

The Future of Tax Collections: E-filing's Who, When and How Much

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Outline

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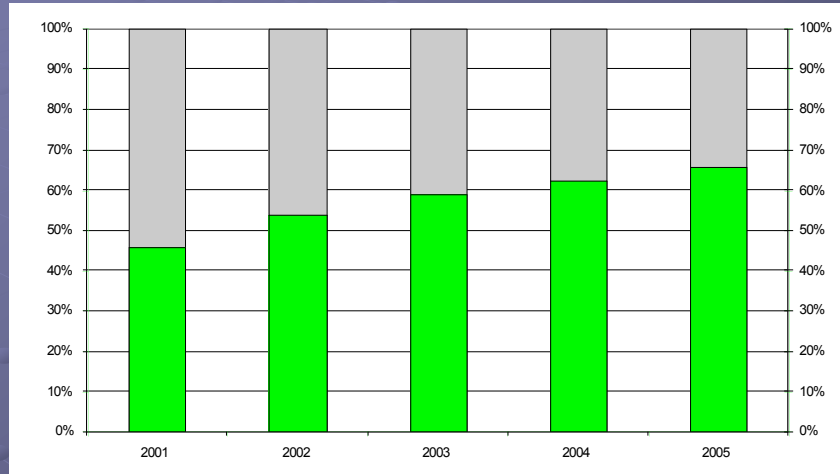
Introduction

- Iowa e-filing share exceeded 65% in 2005
- E-filing reduces processing costs for State
- E-filing speeds refund receipt for taxpayers
- E-filing provides data quickly for revenue forecasting and fiscal analysis
 - Caution: Is the data representative?

History of E-Filing in Iowa

- E-filing first available for tax year 1994
- Iowa participates in federal e-file program
 - Free-File Alliance
 - Software: \$10 to \$30 federal and state
- 99% of Iowa tax forms are available electronically
- Goal: 70% e-filing voluntarily in tax year 2006

Rising Share E-Filing in Iowa



IDR E-Filing Cost Savings

- Printing and mailing paper forms
 - 84 percent reduction in orders in '06 vs '96
- Fewer phone calls from taxpayers
 - 52 percent reduction in calls requesting filing help in '06 vs '97
- Lower processing labor costs
 - 46 fte/\$1 million to 12 fte/\$260,000, '95 vs '06
- Reduced storage needs

Who? E-Filing Shares by Age

	2001		2005	
	Return%	E-share	Return%	E-share
<24	17.8	48.8	13.6	65.8
25-34	15.3	59.9	15.6	76.2
35-44	17.8	54.7	16.0	74.4
45-54	17.4	46.4	17.6	68.0
55-64	11.4	40.2	13.1	62.8
65-74	7.8	33.5	7.9	59.2
75+	7.4	26.8	7.7	52.5

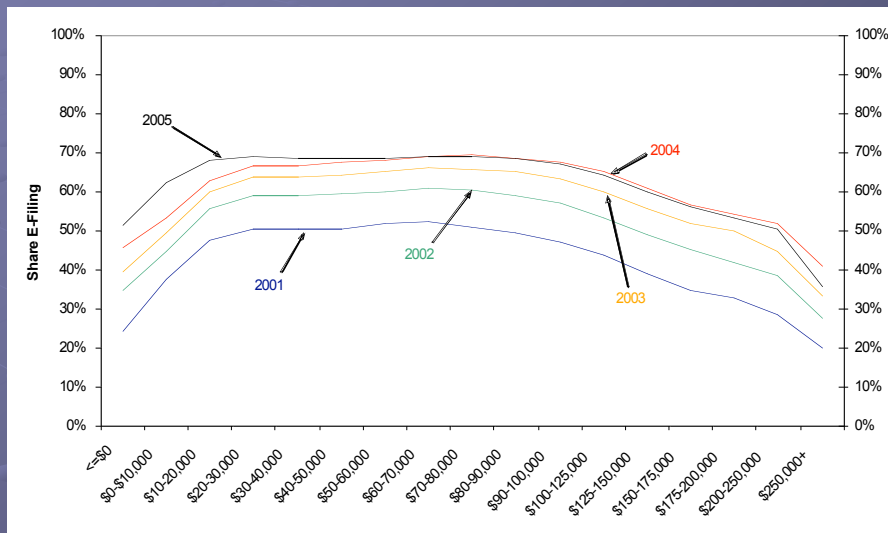
Who? By State Filing Status

	2001		2005	
	Return%	E-share	Return%	E-share
Single	42.9	43.4	42.6	62.1
Joint	13.7	36.5	13.6	60.2
Sep/Same Return	33.7	47.9	33.4	69.6
Separate	1.2	32.4	1.2	50.2
Head	8.5	65.5	9.1	80.3
Widow	0.1	49.1	0.1	72.3

Who? By Resident Status

	2001		2004	
	Return%	E-share	Return%	E-share
Non-Residents	8.0	11.3	9.3	28.2
Iowans	92.0	48.7	90.7	65.7
Iowa Residents: Those Reporting County				
Urban	40.1	48.4	40.0	63.7
Rural	51.6	49.1	50.7	67.2

Who? By AGI



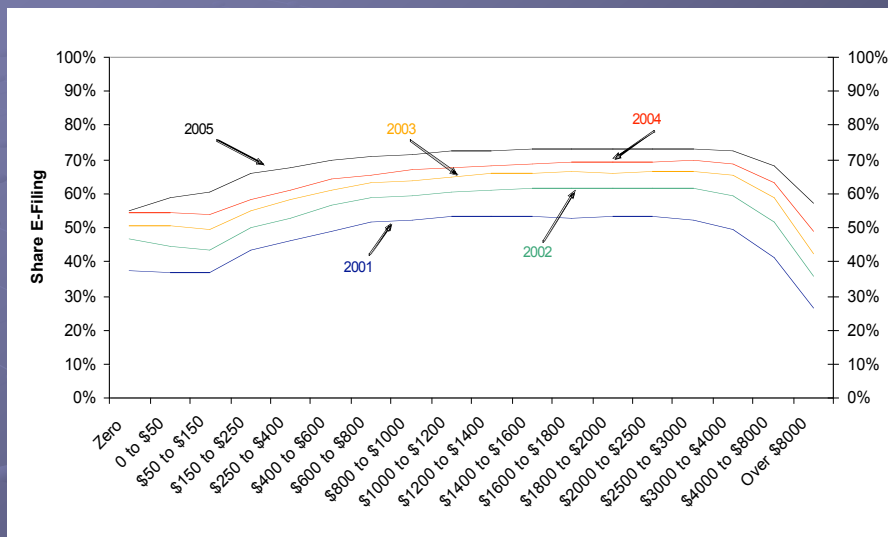
Who? By Wage Share

	2001		2004	
	Return%	E-share	Return%	E-share
<25%	23.6	26.4	21.5	45.9
25-50%	4.1	34.2	4.1	56.2
50-75%	6.1	39.5	6.2	60.3
75-100%	60.8	53.9	62.1	67.5
Over 100%	5.4	54.1	6.0	71.4

How Much? By Liability at Filing

	2001		2005	
	Return%	E-share	Return%	E-share
Refund	77.4	50.9	64.8	73.5
Zero	6.2	27.1	9.9	36.0
Owe	16.4	28.5	25.2	57.9

How Much? By Total Tax Liability



When? By Filing Date

	2002		2005	
	Return%	E-share	Return%	E-share
January	12.7	94.4	6.7	95.0
February	29.1	70.8	31.7	83.7
March	25.2	49.3	26.9	65.5
April	27.1	34.0	25.2	58.1
May-July	5.9	7.6	9.5	9.8

E-Filing, Revenue Forecasting & Fiscal Analysis

- Revenue forecasting: hope to use income data from early e-filers to confirm forecasts
 - Early e-filers heavily wage earners
 - Large shifts in numbers in early months
 - Recent stabilization in e-filing may reveal future info
- Fiscal analysis: hope to use e-filing data as timely base data for tax micro model
 - Not representative in the AGI/Tax liability tails
 - Weighting technique or quantile regression to make data useful for such analysis

Conclusions

- E-filing saves IDR resources
- E-filing sped up refund receipt for 48% taxpayers
- Who, How Much and When?
 - Young
 - Head of household/married
 - Rural Iowa residents
 - Middle-income
 - Wage-earners
 - Refund recipients/Average tax liabilities
 - Early filers
- Potential for new detailed analyses with rich data