125,494	127,700	129,800	131,800	133,800	135,700	137,600	139,400	141,100
<b>Form 990C<sup>9</sup></b>	<b>3,504</b>	<b>3,400</b>	<b>3,200</b>	<b>3,000</b>	<b>2,900</b>	<b>2,800</b>	<b>2,700</b>	<b>2,600</b>	<b>2,500</b>
<b>Government entities, total.....</b>	<b>51,482</b>	<b>53,600</b>	<b>54,600</b>	<b>55,700</b>	<b>56,700</b>	<b>57,700</b>	<b>58,700</b>	<b>59,800</b>	<b>60,800</b>
Form 8038.....	4,385	4,500	4,500	4,600	4,700	4,700	4,800	4,900	5,000
Form 8038G.....	30,388	32,100	32,700	33,400	34,100	34,800	35,400	36,100	36,800
Form 8038GC.....	14,385	14,800	15,100	15,400	15,600	15,900	16,200	16,500	16,700
Form 8038T.....	2,121	2,000	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Form 8328.....	203	200	200	200	200	200	200	300	300
<b>Political organizations, total.....</b>	<b>10,371</b>	<b>9,800</b>	<b>10,700</b>	<b>9,500</b>	<b>10,300</b>	<b>9,200</b>	<b>10,000</b>	<b>8,800</b>	<b>9,700</b>
Form 1120POL, total.....	5,385	5,200	5,100	4,900	4,700	4,600	4,400	4,200	4,100
Electronic 1120POL.....	--	--	--	100	300	300	400	500	600
Form 8871.....	1,383	1,500	1,800	1,500	1,800	1,500	1,800	1,500	1,800
Electronic 8871.....	1,383	1,500	1,800	1,500	1,800	1,500	1,800	1,500	1,800
Form 8872.....	3,603	3,100	3,800	3,100	3,800	3,100	3,800	3,100	3,800
Electronic 8872.....	2,164	2,000	2,500	2,100	2,600	2,200	2,700	2,300	2,800
<b>Excise, total.....</b>	<b>834,756</b>	<b>835,300</b>	<b>840,000</b>	<b>852,900</b>	<b>863,200</b>	<b>876,100</b>	<b>889,700</b>	<b>903,800</b>	<b>918,100</b>
Form 11-C.....	9,656	9,300	9,100	9,000	8,900	8,800	8,700	8,600	8,500
Form 720.....	117,950	103,600	95,200	90,500	87,500	85,800	84,800	84,200	83,800
Form 730.....	46,528	46,100	45,200	44,300	43,300	42,400	41,400	40,500	39,500
Form 2290.....	660,622	676,300	690,500	709,100	723,500	739,200	754,900	770,600	786,300
<b>Form 5330.....</b>	<b>23,413</b>	<b>22,200</b>	<b>21,400</b>	<b>20,600</b>	<b>19,700</b>	<b>18,900</b>	<b>18,000</b>	<b>17,200</b>	<b>16,300</b>
<b>Form 8752<sup>10</sup></b>	<b>41,867</b>	<b>40,300</b>	<b>39,100</b>	<b>38,000</b>	<b>37,100</b>	<b>36,300</b>	<b>35,500</b>	<b>34,800</b>	<b>34,100</b>
<b>Supplemental documents, total<sup>11</sup></b>	<b>19,399,572</b>	<b>20,334,600</b>	<b>20,124,000</b>	<b>20,754,200</b>	<b>21,356,100</b>	<b>21,973,500</b>	<b>22,569,800</b>	<b>23,200,900</b>	<b>23,788,900</b>
Form 1040X, total.....	3,256,755	3,218,800	3,256,600	3,294,400	3,324,400	3,354,300	3,384,600	3,436,500	3,468,900
Form 4868, total.....	8,703,947	9,336,800	9,622,500	9,908,300	10,194,000	10,479,800	10,765,500	11,051,300	11,337,000
Paper.....	7,344,995	7,525,200	7,549,200	7,544,700	7,537,000	7,524,300	7,512,100	7,502,400	7,488,700
Electronic.....	1,358,952	1,811,600	2,073,400	2,363,500	2,657,100	2,955,400	3,253,400	3,548,800	3,848,300
Credit card.....	27,425	33,300	34,900	38,000	41,300	44,700	48,200	51,800	55,600
E-file.....	742,489	1,191,200	2,038,500	2,325,500	2,615,800	2,910,700	3,205,200	3,497,000	3,792,700
TeleFile.....	589,038	587,100	--	--	--	--	--	--	--
Form 2688, total.....	3,477,342	3,594,600	--	--	--	--	--	--	--
Electronic.....	168,812	334,200	--	--	--	--	--	--	--
Form 1120X.....	13,130	12,800	12,400	12,100	11,800	11,500	11,200	10,900	10,600
Form 5558.....	353,432	352,800	349,100	345,500	341,800	338,200	334,500	330,900	327,200
Form 7004, total.....	3,153,169	3,364,000	6,422,700	6,709,200	6,993,700	7,275,400	7,553,900	7,827,400	8,095,500
Electronic.....	--	47,900	292,800	555,800	988,600	1,533,300	2,097,200	2,543,700	2,878,300
Form 8868, total.....	441,797	454,800	460,600	484,700	490,500	514,400	520,200	544,000	549,700
Electronic.....	339	1,900	5,300	10,200	18,900	35,400	46,100	60,100	74,000

<sup>1</sup> Estimated based on information available as of August 2005.

<sup>2</sup> Grand total is the sum of total primary returns and supplemental documents.

<sup>3</sup> Total primary returns is the sum of all returns, excluding supplemental documents.

<sup>4</sup> "Individual, total" is the sum of paper and electronic Forms 1040, 1040A, 1040EZ, 1040NR, 1040PR, and 1040SS.

<sup>5</sup> Forms 1040/A/EZ is the sum of the paper and electronic Forms 1040, 1040A, and 1040EZ.

<sup>6</sup> "Employment, total" includes paper, magnetic tape and electronic Forms 940, 940EZ, 940PR, 941, 941E, 941PR, 941SS, 943, 943PR, 944, 945, and CT-1.

<sup>7</sup> Form 1042 is the Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

<sup>8</sup> "Exempt organization, total" includes Forms 990, 990EZ, 990PF, 990T, 4720, and 5227.

<sup>9</sup> "Exempt organization, total" excludes Form 990C.

<sup>10</sup> Form 8752 is Required Payment or Refund Under Section 7519, a computation of payment or refund by partnership or S corporation.

<sup>11</sup> Supplemental documents consist mainly of applications for extensions of time to file and amended tax returns.

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