FY 04 NATIONWIDE ANALYSIS

Electronic Tax Administration
Business Master File Marketing Database

SB/SE Research

August, 2004

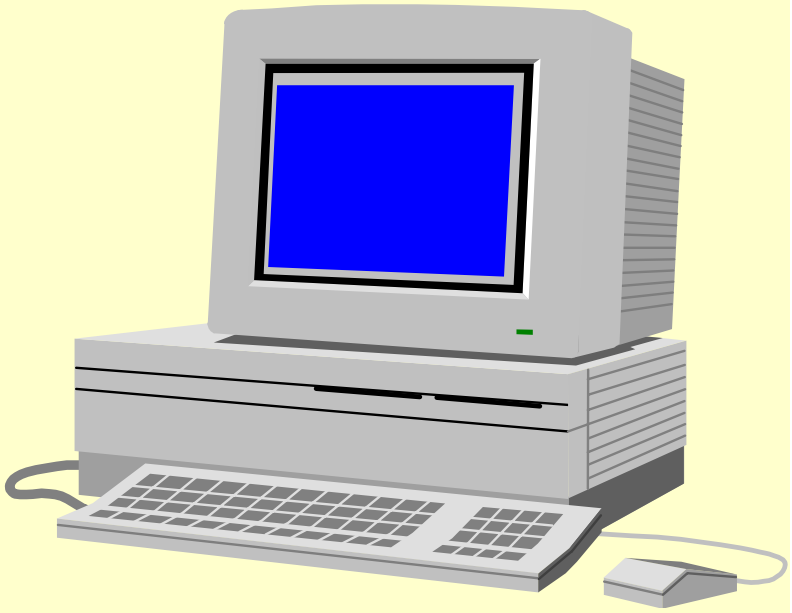
Project 01.02.001.03

Publication No. 4425

Catalog No. 39407D

Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities



Form 940 Summary

- **Magnetic Media ended in February 2004 and electronic filing has been implemented.**
- **16% of all 940's are projected to be filed electronically in 2005.**
- **40% of all 940 taxpayers are enrolled in EFTPS.**
- **940 filers have an 81% *e-file* loyalty rate.**
- **Over 92% of all 940's are filed by April 12th**
- **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 11% of all 940's.**

Form 941 Summary

- Magnetic Media ended in February 2004 and electronic filing has been implemented.
- 22% of all 941's are projected to be filed electronically in 2005.
- 40% of all 941 taxpayers are enrolled in EFTPS
- SB/SE accounts for 90% of 941's.
- 941's are not dominated by any industry.
- 75% of all 941 returns are even returns.
- There is no preparer information available for paper 941 returns.
- The top two *e-file*/ Magnetic Media preparers account for 12% of all 941's.
- Telefile 941 is in the process of being phased out.

Form 990 Summary

- Modernized *e-file* started accepting 990's electronically in February 2004.
- 2% of all 990's are projected to be filed electronically in 2005.
- 24% of all 990 taxpayers are enrolled in EFTPS.
- 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 1041 Summary

- Magnetic Media ended in June 2003 and electronic filing has been implemented.
- 38% of all 1041's are projected to be filed electronically in 2005.
- 13% of all 1041 taxpayers are enrolled in EFTPS.
- 87% of 1041 Magnetic Media returns have migrated to *e-file.*
- Over 86% of all 1041's are filed by the end of April.
- SB/SE accounts for 99% of 1041's.
- No one NAICS Code accounted for 1% of 1041's.
- 58% of 1041 filers use a preparer.
- The top two e-file preparers account for 23% of all 1041's.

Form 1065 Summary

- 1065's have been e-filed since 2000, yet only 5% of all 1065's are projected to be e-filed in 2005.
- 10% of all 1065 taxpayers are enrolled in EFTPS.
- 1065 filers have a 82% *e-file* loyalty rate.
- 1065's have two peak volume filing times: April and October.
- SB/SE accounts for 97% of 1065's.
- 941,027 (40%) of 1065 returns represent real estate related activities.
- 85% of filers use preparers.
- 56% of partnerships started in 1997 or later.
- 79% of filers have fewer than five partners.
- Active *Electronic Return Originators* file over 1 million paper 1065's.

Form 1120/1120S Summary

- **Modernized *e-file* started accepting 1120's in February 2004.**
- **Only 1% of all 1120's are projected to be filed electronically in 2005.**
- **36% of 1120 & 29% of 1120S taxpayers are enrolled in EFTPS.**
- **1120's have two peak volume filing times: March and September.**
- **SB/SE accounts for 99% of 1120's.**
- **1120's are not dominated by any industry.**
- **Over 87% of 1120 filers use a preparer.**
- **Active *Electronic Return Originators* file over 2 million paper 1120's.**

IRS Mandated Returns

- **The IRS has mandated that any Form 1065 with over 100 partners must be submitted electronically; only 2% of 1065 returns (49K) were e-filed in PY 2003.**
- **IRS is currently in the process of evaluating mandates for Forms 1120 and 1120S.**
- **If the Service mandated that all prepares who file over 100 business returns transmit them electronically to the IRS, we estimate the following *e-file* volume based on PY 2003 filings:**

  Form 1065: 624,000 returns (26% of all Partnerships)

  Form 1120: 382,000 returns (16% of all Corporations)

  Form 1120S: 916,000 returns (28% of all S-Corps)

State Mandated Returns

- **Six states currently impose a mandate for the electronic filing of individual state income tax returns on certain tax practitioners: CA, CT, MI, MN, OK & WI.**
- **The mandate is imposed on practitioners filing a certain number (usually 100) of individual income tax returns in the prior year.**
- **Additional states are planning to implement mandates, and California is planning mandates for e-filing business returns.**
- **States with mandates for practitioners had the highest rates of increase in federal *e-file* as a group for PY 2003.**

Recommendations

- **Market BMF *e-file* to IMF Electronic Return Originators; active ERO's file over a million 1065's and 2 million 1120's on paper.**
- **Market BMF *e-file* to preparers rather than taxpayers; 85% of 1065 filers and 87% of 1120 filers use a preparer.**
- **Coordinate BMF *e-file* marketing efforts with EFTPS; in almost every form type there are people paying electronically who could also be filing electronically.**
- **Coordinate BMF *e-file* marketing efforts with states mandating electronic filing of 1040 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.**

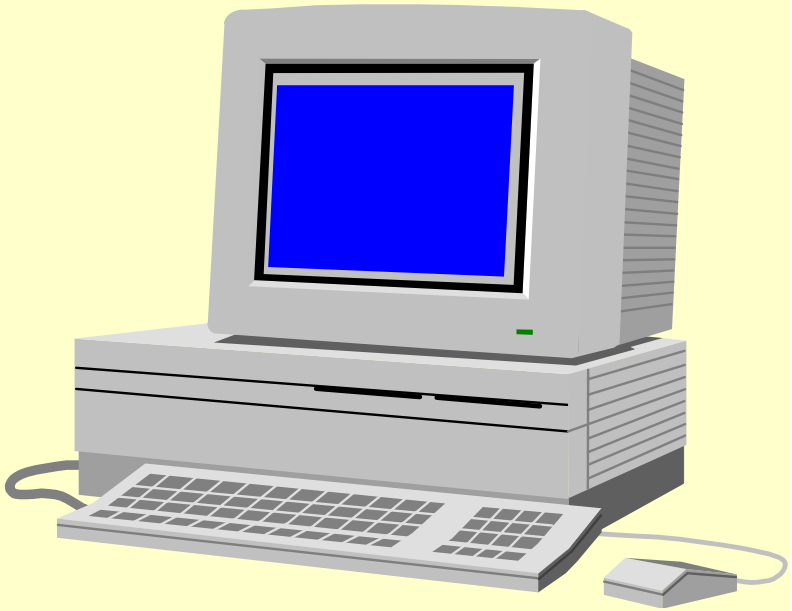
Form 940 Filers

Employer's Annual Federal Unemployment Tax Return

Processing Year 2003

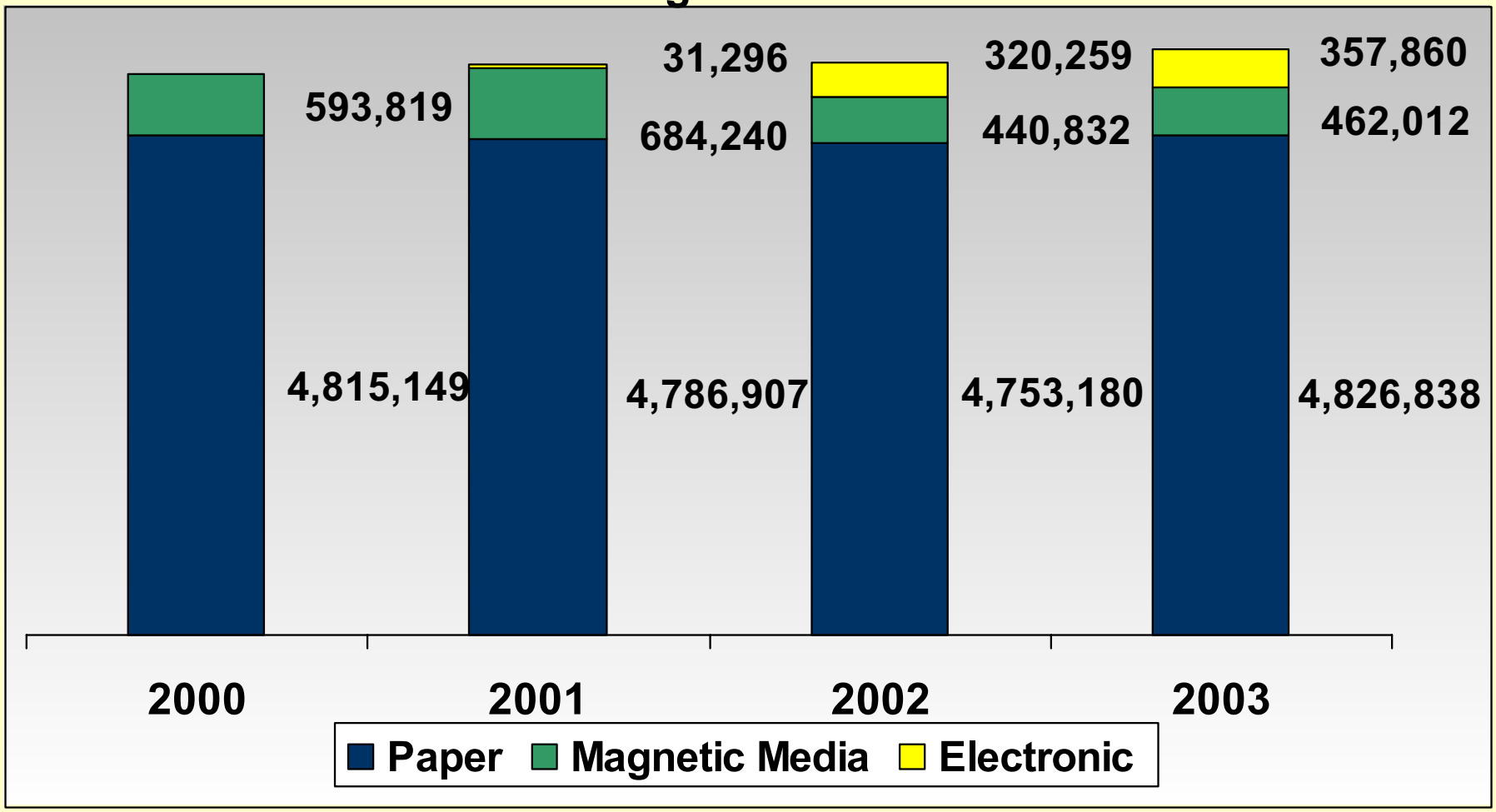
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities

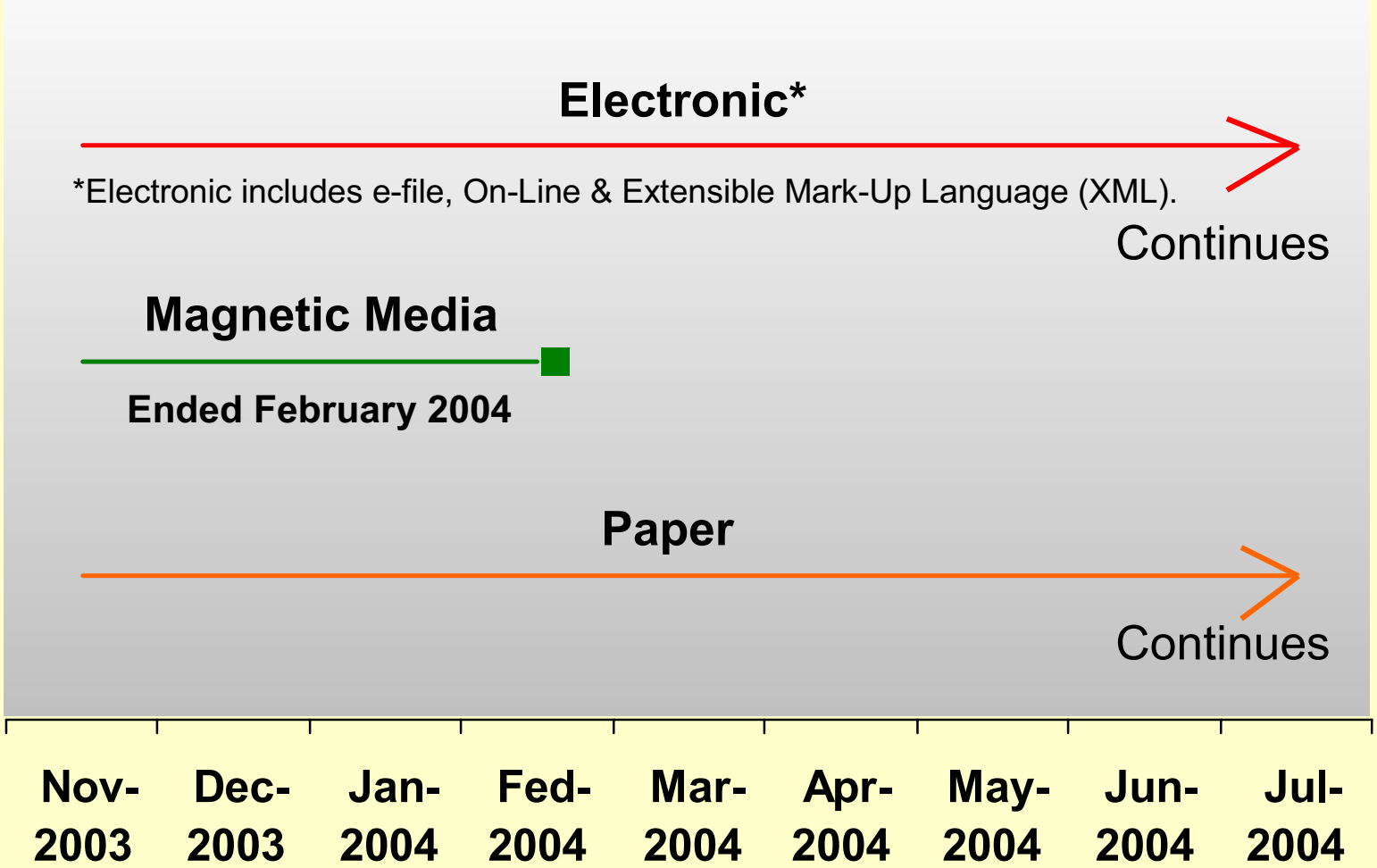


Form 940
Annual Filing Volume

Processing Years 2000-2003

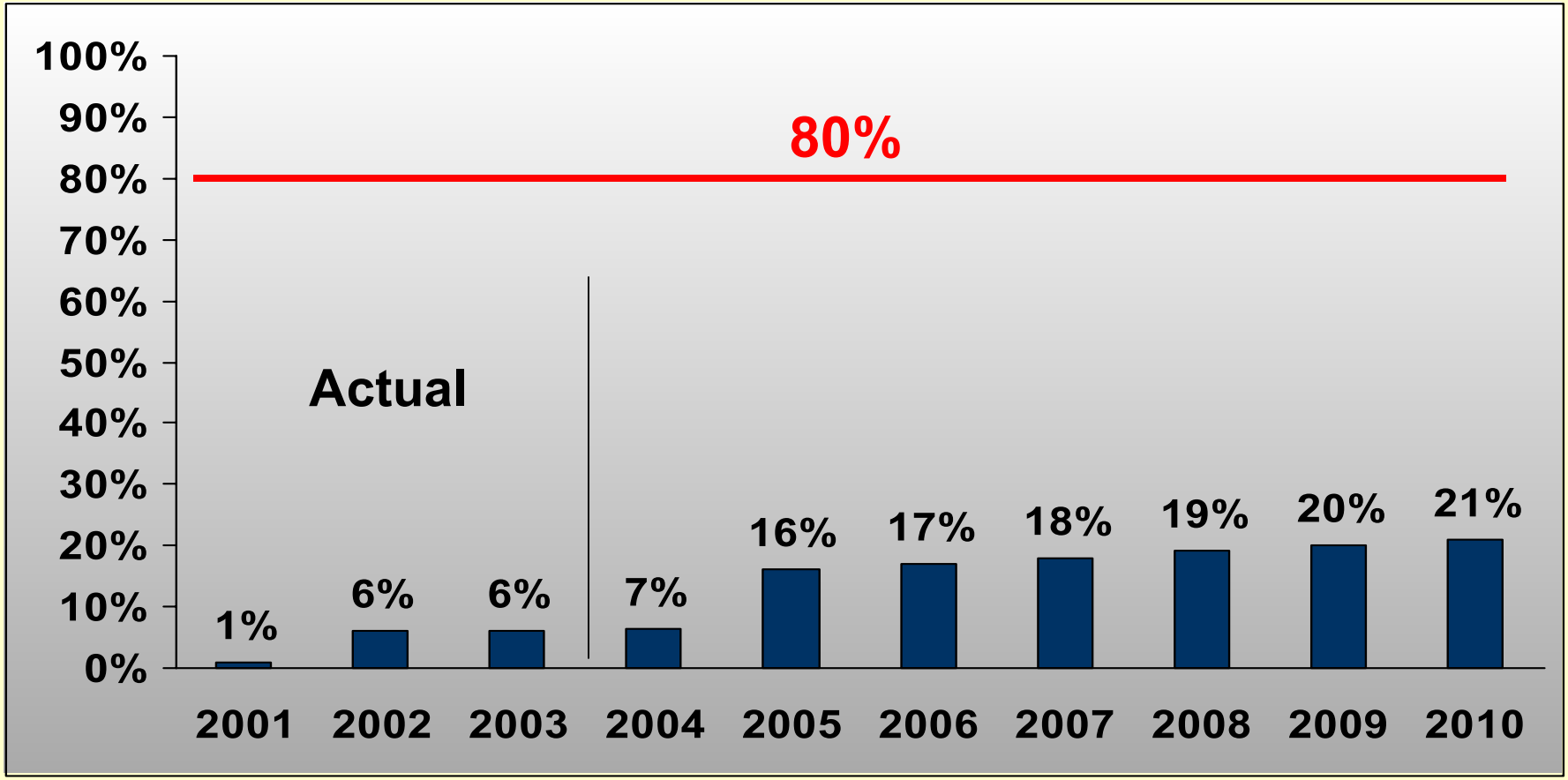


Form 940: Implementation Schedule



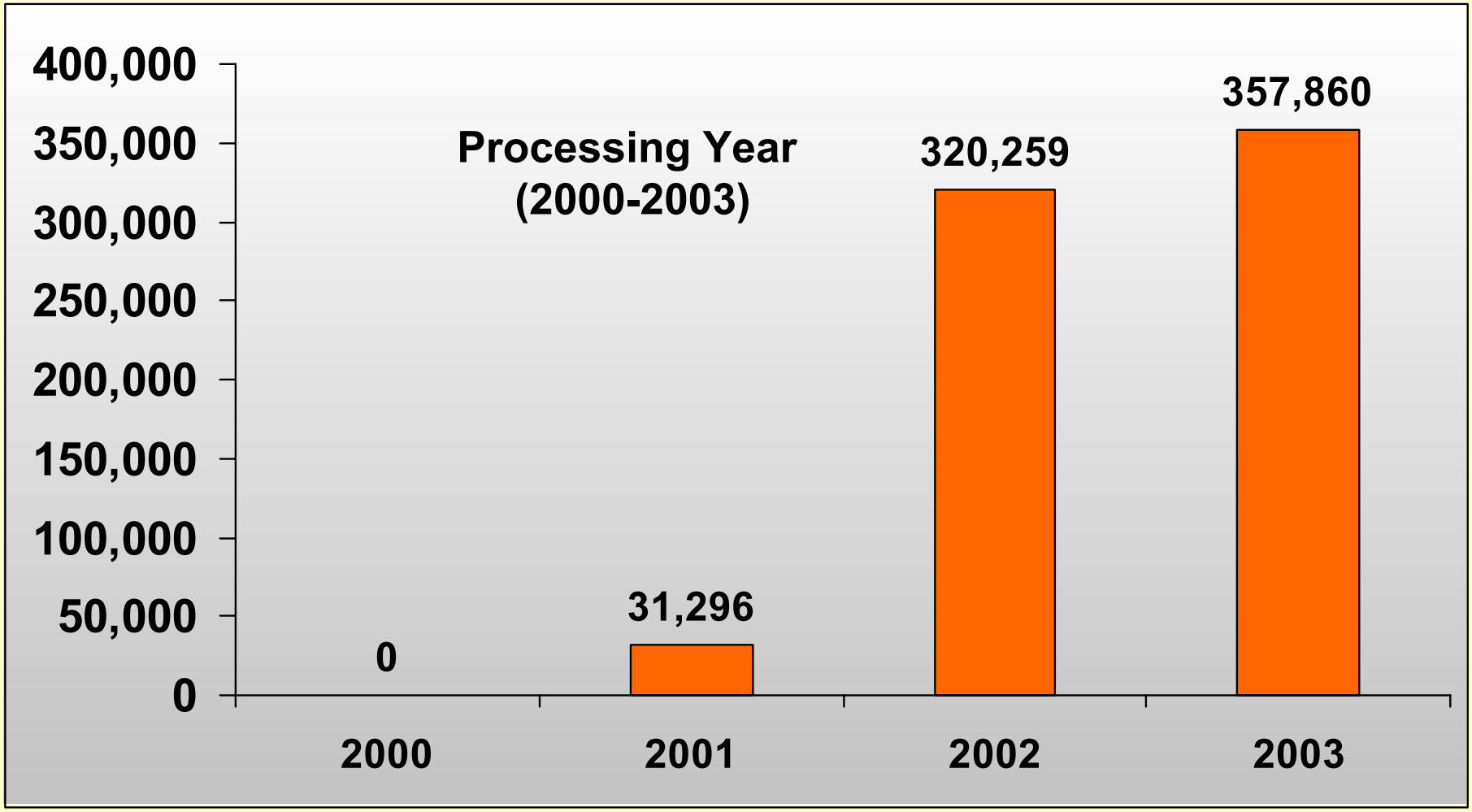
In Processing Year 2003, 6% of all Forms 940 were filed electronically.

Form 940 Projected *e-file* Penetration Rate



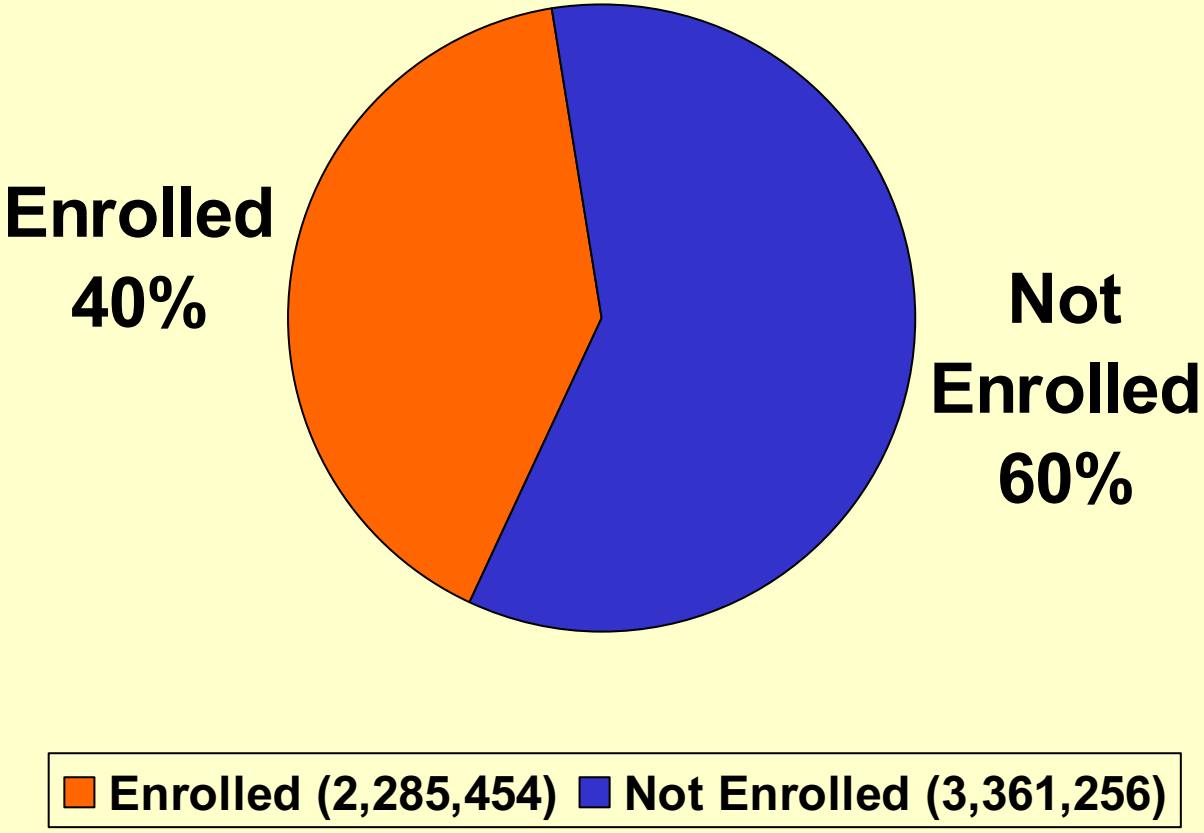
N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

Form 940: *e-filed* Returns

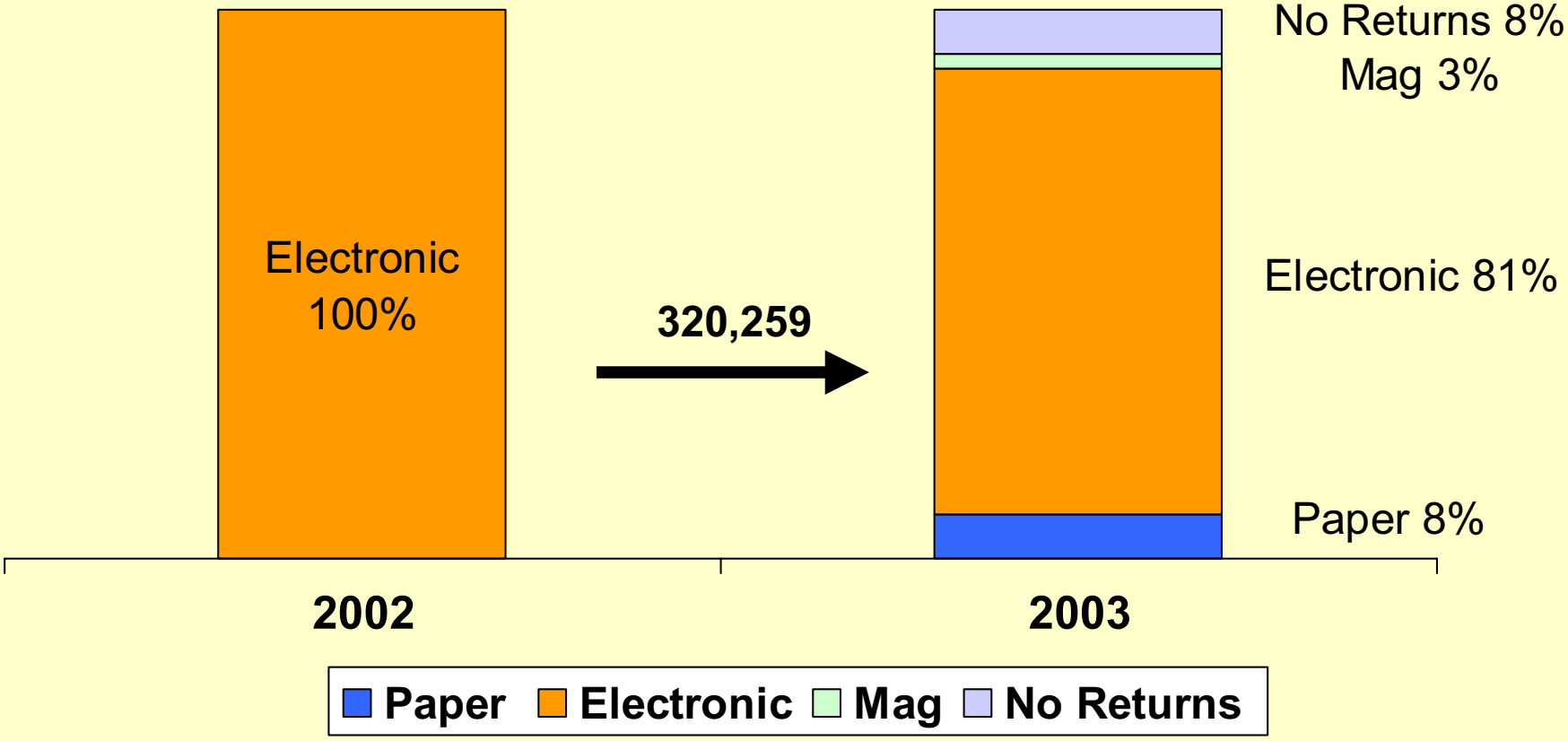


Form 940 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2003

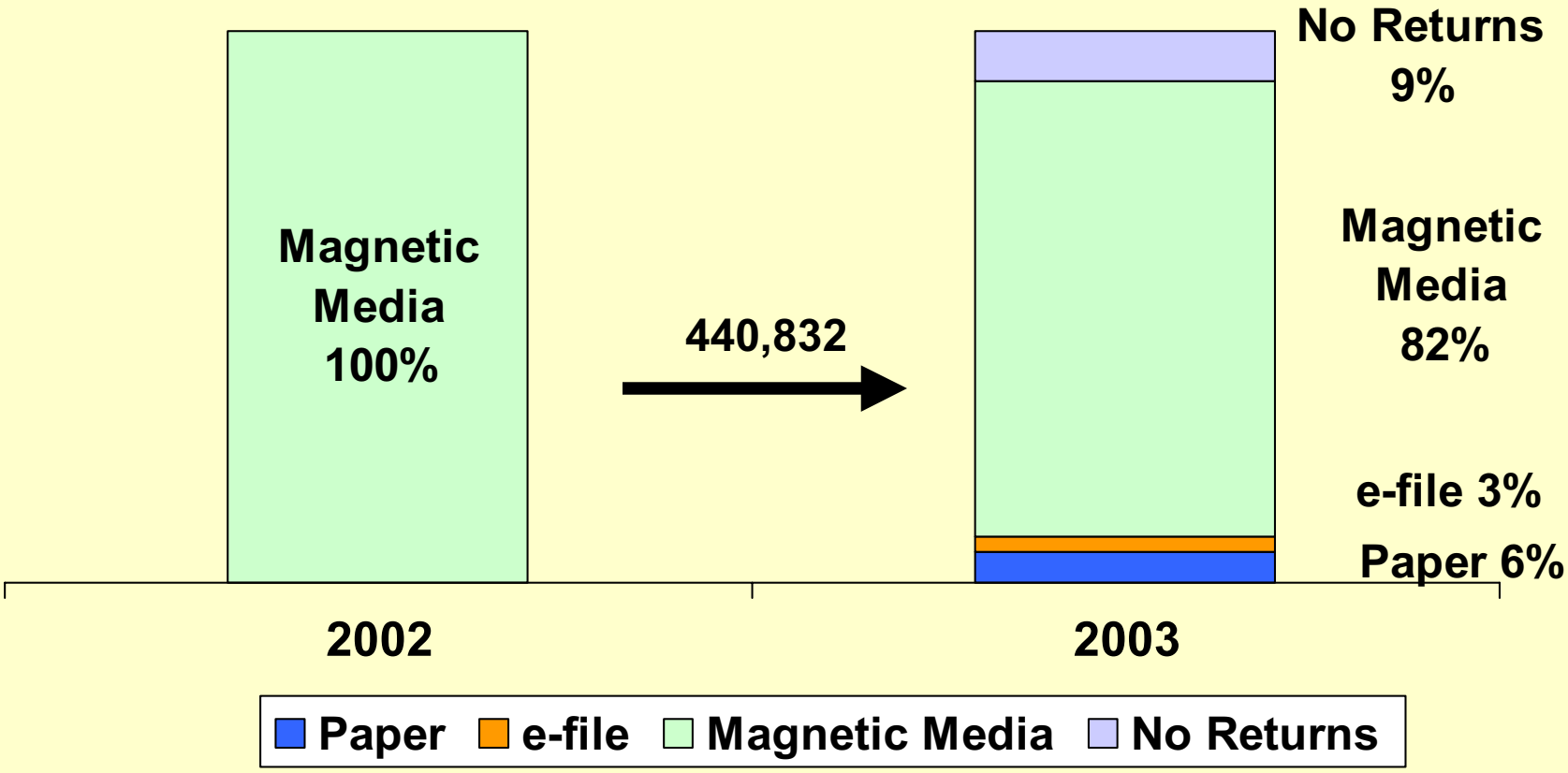


Electronic Migration Between Filing Options



81% of Form 940 electronic users remained loyal.

Magnetic Media Migration Between Filing Options



82% of Form 940 Magnetic Media users remained loyal.

There are three forms in the 940 Series:

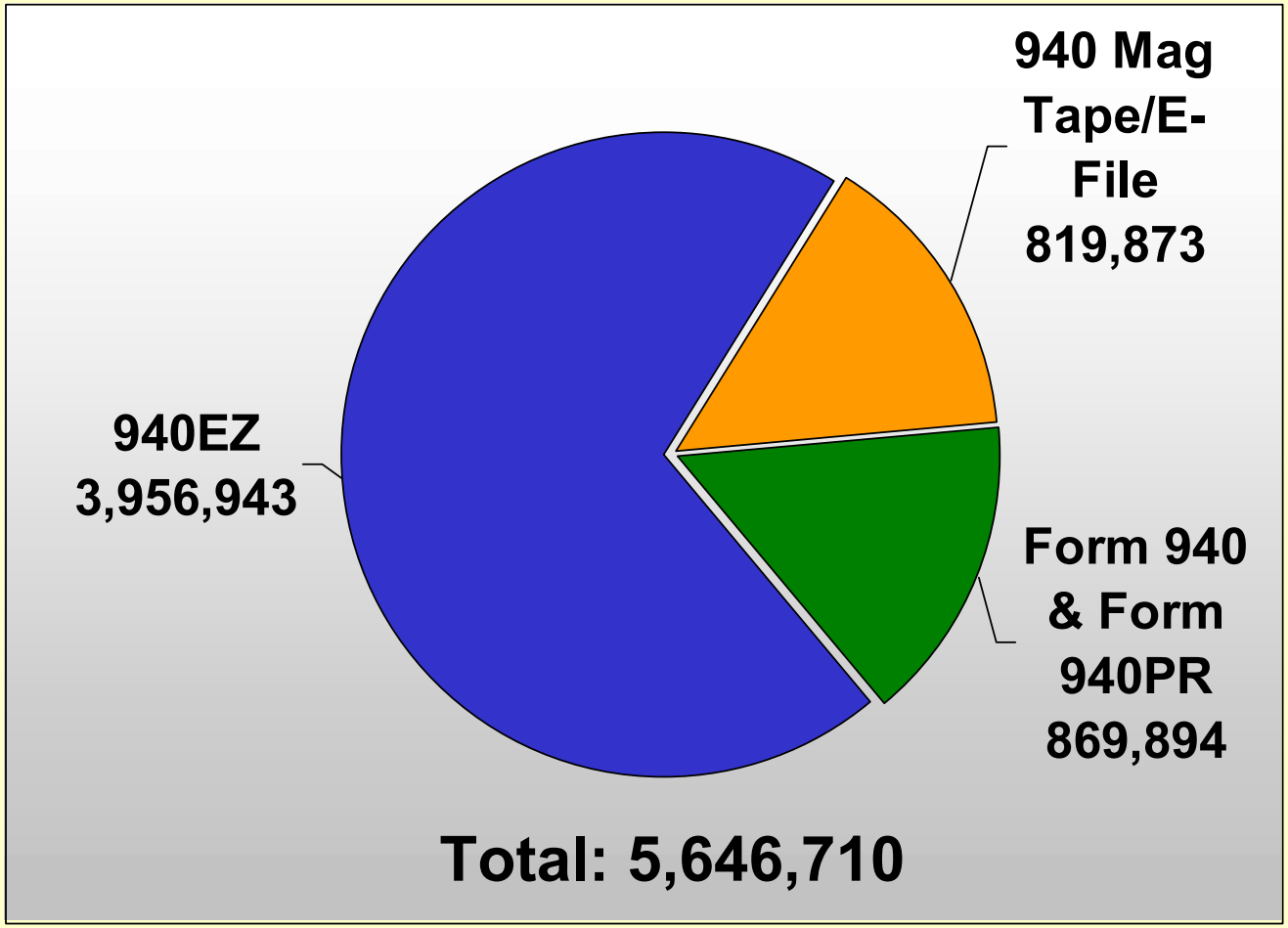
- Form 940EZ (Doc Code 38)
- Form 940 Mag Tape/E-File (Doc Code 39)
- Form 940 & 940PR* (Doc Code 40)

In Processing Years 2001, 2002 and 2003, electronic filing was not available for Forms 940EZ and 940PR*.

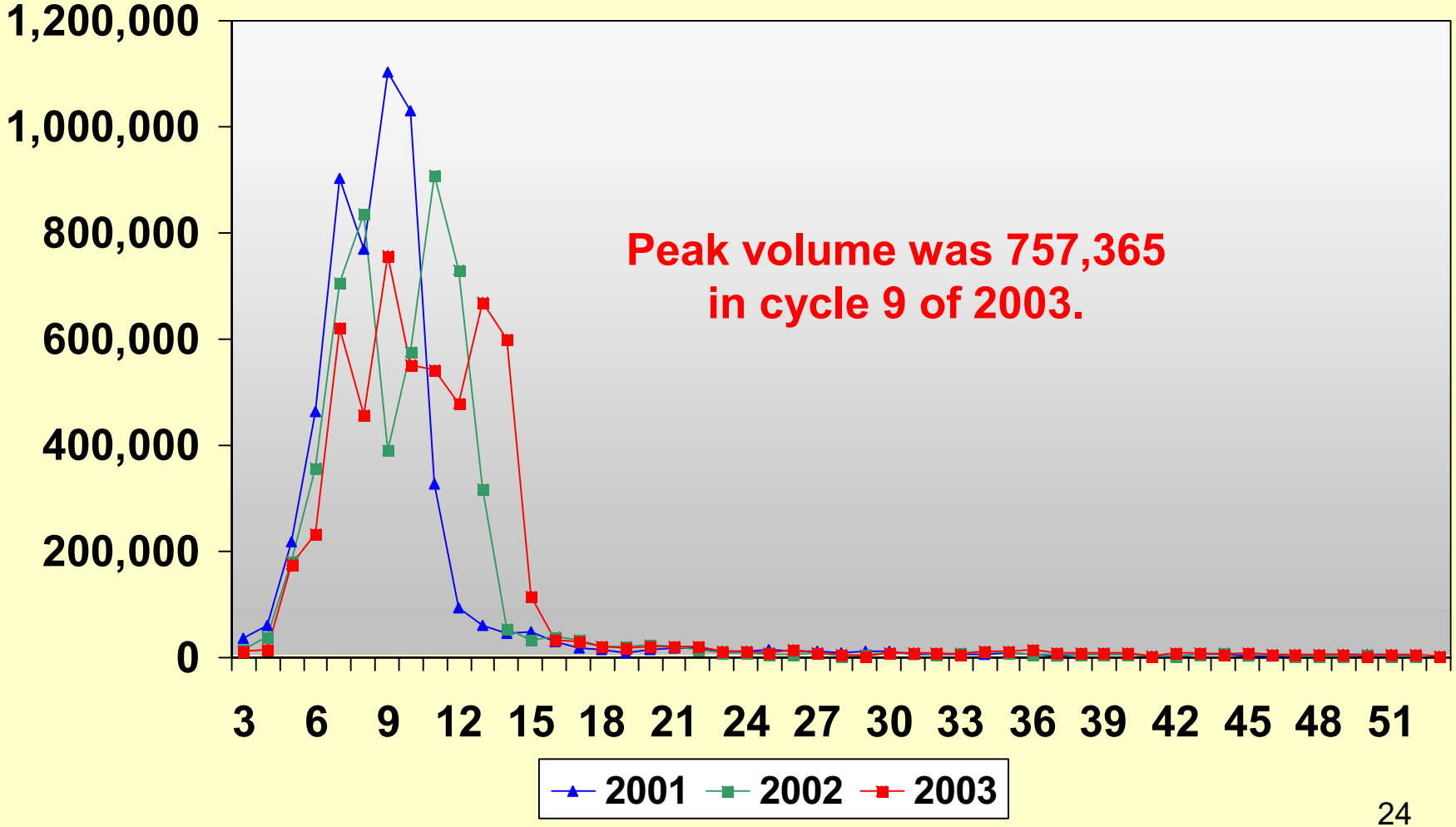
*Employer's Annual Federal Employment Tax Return (Puerto Rican Version)

Forms 940 by Series

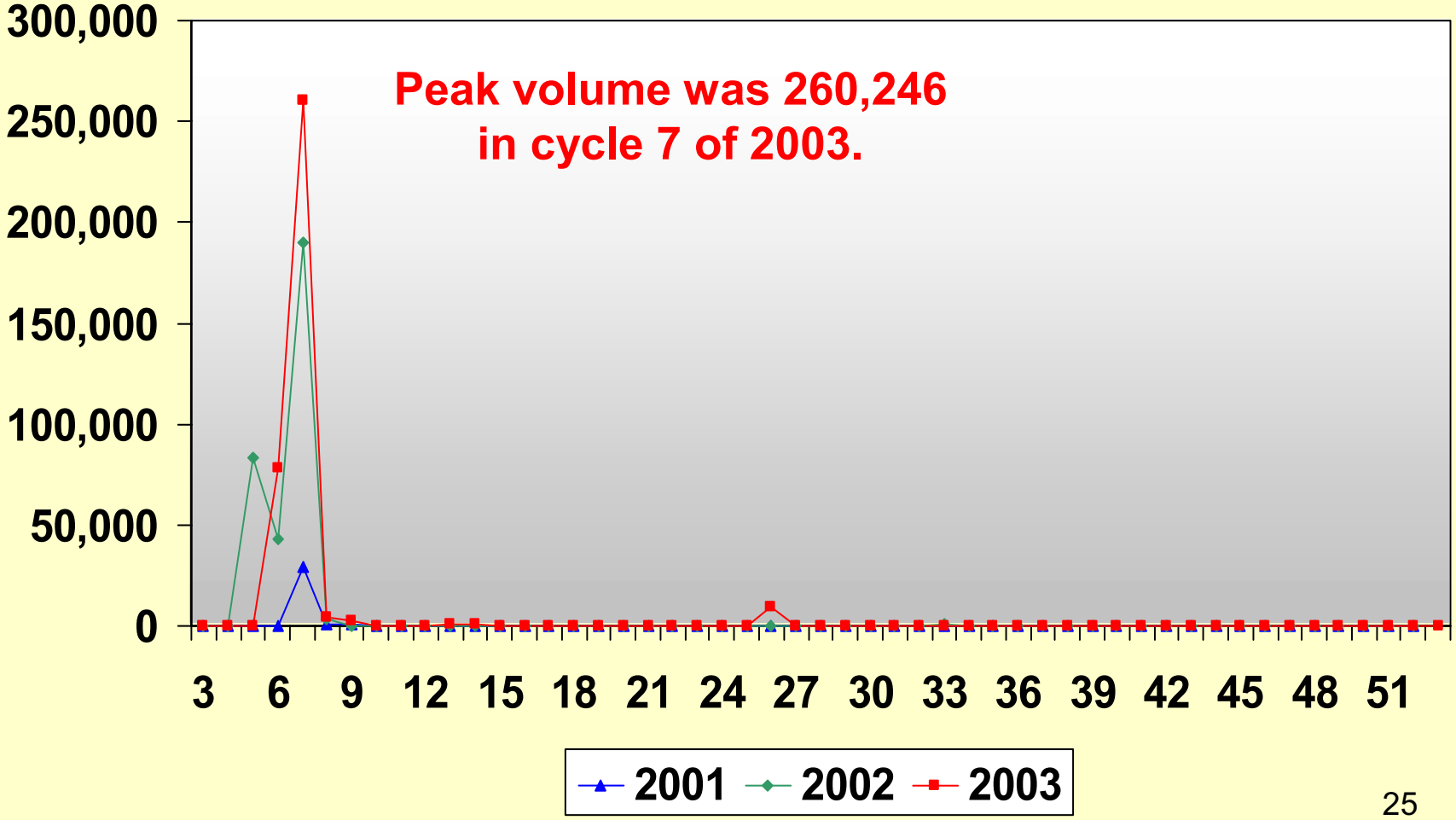
Processing Year 2003



Filing Patterns Form 940 by Cycle Posted

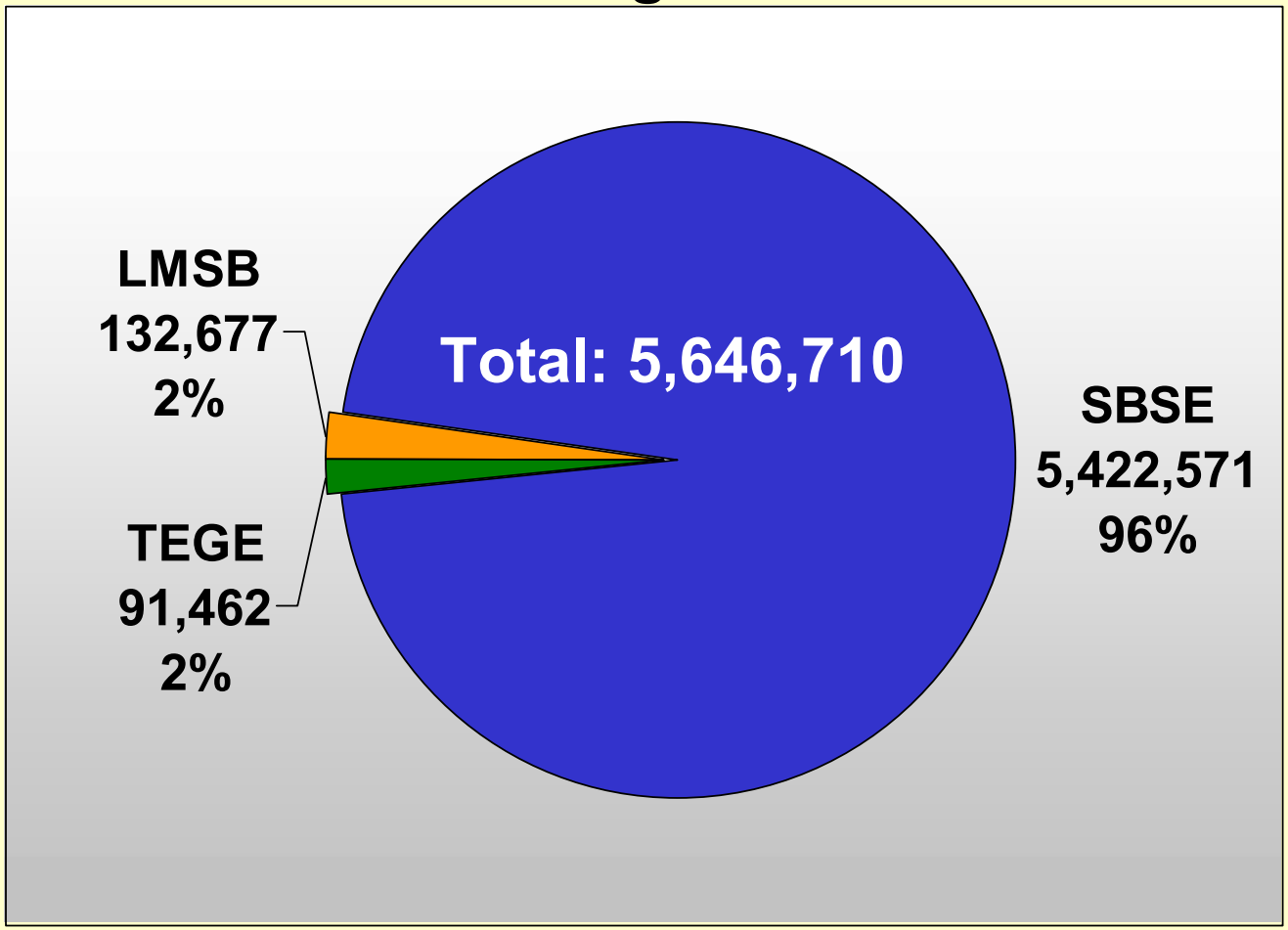


Filing Patterns for *e-file* Form 940 by Cycle Posted



Forms 940 by Business Operating Division

Processing Year 2003



Forms 940 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2001	2002	2003	%*
621111	Offices of Physicians	118,137	120,443	125,243	2%
722110	Full-Service Restaurants	109,487	111,142	115,902	2%
541990	All Other Professional, Scientific, & Technical Services	108,807	106,795	112,880	2%
541110	Offices of Lawyers	86,726	90,720	94,287	2%
238900	Other Special Trade Contractor	New	New	74,146	1%
235900	Other Special Trade Contractor	111,694	110,024	49,058	1%
524210	Insurance Agencies & Brokerages	60,711	63,212	65,650	1%
812990	All Other Personal Services	60,120	58,750	64,022	1%
722210	Limited-Service Eating Places	58,203	58,856	63,192	1%
621210	Offices of Dentists	54,009	57,599	61,114	1%
453990	All Other Miscellaneous Store	56,812	54,592	56,046	1%

* The percentage of all Forms 940 filed in PY 2003.

Electronic Forms 940 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2001	2002	2003	%*
621111	Offices of Physicians	812	12,664	14,428	4%
541990	All Other Professional, Scientific, & Technical Services	1,081	9,787	10,830	3%
541110	Offices of Lawyers	630	8,734	9,744	3%
722110	Full-Service Restaurants	388	7,939	9,169	3%
621210	Offices of Dentists	377	6,243	7,165	2%
524210	Insurance Agencies & Brokerages	286	5,122	5,637	2%
541519	Other Computer Related Services	1,143	5,495	5,593	2%
541600	Management, Scientific, & Technical Consulting Services	581	4,521	4,863	1%
531390	Other Activities Related to Real Estate	259	3,995	4,758	1%
238900	Other Special Trade Contractor	New	New	4,429	1%
235900	Other Special Trade Contractor	528	5,636	2,443	1%

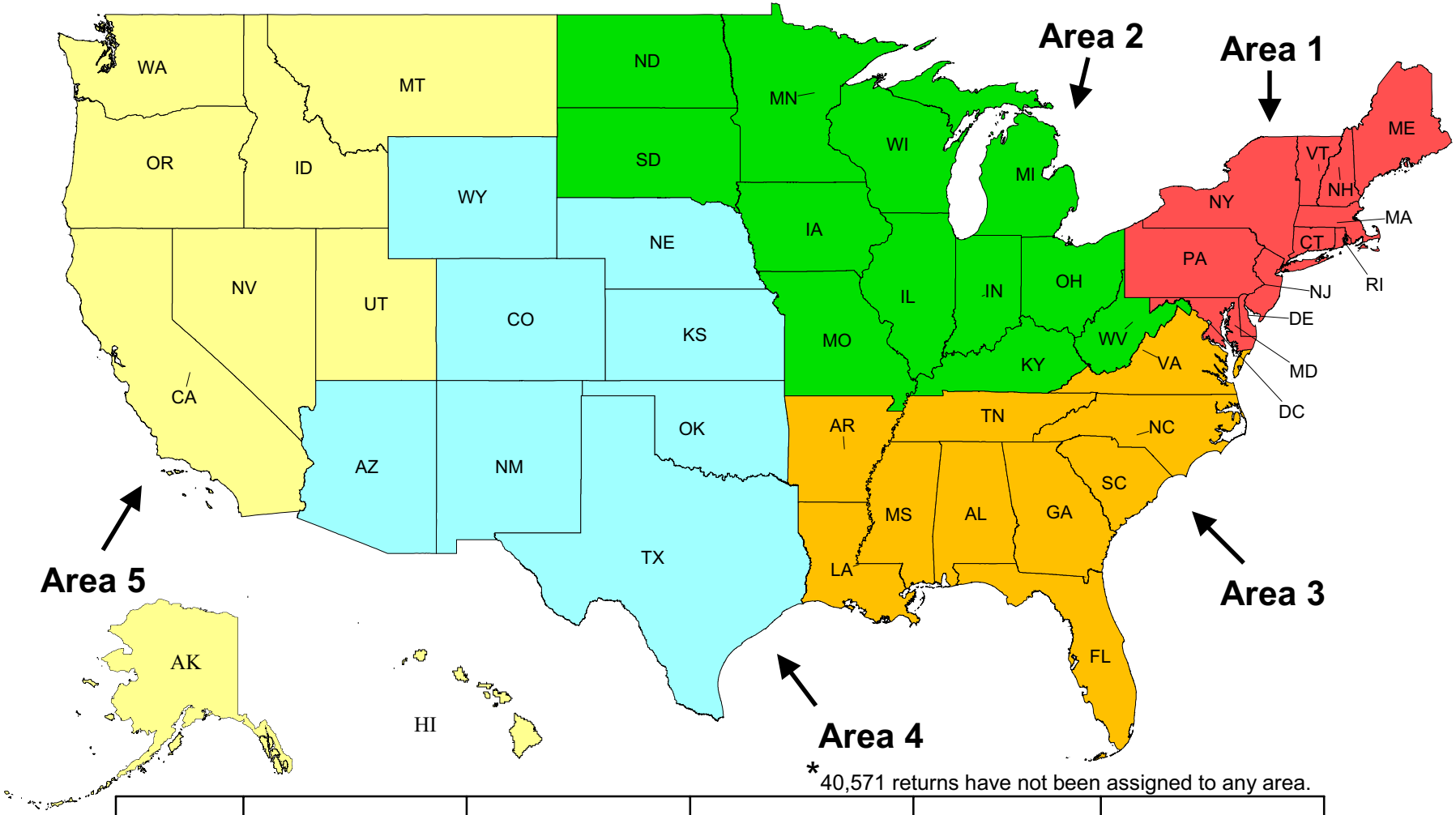
* The percentage of all electronic Forms 940 filed in Processing Year 2003.

Form 940: Top Ten Magnetic Media & *e-file* Agents

REPORTING-AGENT-NAME*	# of Returns	%**
1	352,182	6%
2	292,251	5%
3	42,987	1%
4	39,706	1%
5	33,300	1%
6	16,350	0%
7	9,783	0%
8	3,741	0%
9	2,964	0%
10	1,681	0%

* From the Business Tax Return Database (TRDB) electronic return information for Form 940.
** The percentage of all electronic Forms 940 filed in Processing Year 2003.

TEC Area (940*)

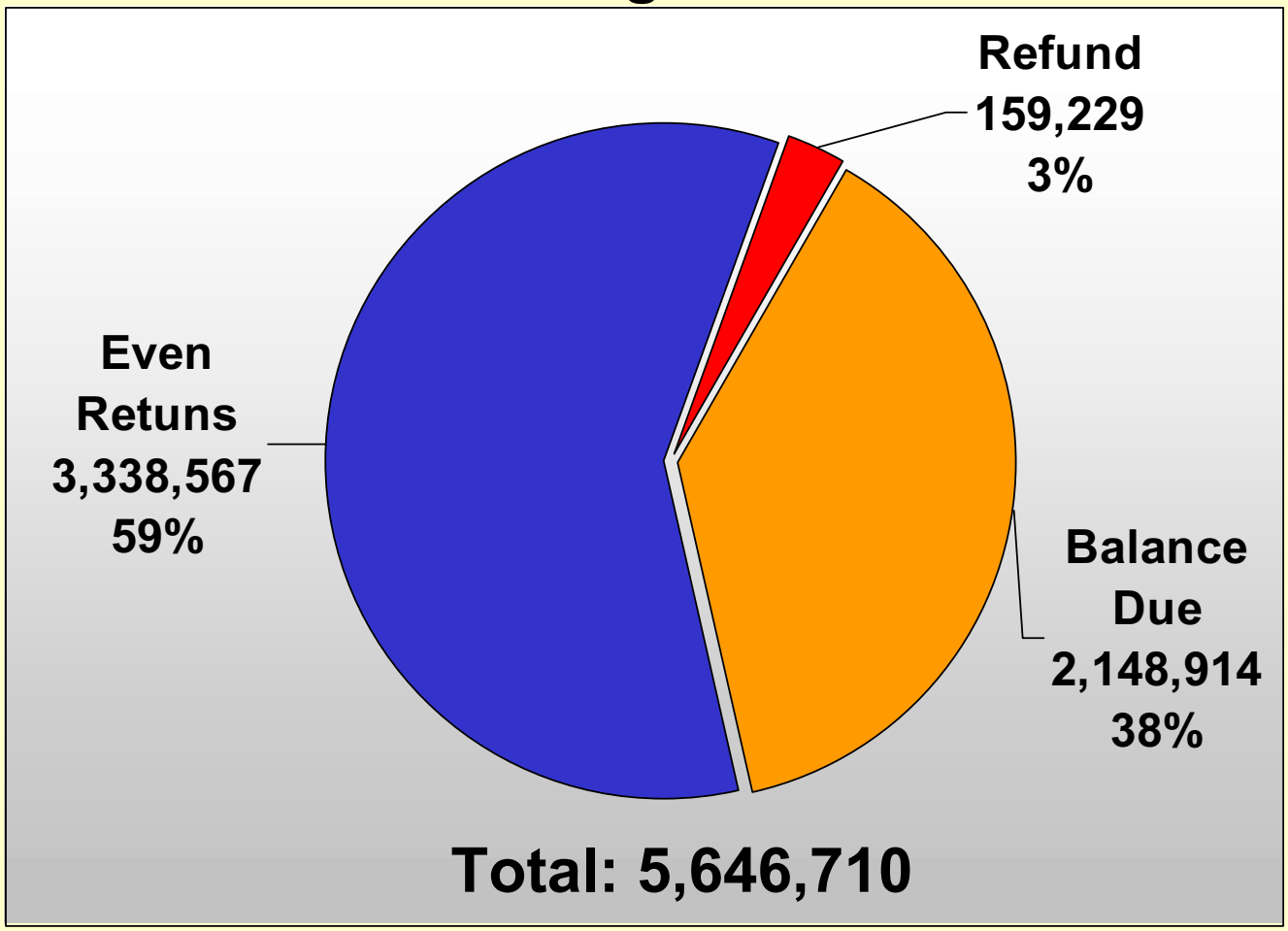


*40,571 returns have not been assigned to any area.

	Area 1	Area 2	Area 3	Area 4	Area 5
e-file	113,314	60,603	49,541	31,004	103,360
Total	1,294,240	1,256,679	1,204,303	707,261	1,143,656

Forms 940 by Balance Due & Overpayment

Processing Year 2003



Average 940 Filers for Balance Due & Overpayment

Processing Year	Average Refund	Average Balance Due
1999	$352	$194
2000	$455	$185
2001	$397	$205
2002	$400	$208
2003	$532	$212

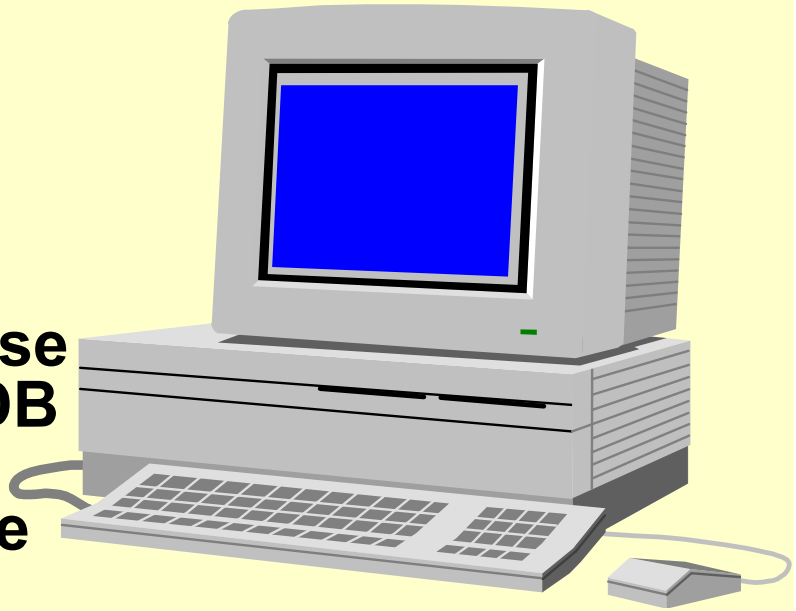
Form 941 Filers

Employer's Quarterly Federal Tax Return

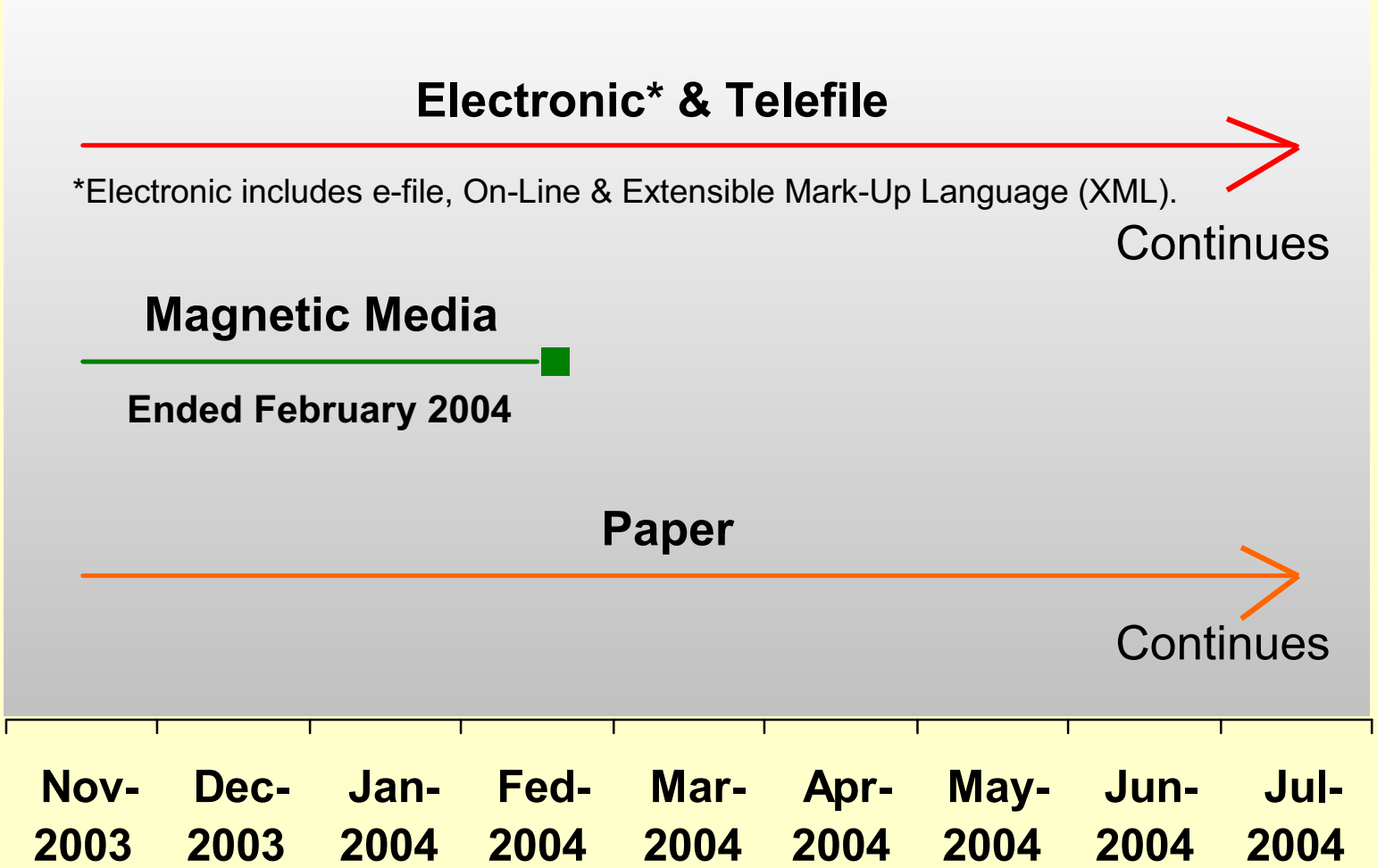
Processing Year 2003

Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities

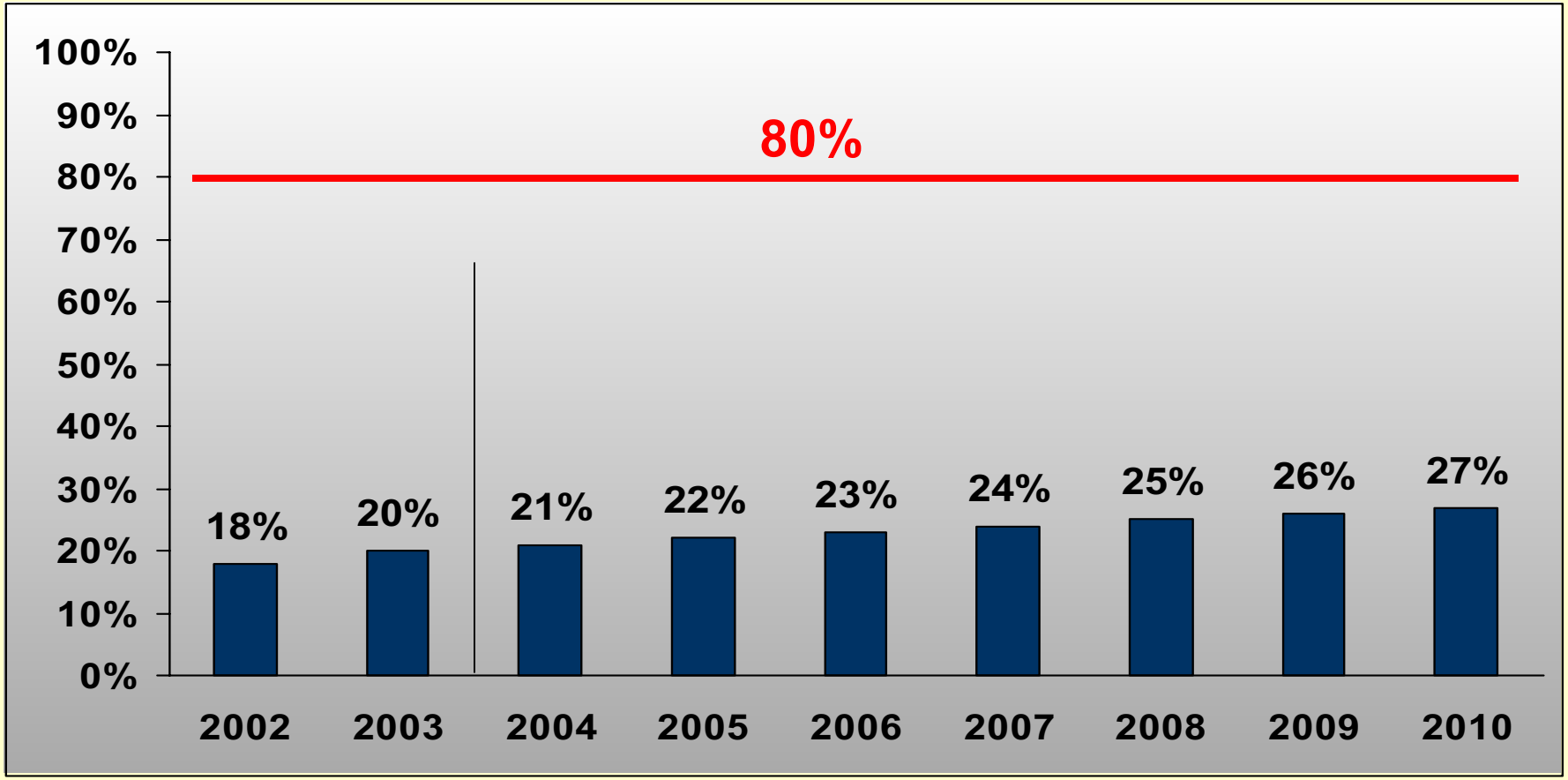


Form 941: Implementation Schedule



In Processing Year 2003, fewer than 17% of all Forms 941 filed were electronic.

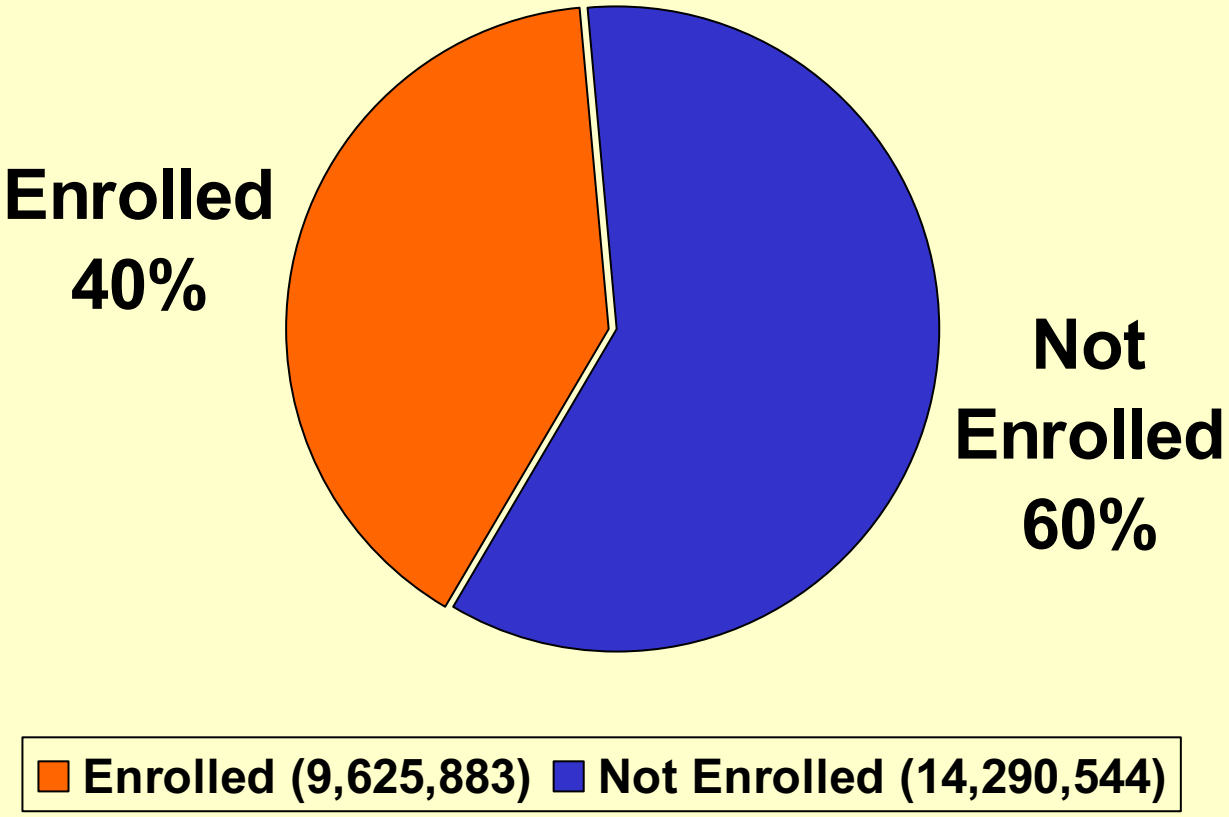
Form 941 Projected Electronic Penetration Rate



N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)
Note: For the years 2002, 2003, & 2004 *e-file* and Magnetic Media Penetration Rate are combined.

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

Processing Year 2003



Form 941: Top Ten Magnetic Media & *e-file* Agents

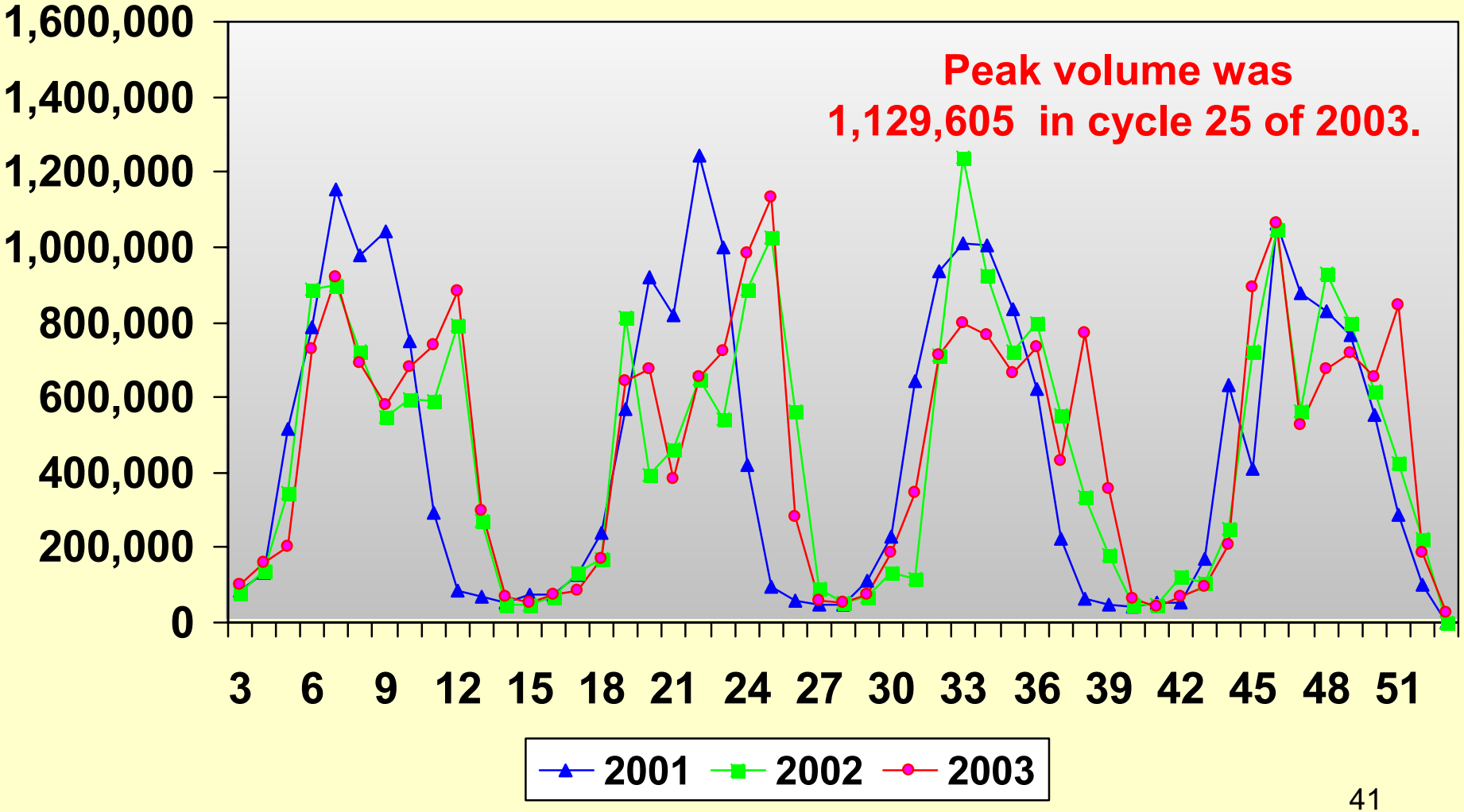
REPORTING AGENT*	Number of Returns
1	1,549,042
2	1,406,220
3	664,816
4	167,784
5	167,477
6	150,168
7	103,741
8	17,278
9	16,068
10	12,532

* From the Business Tax Return Database (TRDB) electronic return information for Form 941

There are 6 forms in the 941 Series:

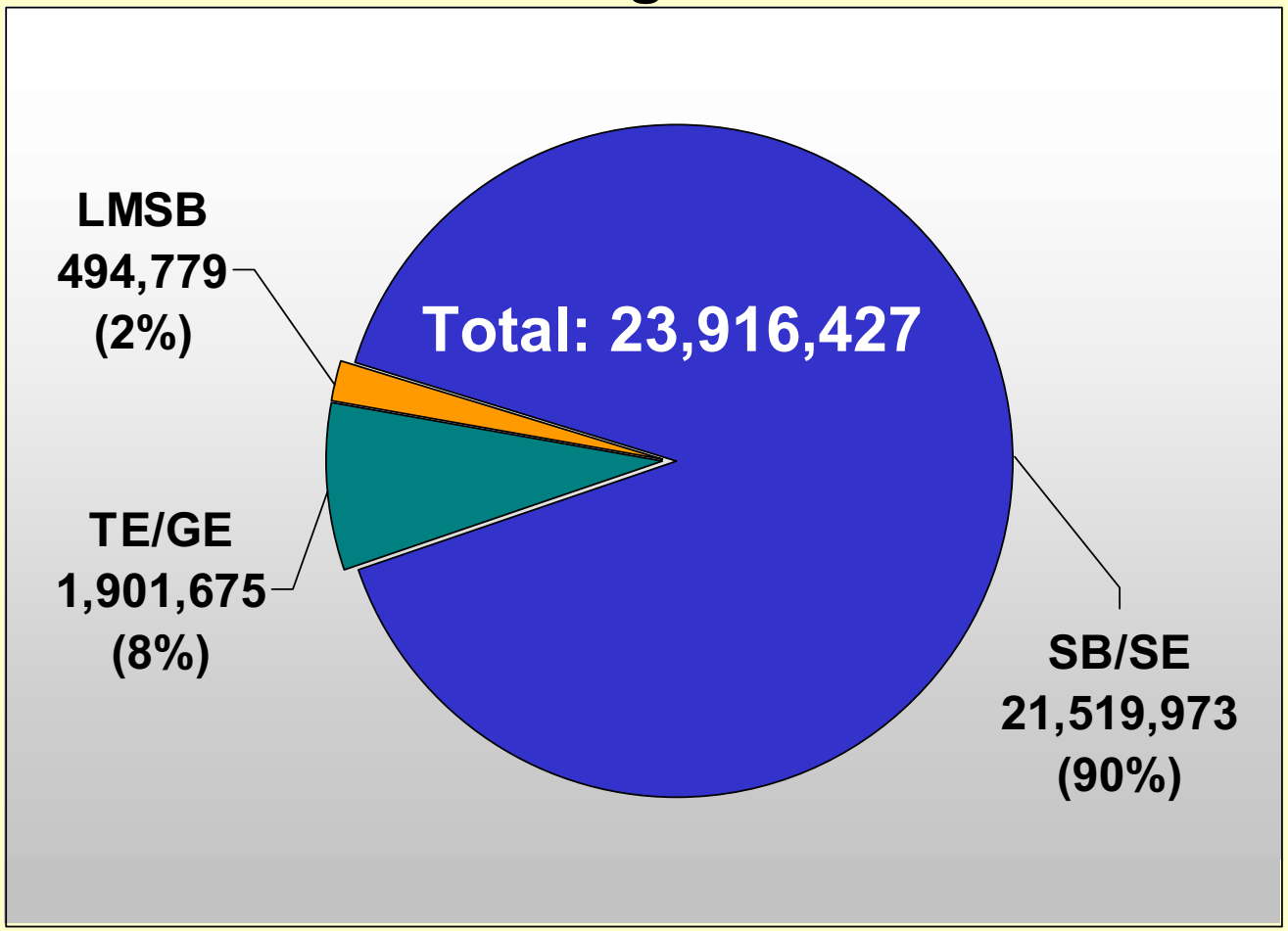
- Form 941: Employer's Quarterly Federal Tax Return
- Form 941PR: Employer's Quarterly Federal Tax Return (Puerto Rican Version)
- Form 941C: Supporting Statement To Correct Information Previously Reported on Employees Tax Return
- Form 941C(PR): Statement to Correct Information (Puerto Rican Version)
- Form 941M: Employer’s Monthly Federal Tax Return
- Form 941SS: Employer's Quarterly Federal Tax Return

Filing Patterns: Form 941 by Cycle Posted



Forms 941 by Business Operating Division

Processing Year 2003



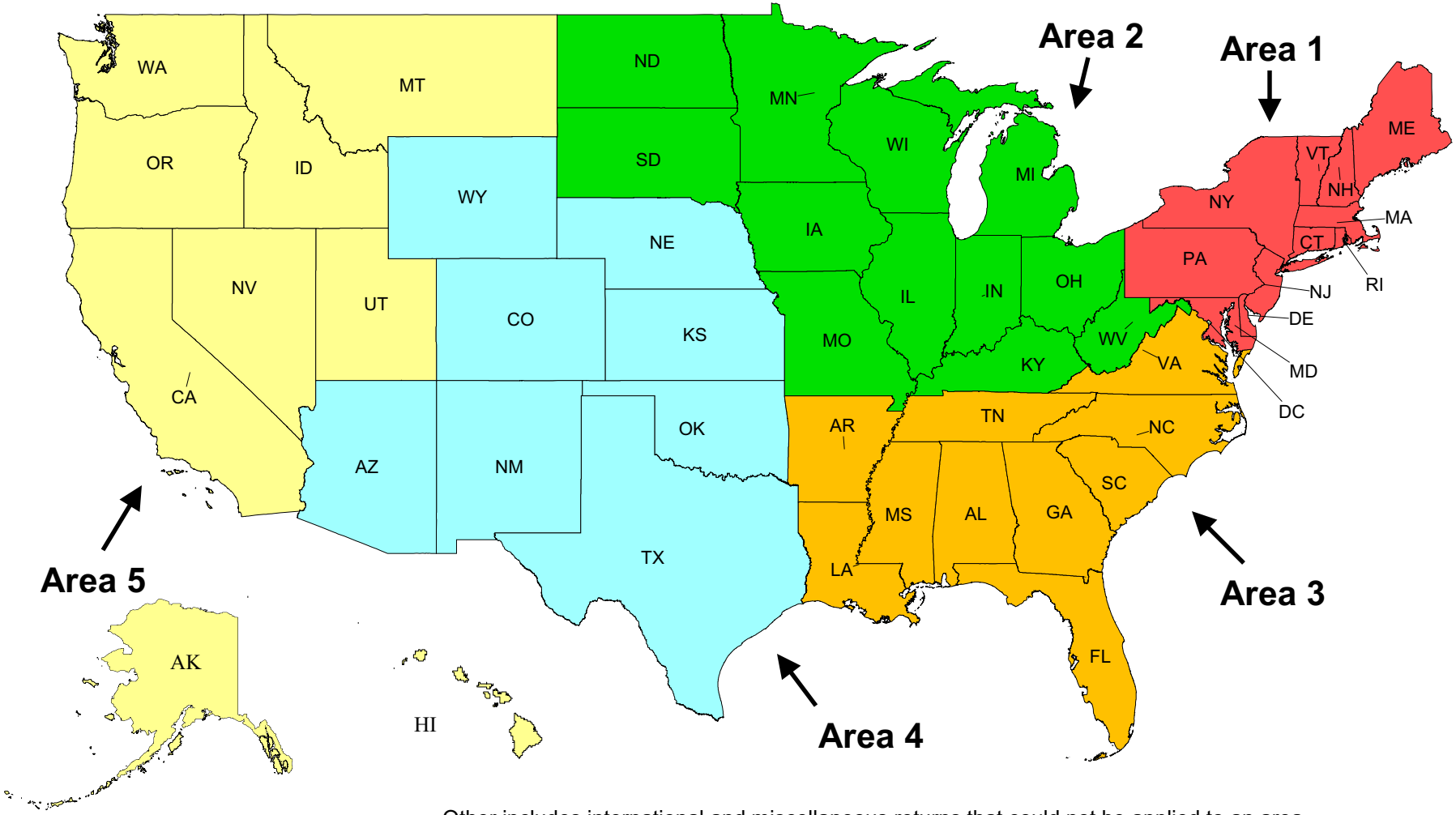
All Forms 941 by Industry

(The North American Industry Classification System - NAICS)

NAICS	TITLE	2001	2002	2003	%*
621111	Offices of Physicians	467,166	473,073	489,849	2%
813000	Religious, Civic, & Similar Organizations	455,840	465,556	474,088	2%
722110	Full-Service Restaurants	417,919	419,143	437,844	2%
541990	All Other Professional, Scientific, & Technical Services	421,564	413,497	436,068	2%
541110	Offices of Lawyers	349,095	360,474	373,458	2%
238900	Other Special Trade Contractor	438,094	430,519	292,085	1%
524210	Insurance Agencies and Brokerages	245,813	254,623	261,903	1%
611000	Educational Services	250,251	250,912	255,365	1%
812990	All Other Personal Services	232,768	227,657	248,771	1%
621210	Offices of Dentists	220,186	231,716	244,479	1%
722210	Limited-Service Eating Places	219,952	220,089	236,875	1%
541600	Management, Scientific, & Technical Consulting Services	204,298	215,638	220,541	1%

* The percentage of all Forms 941 filed in PY 2003.

TEC Area (941)



Other includes international and miscellaneous returns that could not be applied to an area.

Area 1	Area 2	Area 3	Area 4	Area 5	Other
5,485,325	5,451,892	5,134,335	2,991,211	4,656,720	196,944

Zero Wage Returns

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

	Total 941 Population	Zero Wage Return	%
Total	23,916,427	2,415,319	10%

Form 941 Even Returns Filers

	Total 941 Population	Number of even returns	%
Total	23,916,427	17,992,952	75%

Processing Year 2003

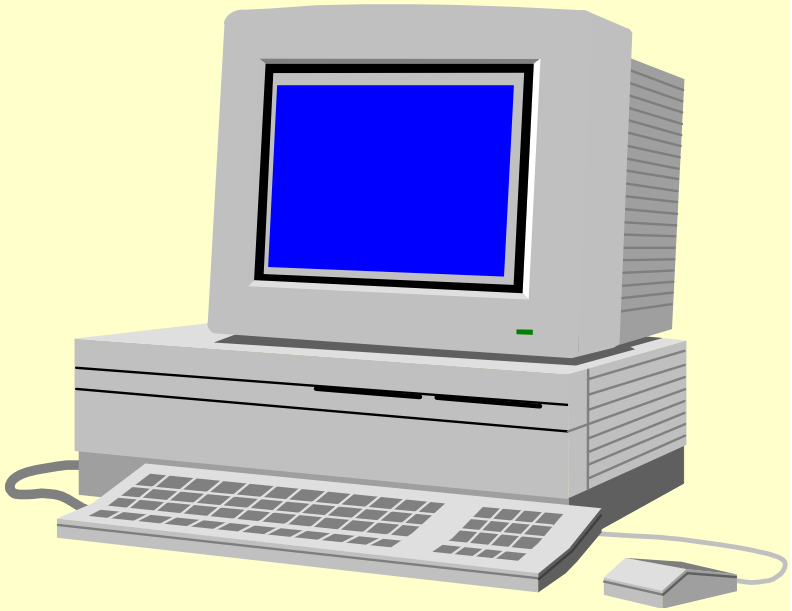
Form 990 Filers

Exempt Organization
Income Tax Return

Processing Year 2003

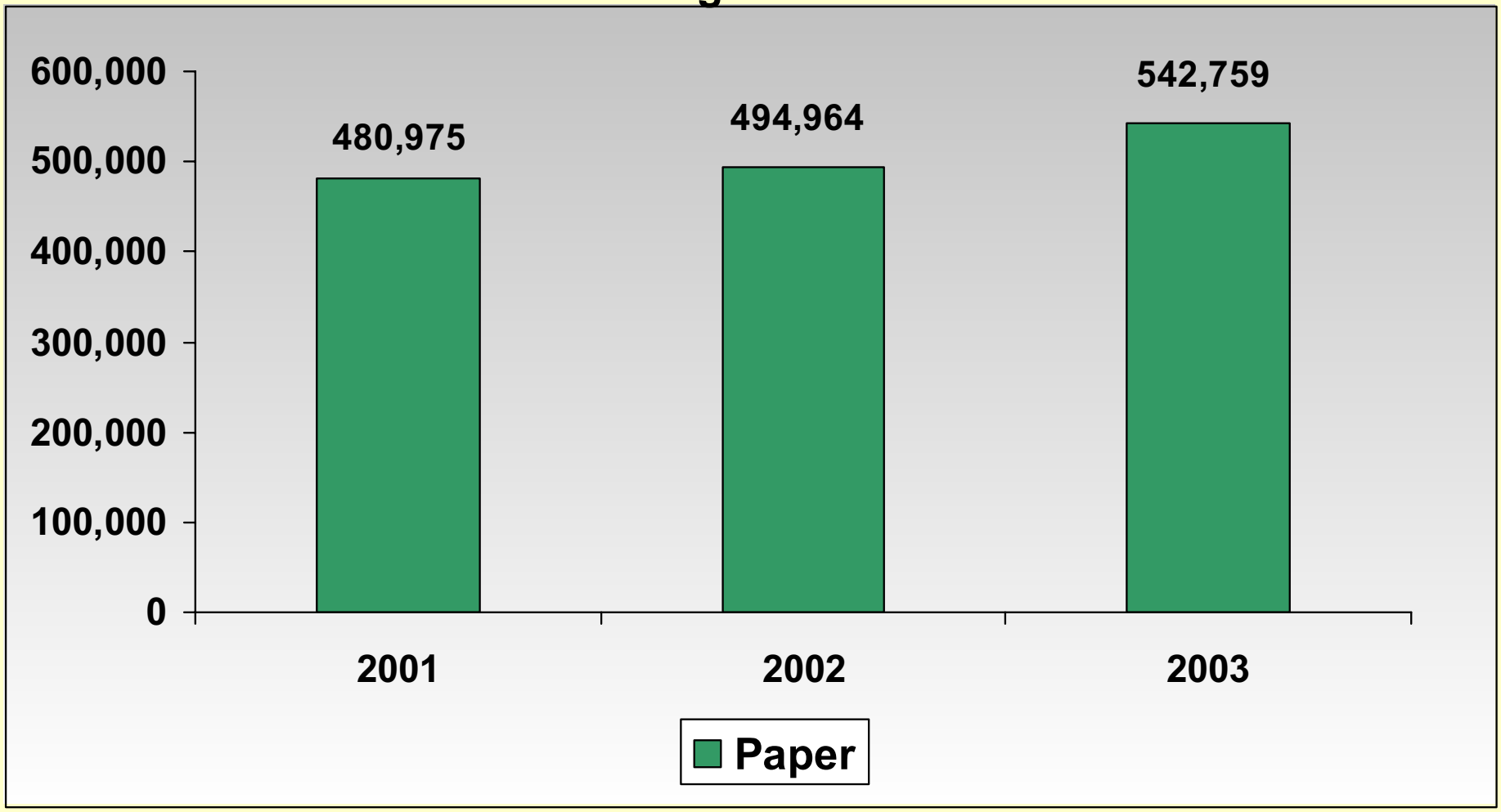
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities

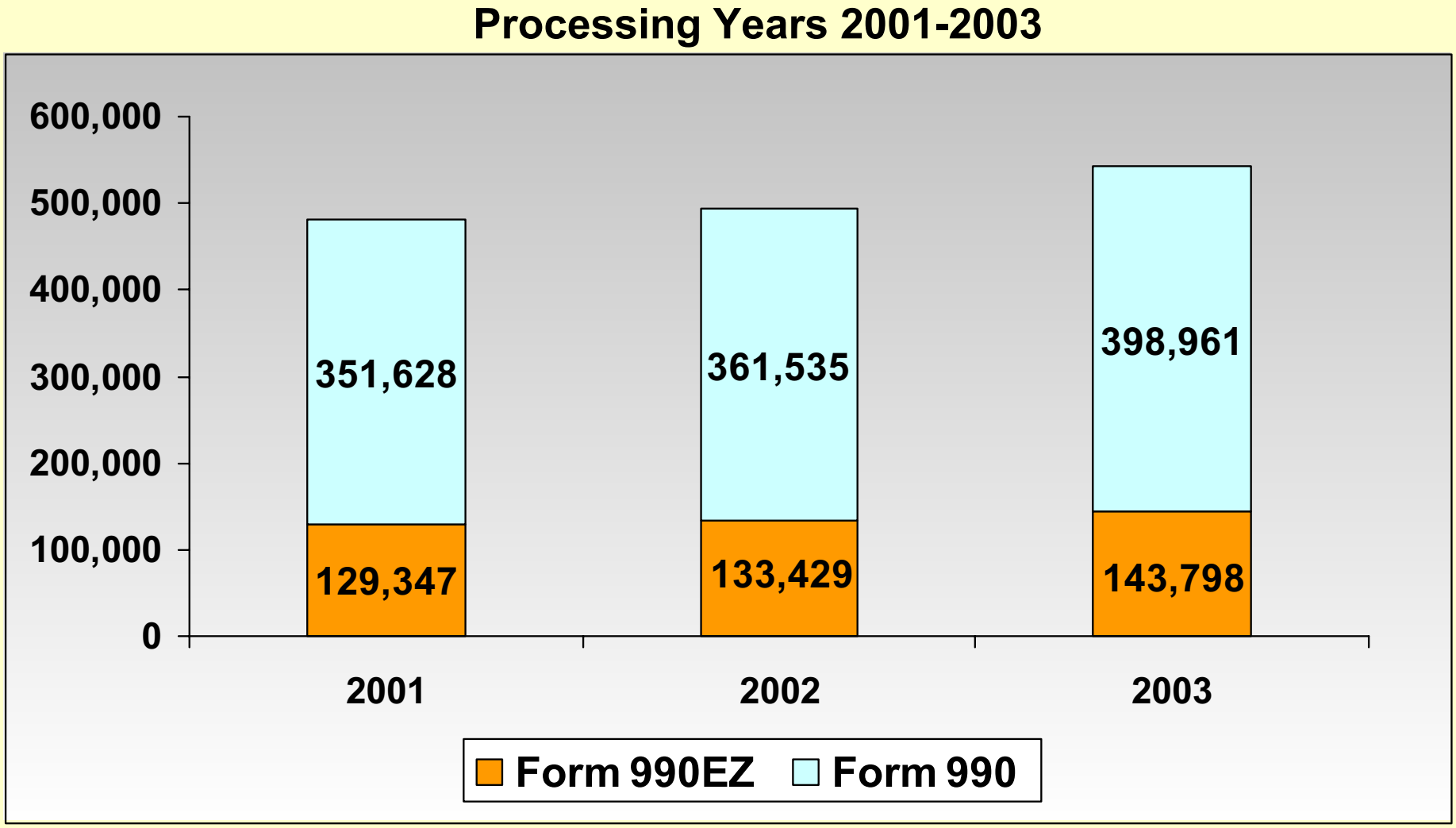


Form 990
Annual Filing Volume

Processing Years 2001-2003

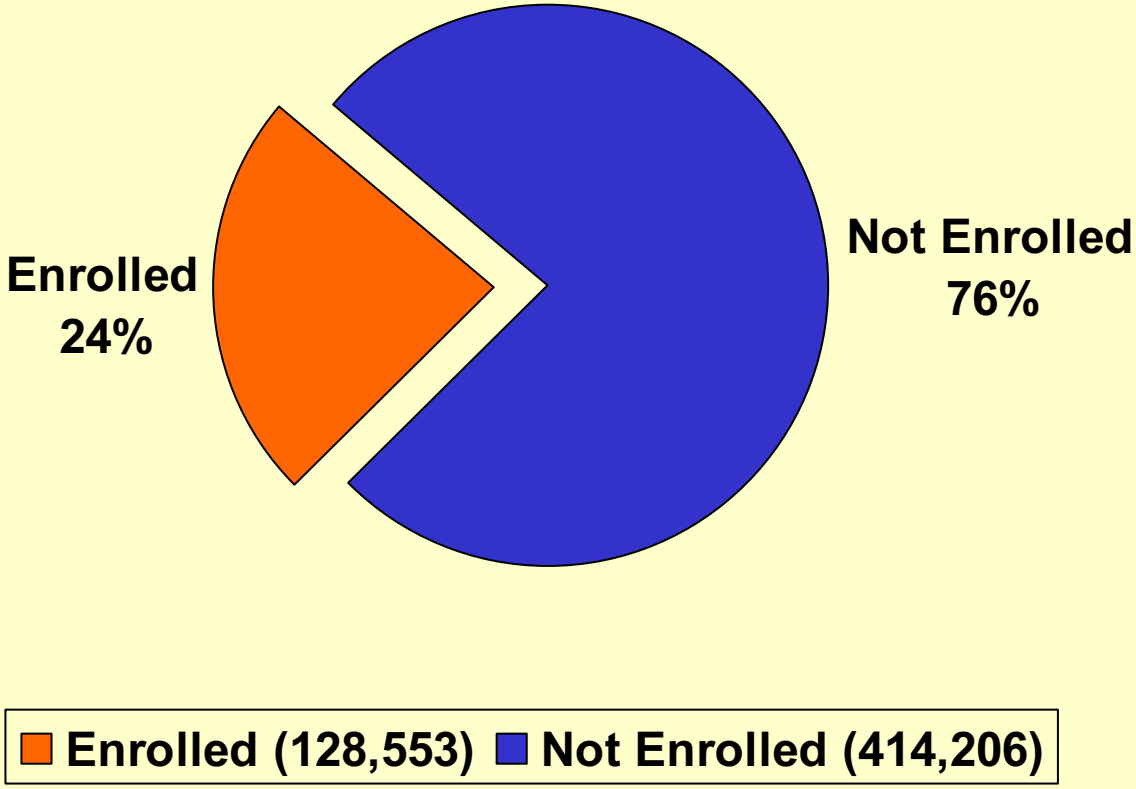


Form 990 by Series

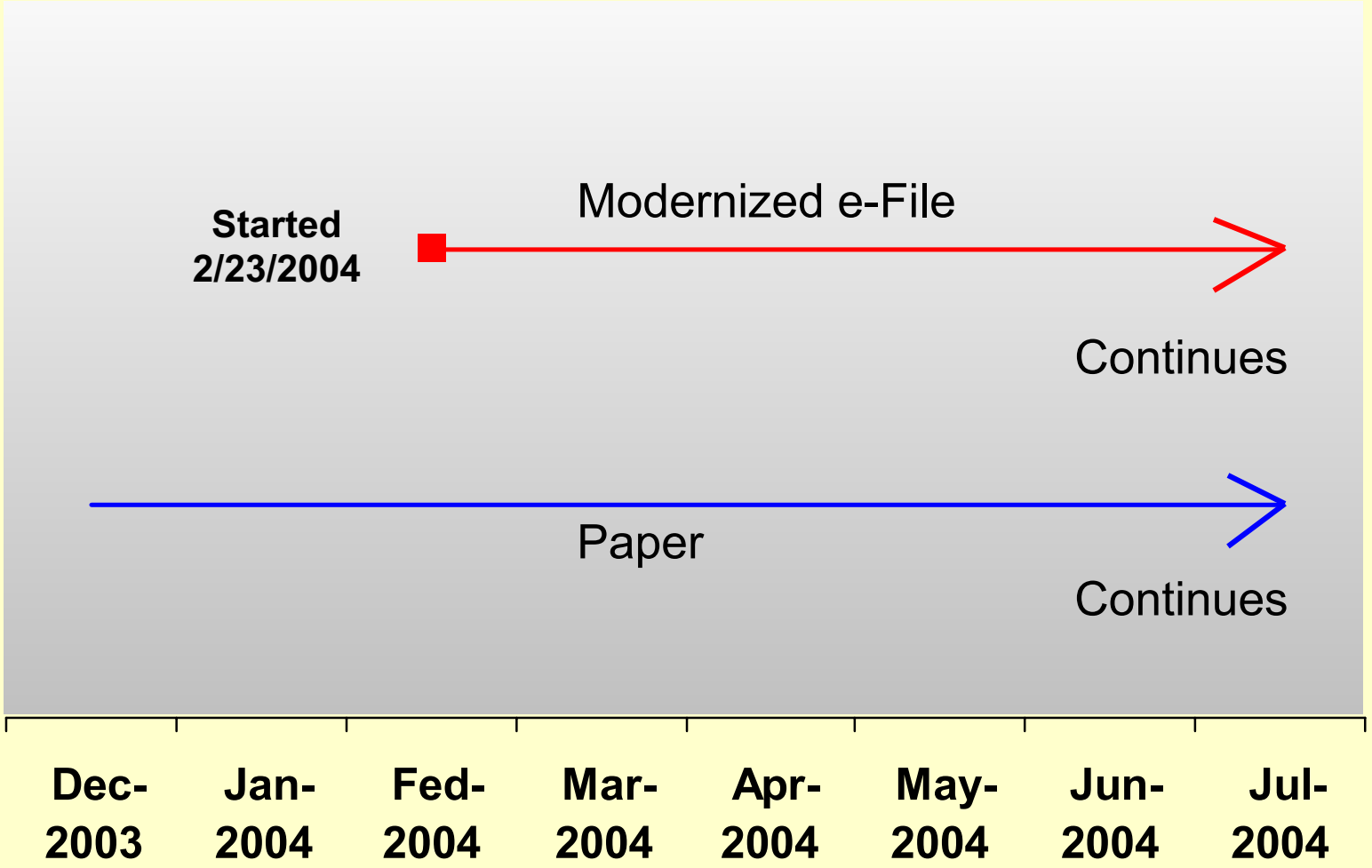


Form 990 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

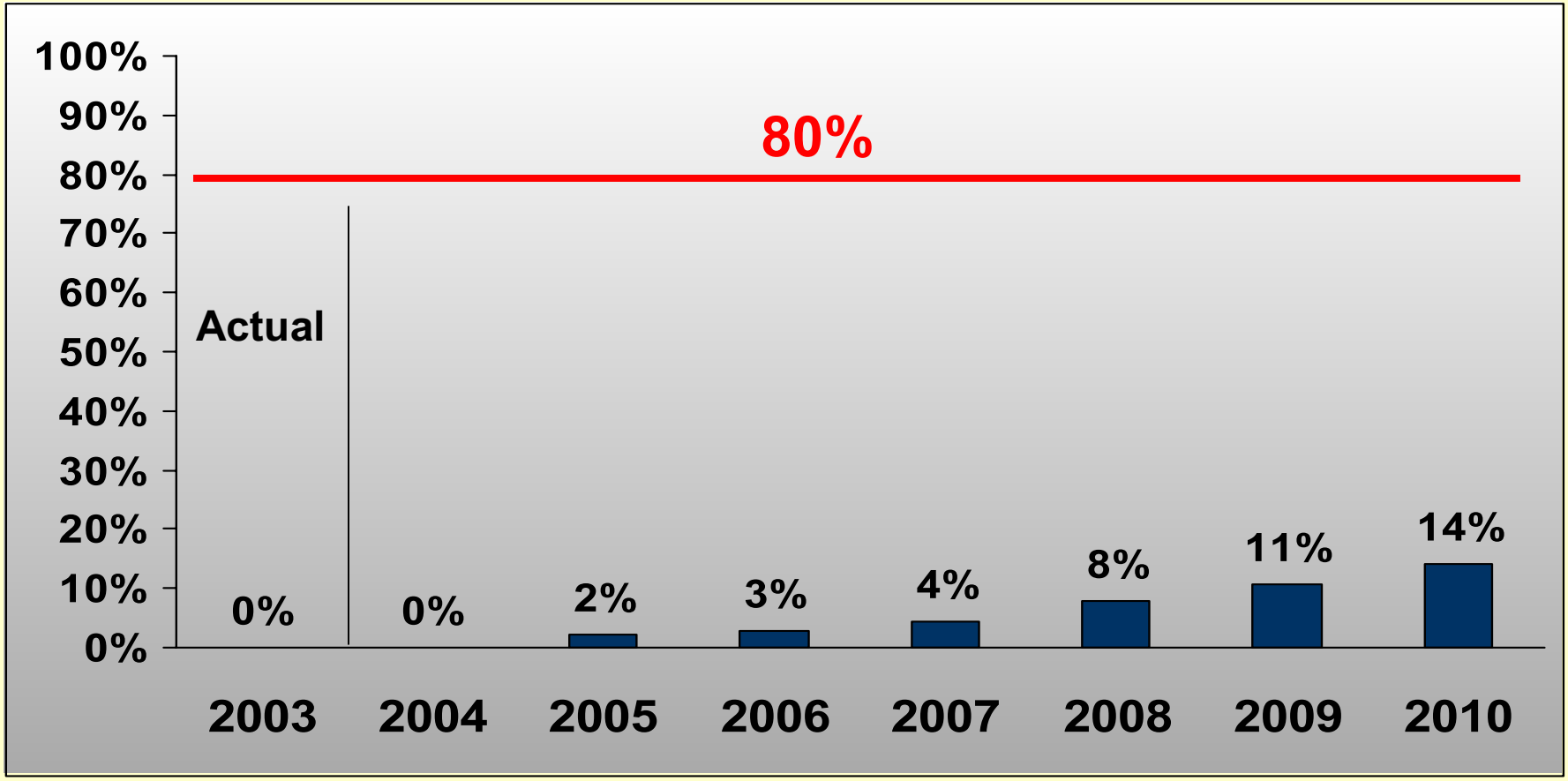
Processing Year 2003



Form 990: Implementation Schedule

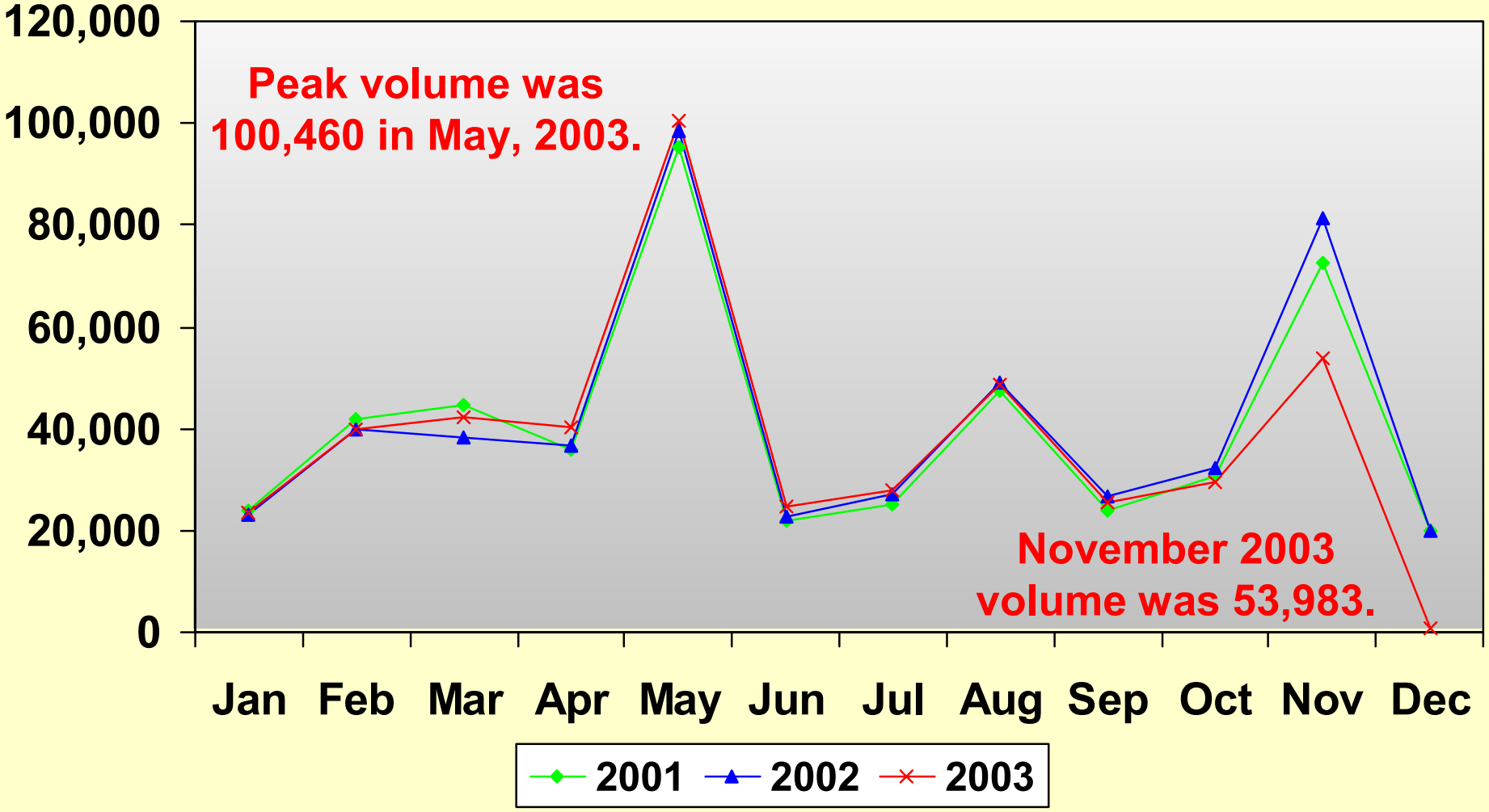


Form 990 Projected *e-file* Penetration Rate



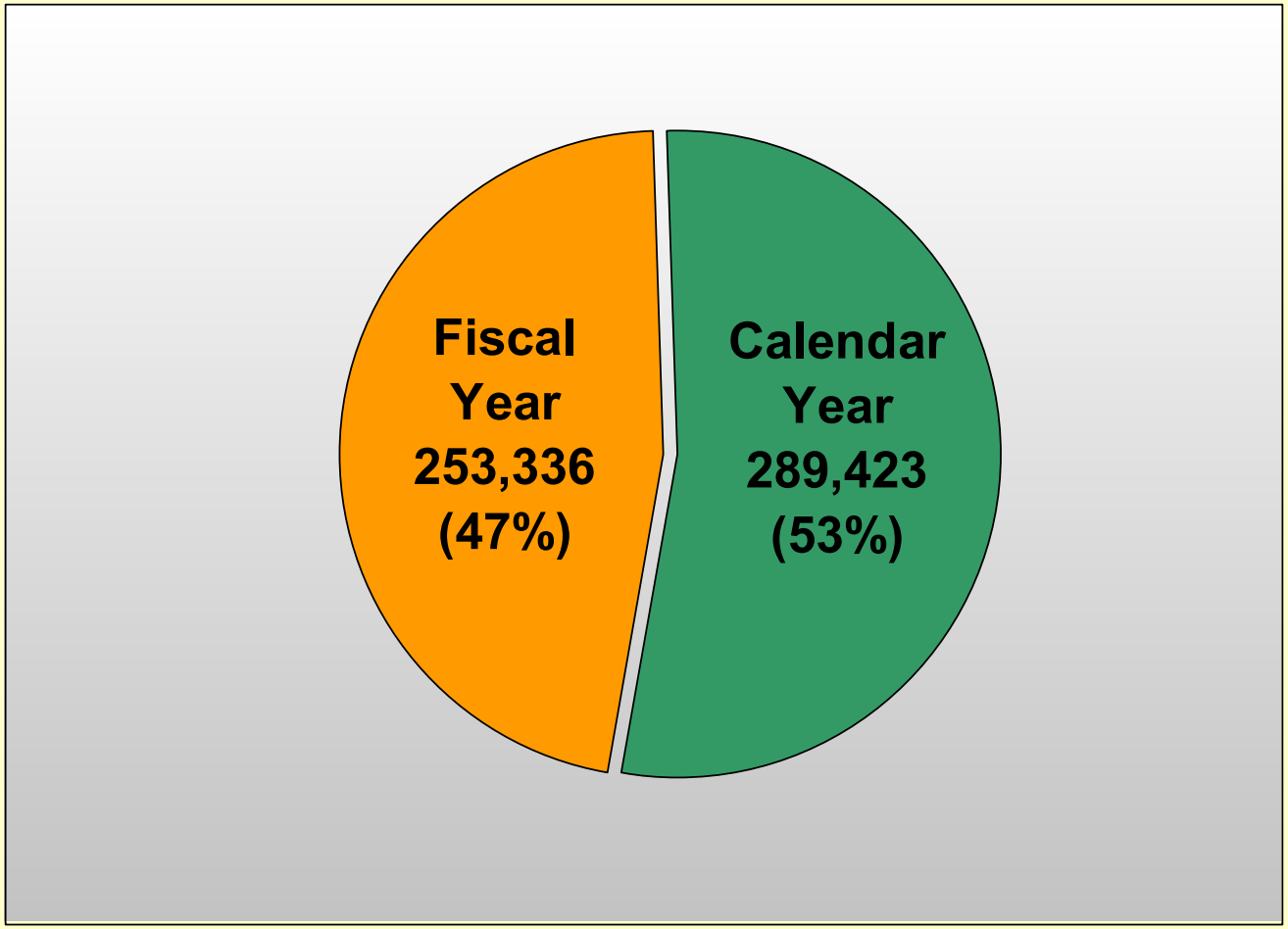
N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

Form 990: Monthly Filing Patterns



Fiscal Year Returns vs. Calendar Year Returns

Total: 542,759



Processing Year 2003

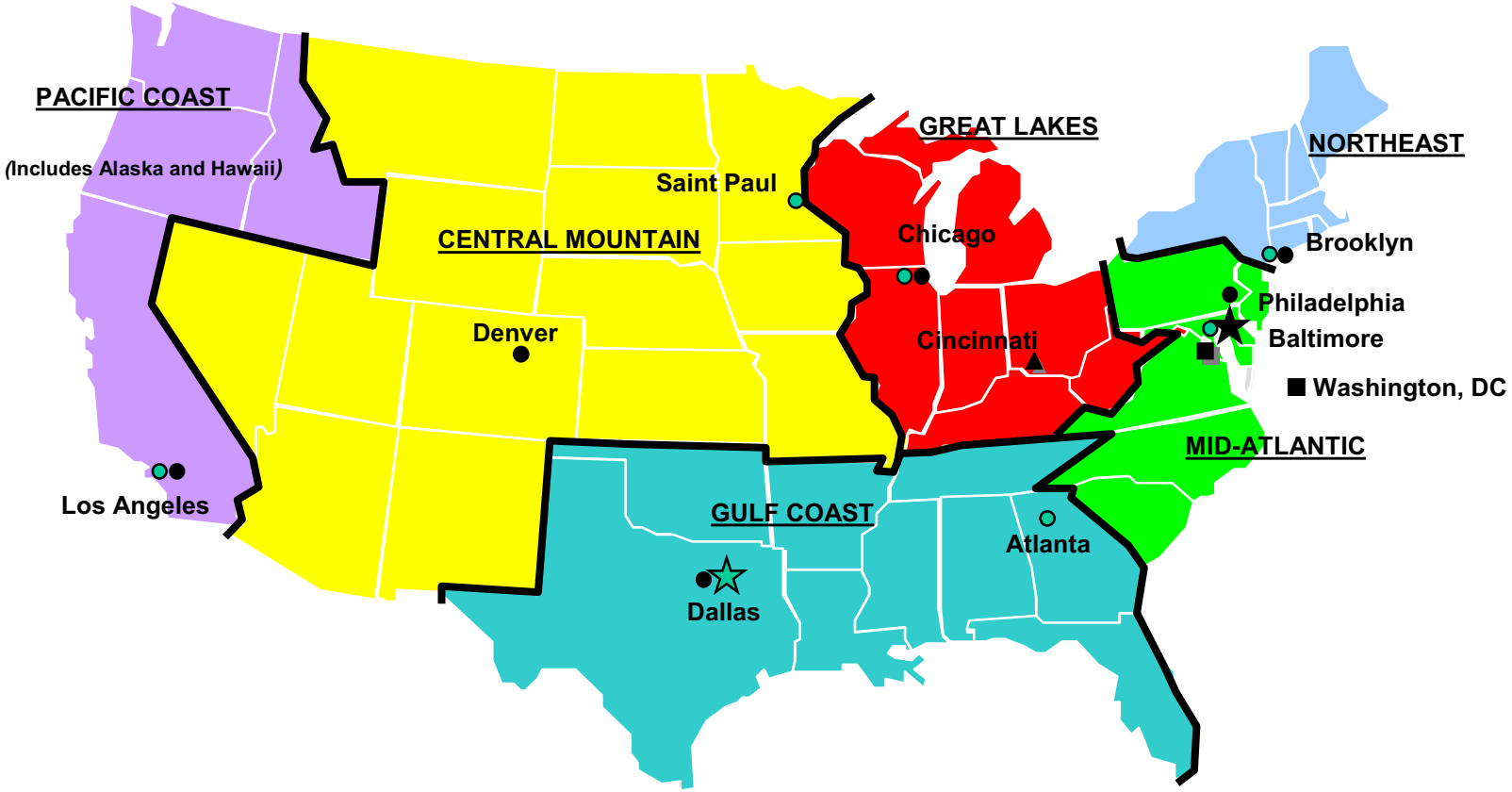
Forms 990 by Industry

(The North American Industry Classification System - NAICS)

NAICS	NAICS TITLE	Count	%
813000*	Religious, Grantmaking, Civic, Professional, & Similar Organizations	191,979	35%
611000	Educational Services	88,737	16%
624000	Social Assistance	60,946	11%
713000	Amusement, Gambling and Recreation Industries	28,408	5%
711000	Performing Arts, Spectator Sports	23,010	4%
712000	Museums, Historical Sites, & Similar Institutions	19,443	4%
621000	Ambulatory Health Care Service	17,720	3%
541000	Professional, Scientific, and Technical Services	15,392	3%
623000	Nursing & Residential Care Facilities	9,048	2%
622000	Hospitals	6,368	1%

One NAICS Code 813000 accounted for 35% in 2003.

TE/GE Areas (990)



	NORTHEAST	MID-ATLANTIC	GULF COAST	GREAT LAKES	CENTRAL MOUNTAIN	PACIFIC COAST	OTHER*
Total	78,650	97,750	99,282	100,565	76,648	88,450	1,414

*Other includes international and miscellaneous returns that could not be applied to an area.

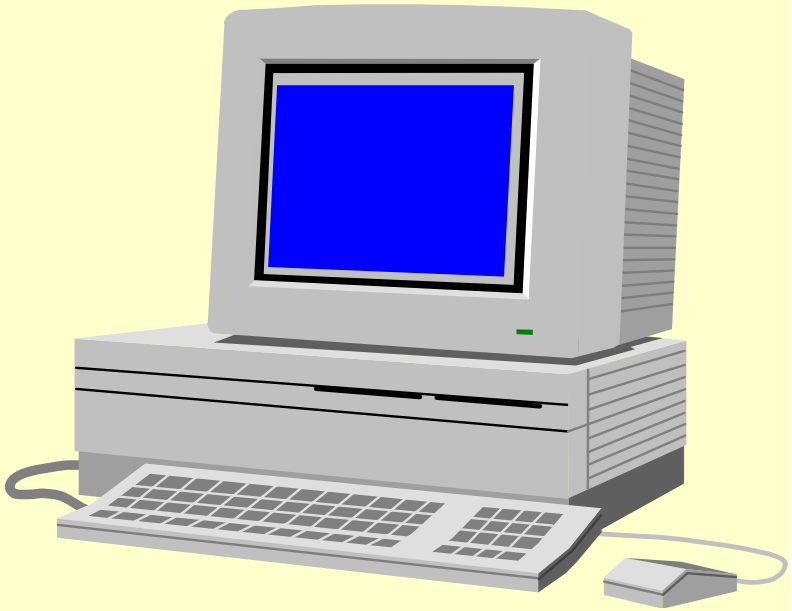
Form 943 Filers

Employer's Annual Tax Return for Agricultural Employees

Processing Year 2003

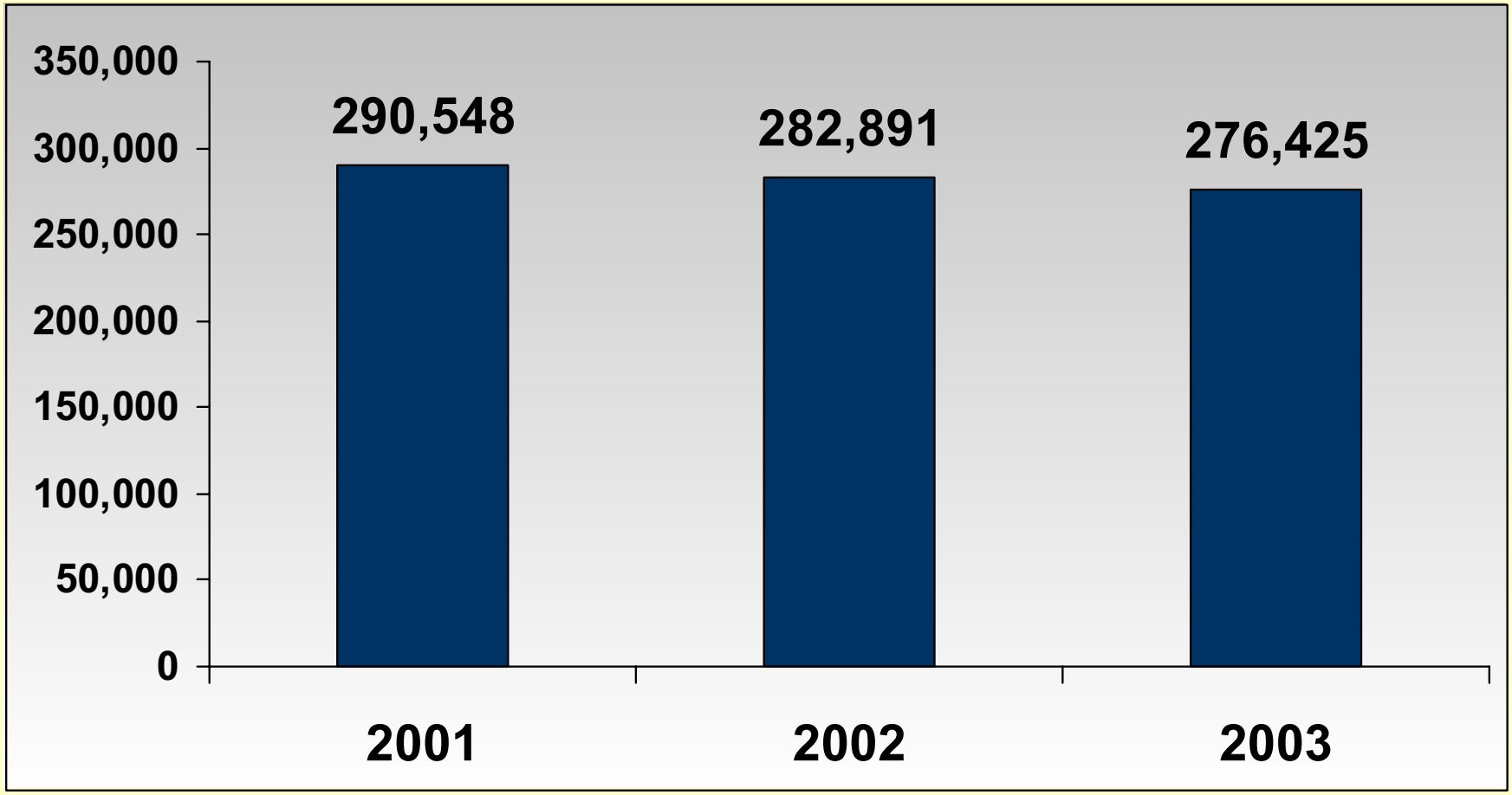
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities



Filing Volume: Form 943

Processing Years 2001-2003



There are two forms in the 943 Series:

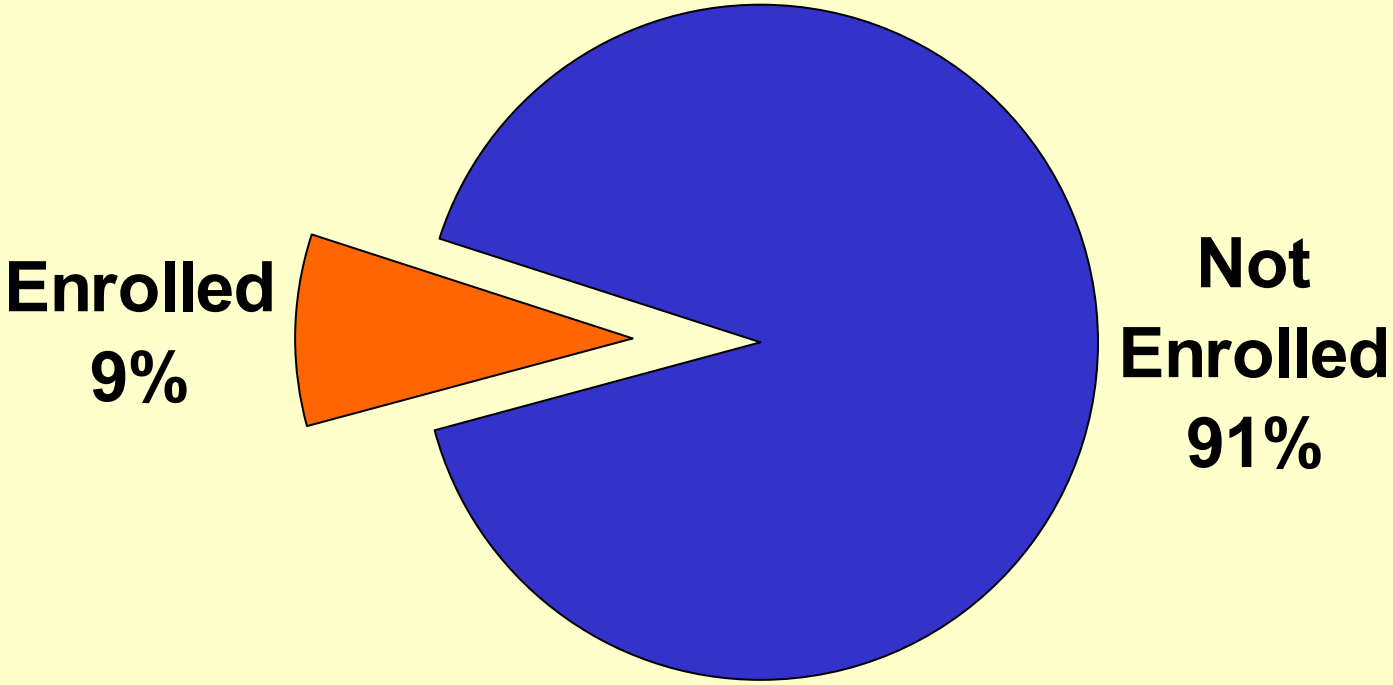
Form 943, 943PR* (Document code 43)

These forms can currently be filed only on paper.

*Employer's Annual Tax Return for Agricultural Employees (Puerto Rican Version)

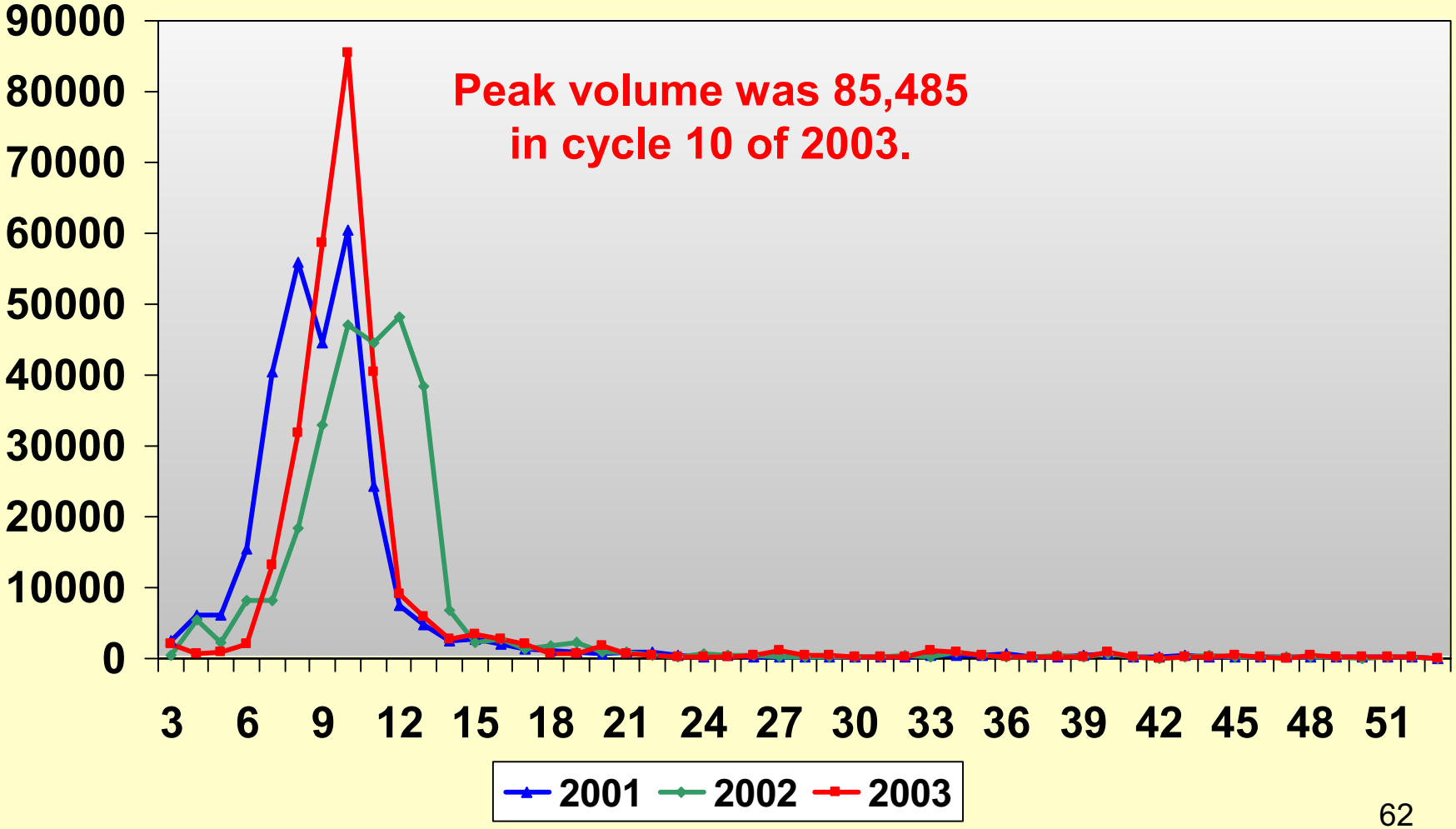
Form 943 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2003



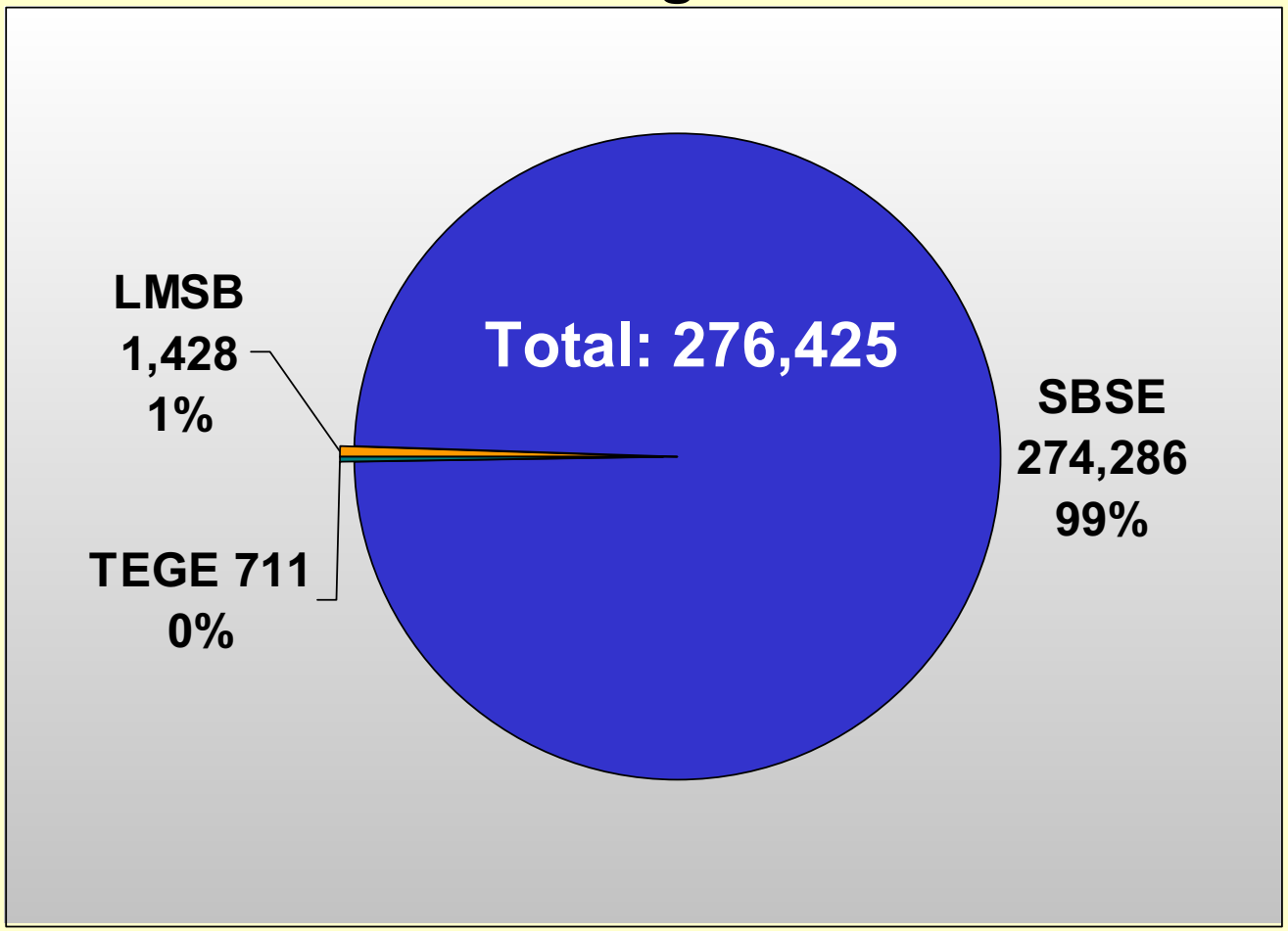
Enrolled (25,083) Not Enrolled (251,342)

Filing Patterns Form 943 by Cycle Posted



Forms 943 by Business Operating Division

Processing Year 2003



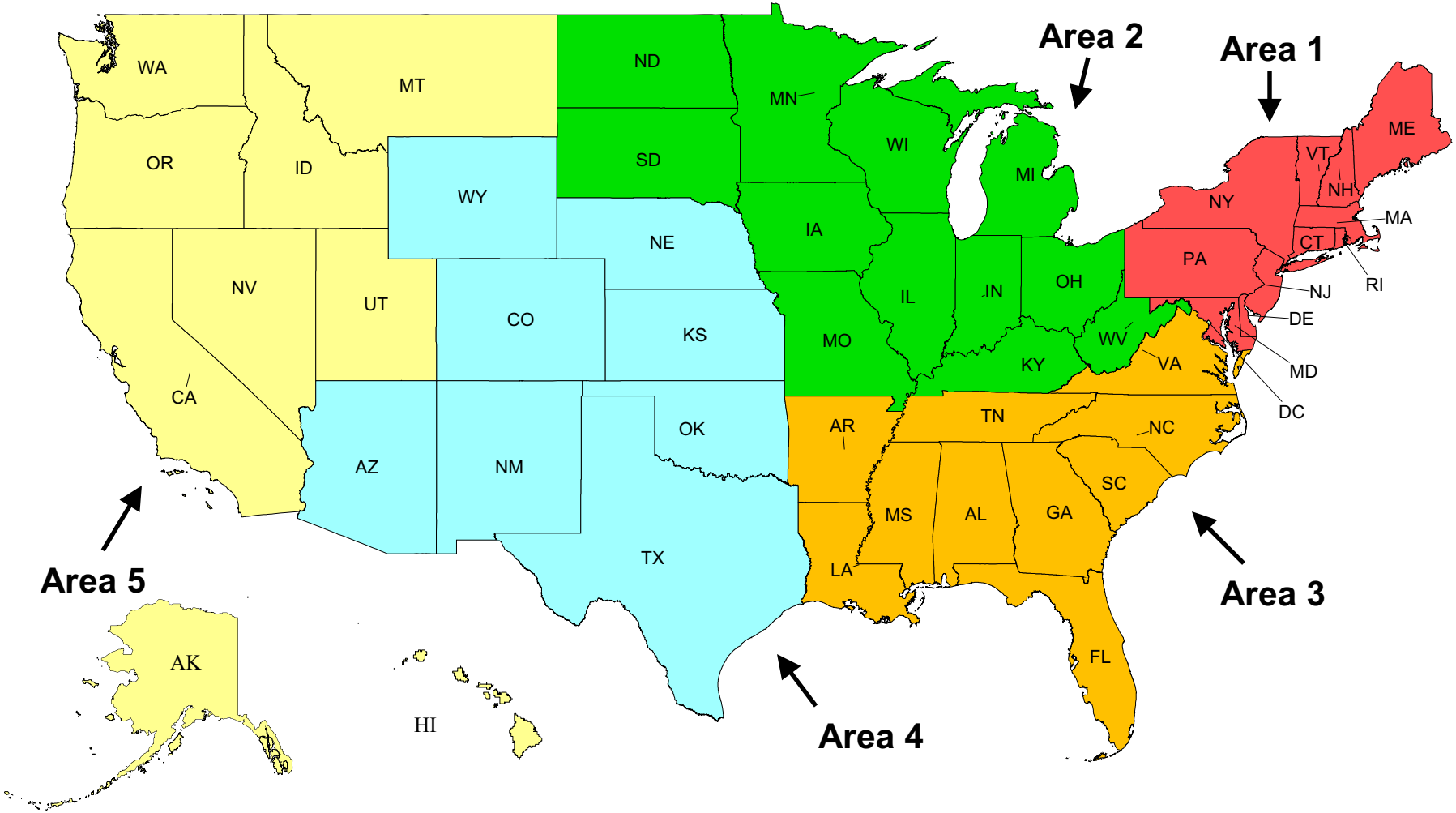
Paper Forms 943 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2001	2002	2003	%*
111100	Oilseed and Grain Farming	23,560	23,235	23,502	9%
110000	Agriculture, Forestry, Fishing	10,306	13,799	13,328	5%
111900	Other Crop Farming	13,455	13,108	13,200	5%
112111	Beef Cattle Ranching and Farming	11,845	11,770	11,940	4%
112120	Dairy Cattle and Milk Production	8,759	8,675	8,705	3%
111300	Fruit and Tree Nut Farming	6,112	5,942	5,965	2%
115110	Support Activities for Crop Production	3,611	3,517	3,815	1%
111400	Greenhouse and Nursery	3,713	3,666	3,790	1%
111210	Vegetable and Melon Farming	3,356	3,308	3,374	1%
112210	Hog and Pig Farming	3,320	3,274	3,351	1%

* The percentage of Forms 943 filed in PY 2003.

TEC Area (943)*



	Area 1	Area 2	Area 3	Area 4	Area 5
Total	17,352	101,558	43,181	56,545	54,732

*3,057 returns have not been assigned to any area.

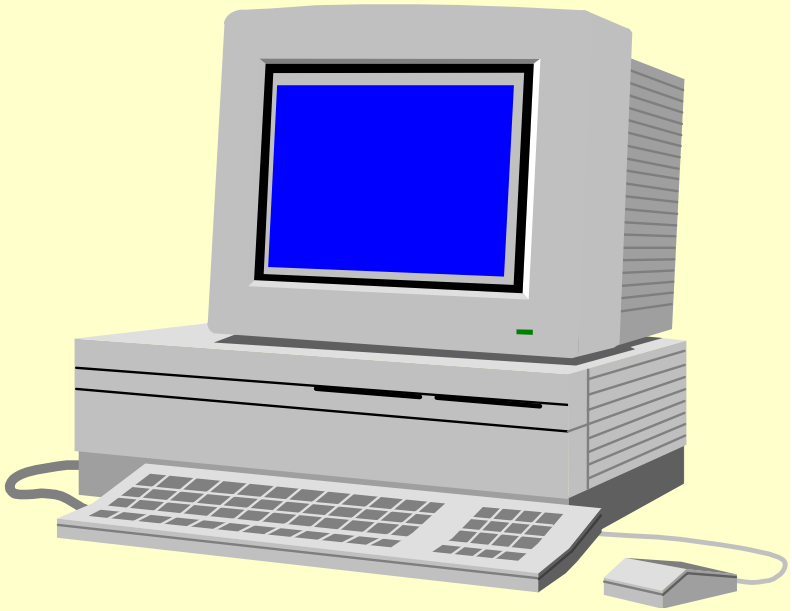
Form 945 Filers

Employer's Annual Return of Withheld Federal Income Tax

Processing Year 2003

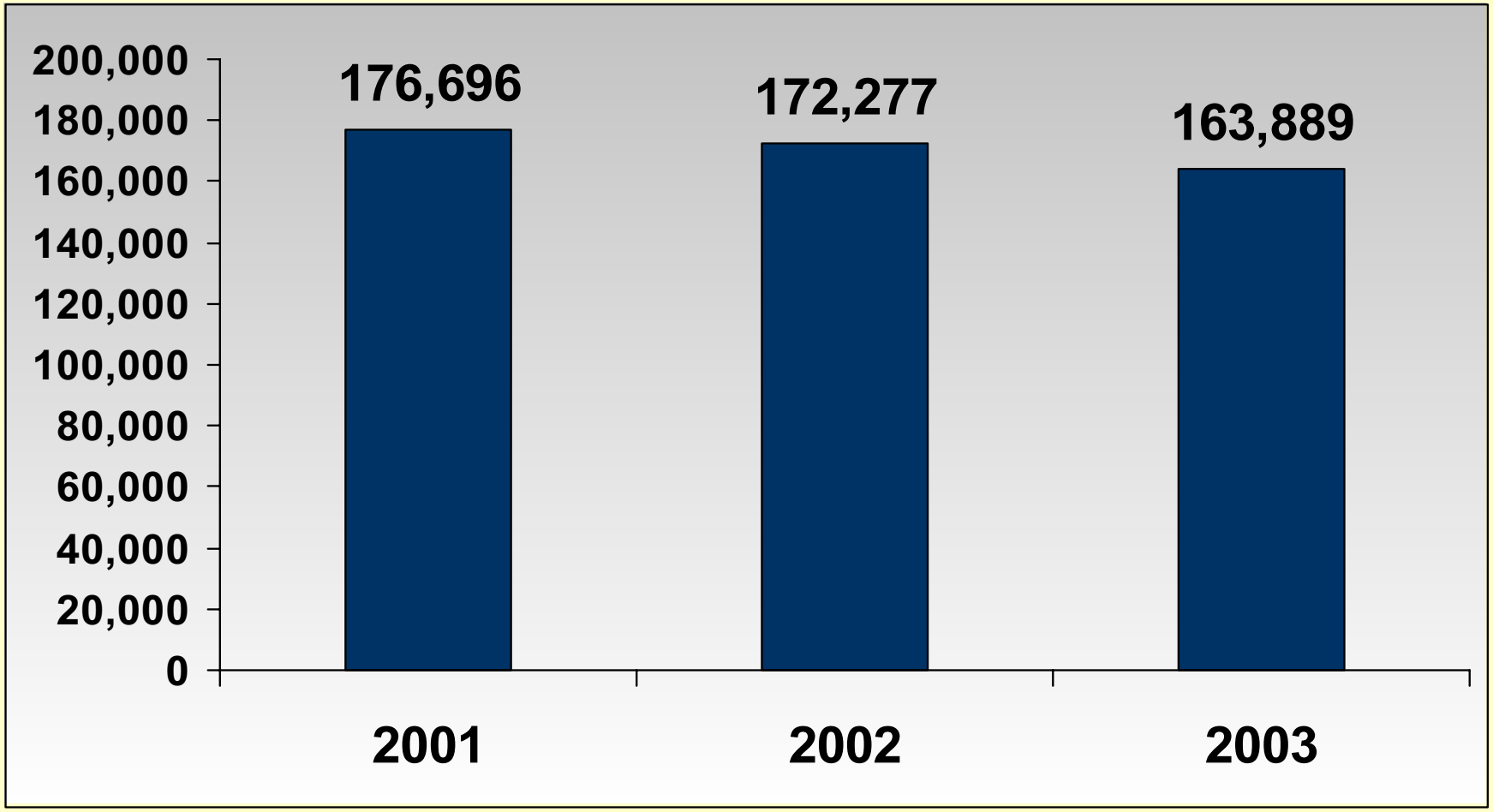
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities



Filing Volume: Form 945

Processing Years 2001-2003



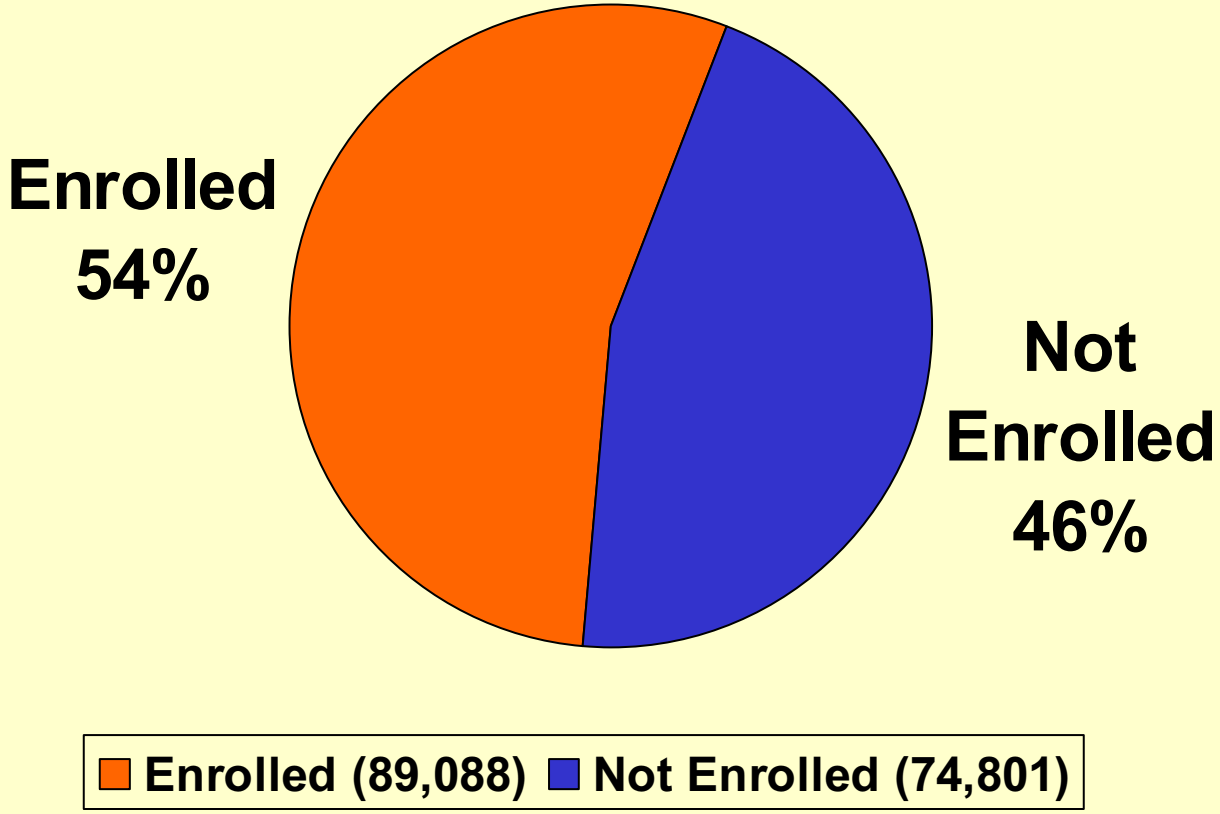
There is one form in the 945 Series:

Form 945 (Document code 97, 44 & 37)

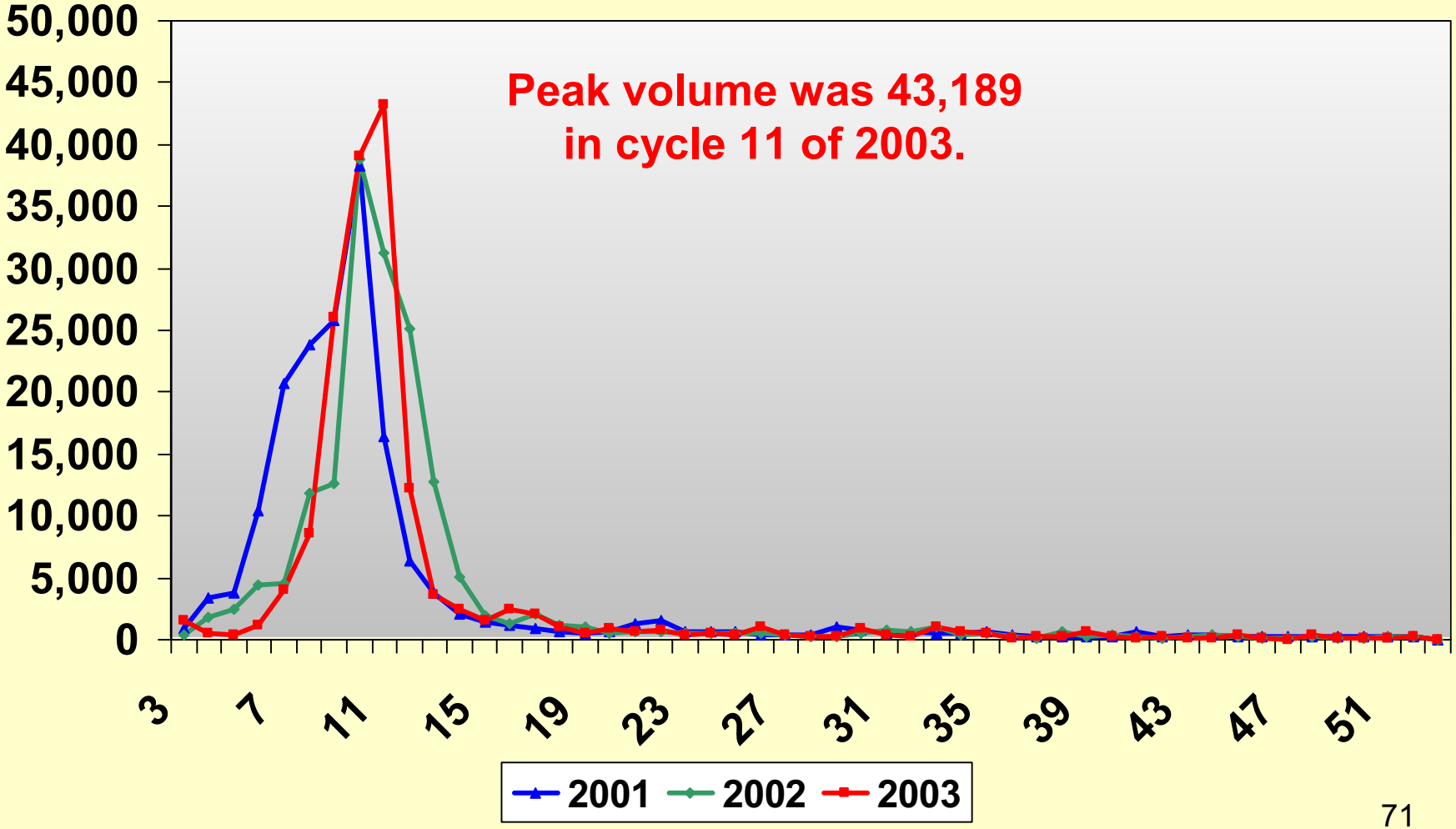
Forms 945 can currently be filed only on paper.

Form 945 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

Processing Year 2003

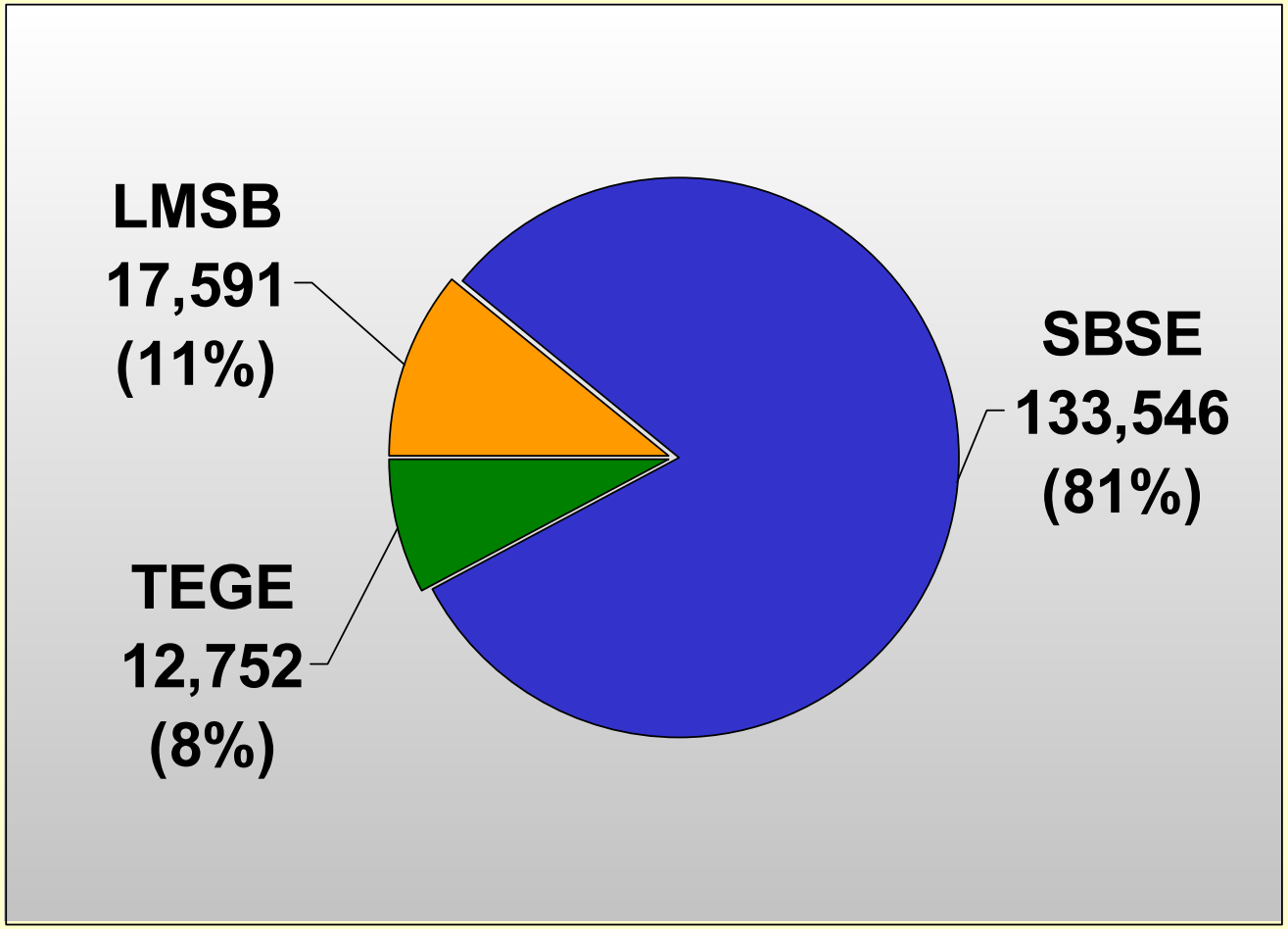


Filing Patterns Form 945 by Cycle Posted



Forms 945 by Business Operating Division

Total: 163,889



Processing Year 2003

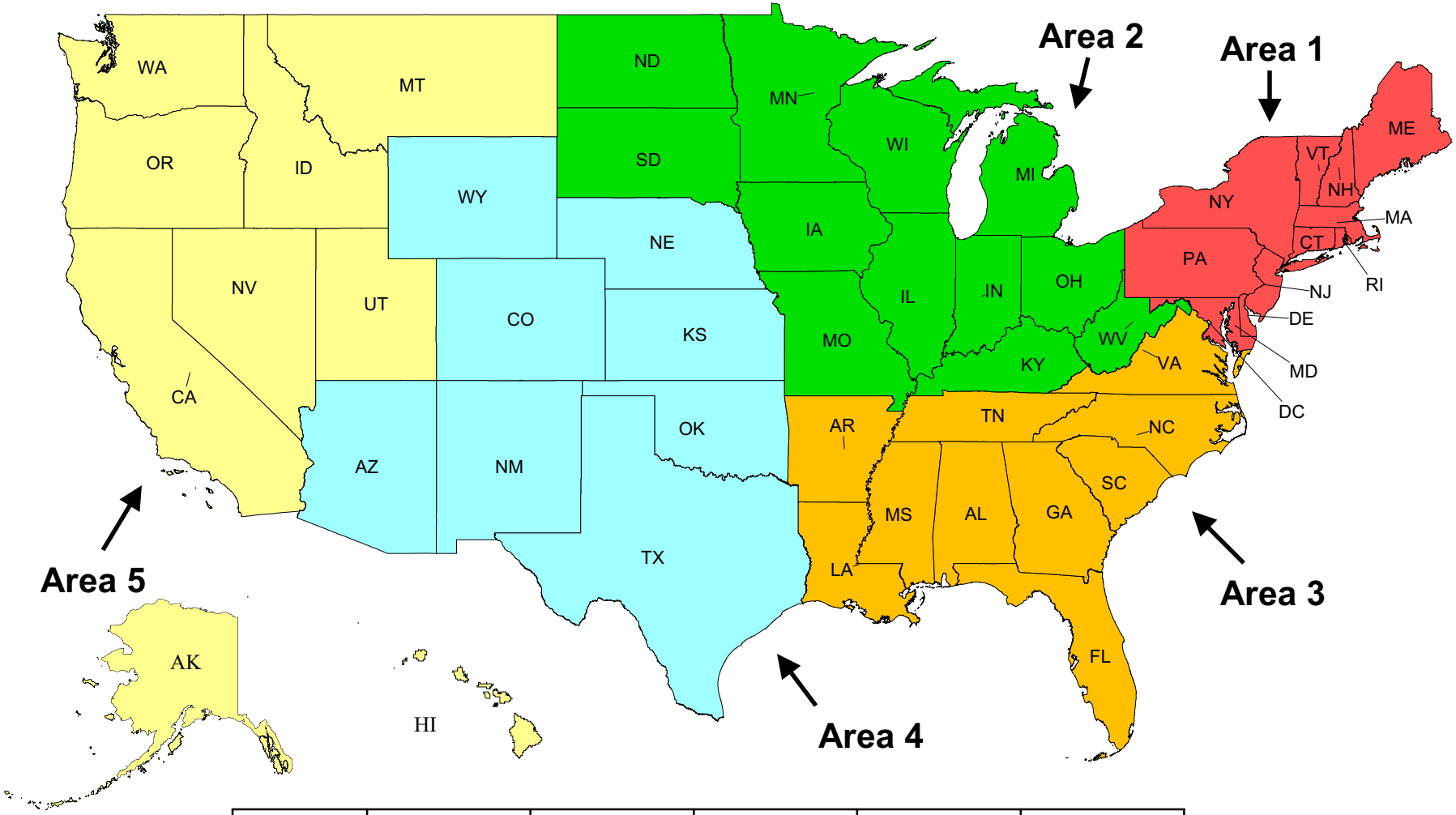
Paper Forms 945 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2001	2002	2003	%*
621111	Offices of Physicians	5,802	5,772	5,775	4%
522110	Commercial Banking	5,203	5,548	5,632	3%
813000	Religious, Grantmaking, Civic, Professional	2,880	2,977	2,837	2%
621210	Offices of Dentists	1,884	1,923	1,961	1%
541110	Offices of Lawyers	2,095	1,982	1,927	1%
541990	All Other Professional & Scientific	1,457	1,514	1,384	1%
522000	Credit Intermediation	1,371	1,335	1,358	1%
525910	Open-End Investment Funds	1,340	1,387	1,341	1%
525110	Pension Funds	349	542	1,080	1%

*** The percentage of Forms 945 filed in PY 2003**

TEC Area (945)*



	Area 1	Area 2	Area 3	Area 4	Area 5
Total	39,602	43,268	29,979	19,139	31,851

*50 returns have not been assigned to any area.

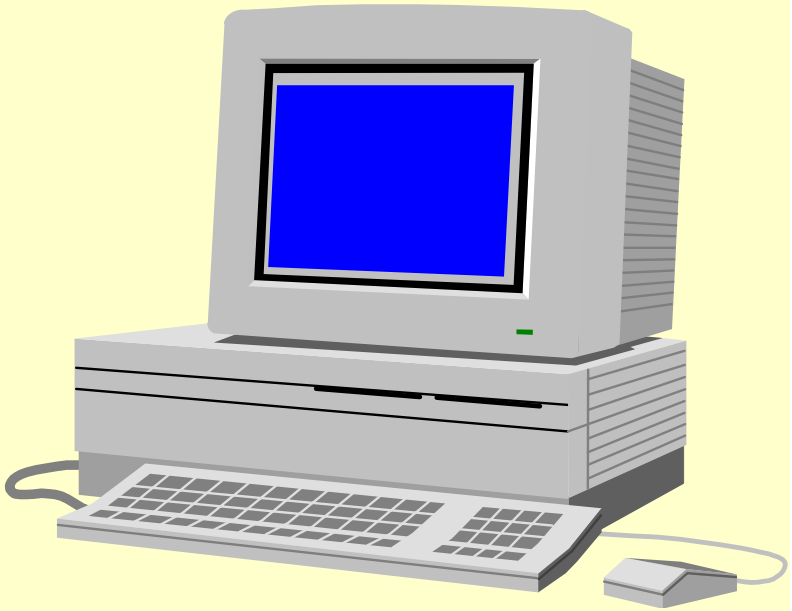
Form 1041 Filers

Fiduciary Income Tax Return

Processing Year 2003

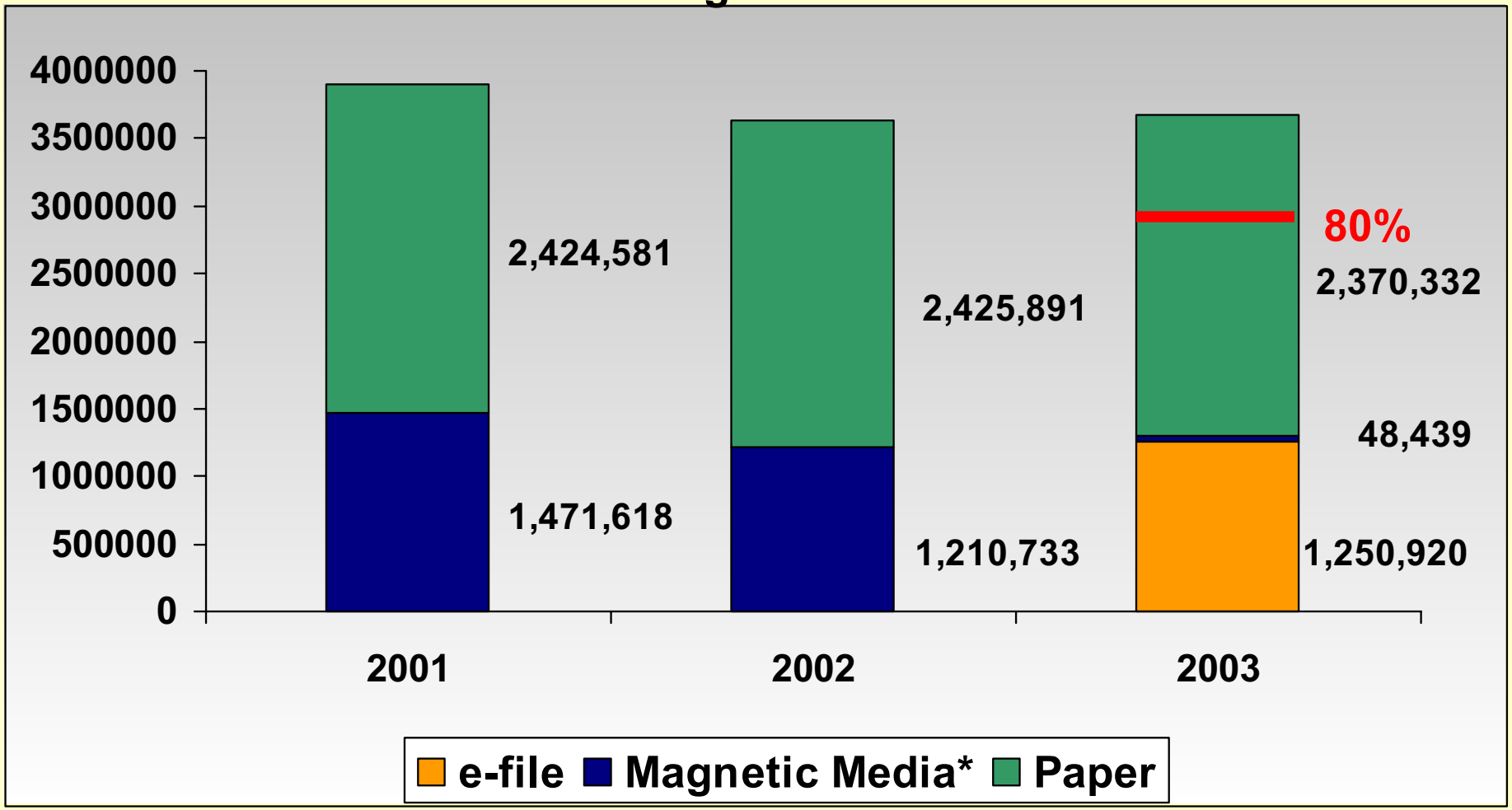
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities



Form 1041
Annual Filing Volume

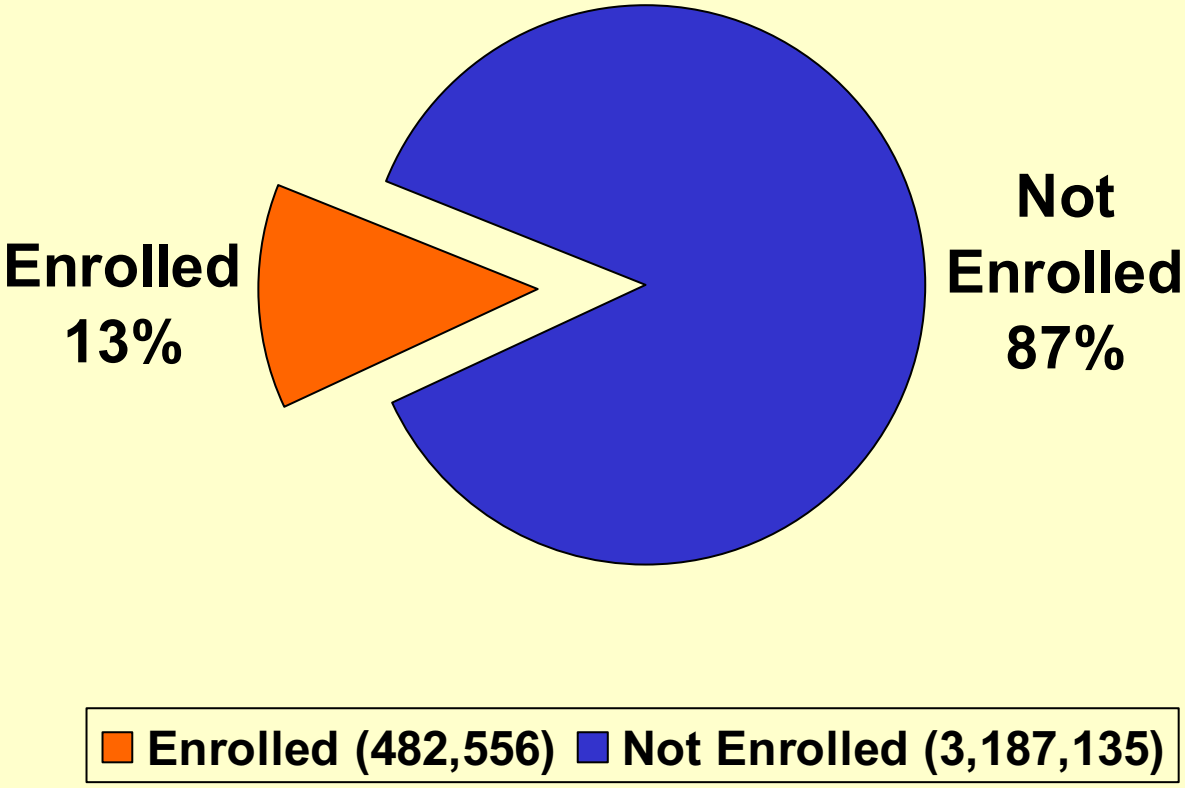
Processing Years 2001-2003



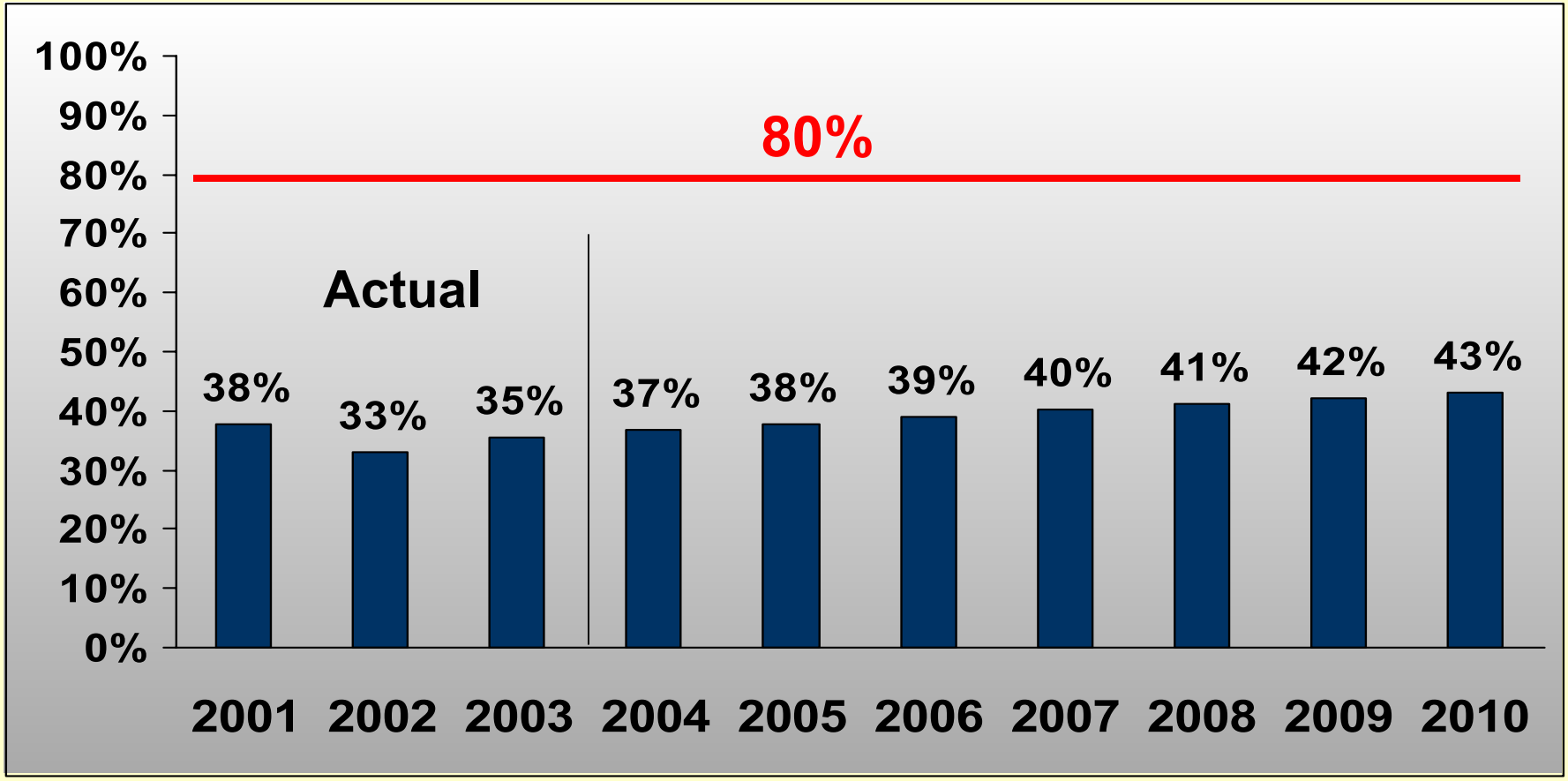
*The database does not break down magnetic media by diskette, modem or magnetic tape. This option will not be available after June 30, 2003.

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

Processing Year 2003

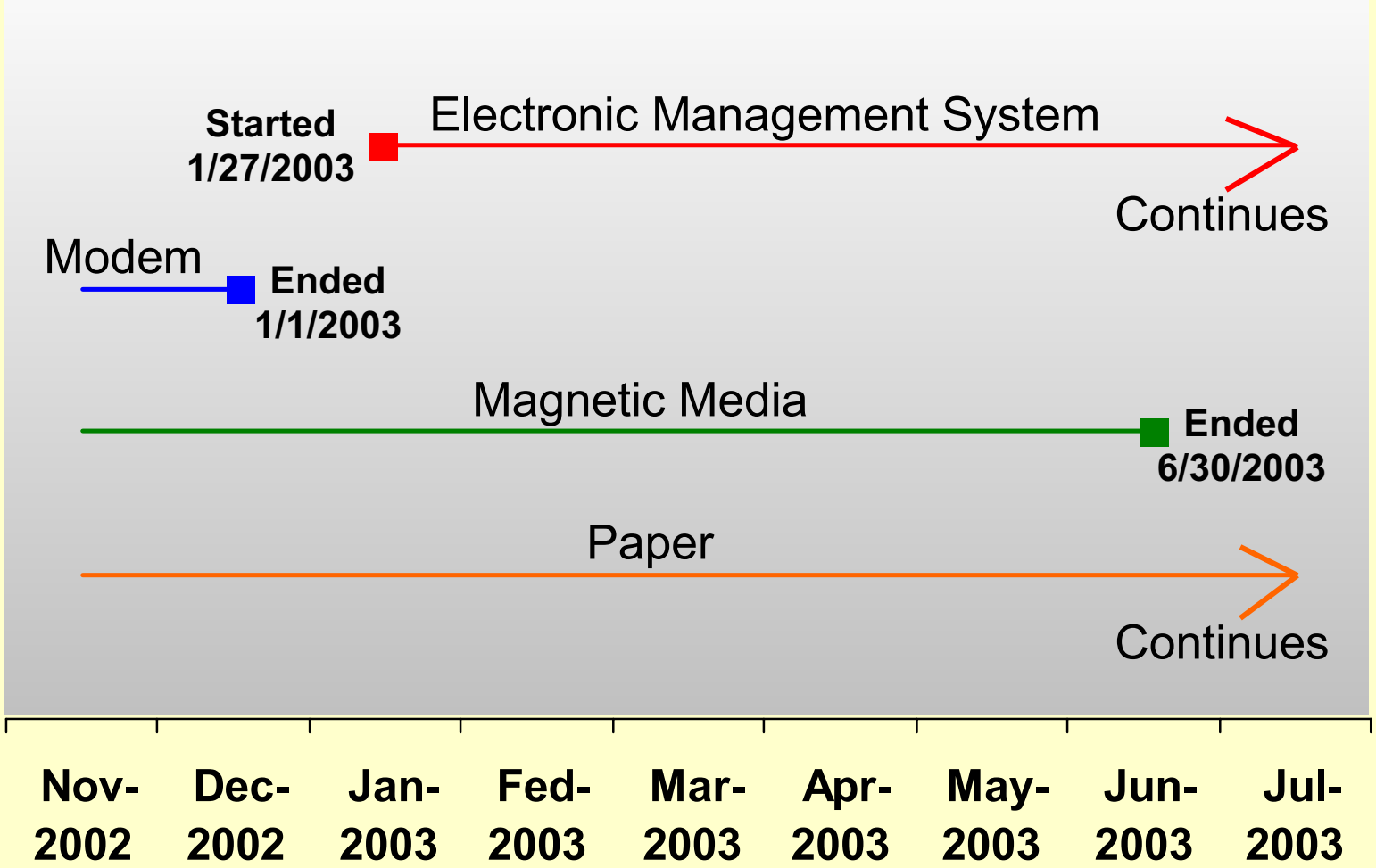


Form 1041 Projected *e-file* Penetration Rate

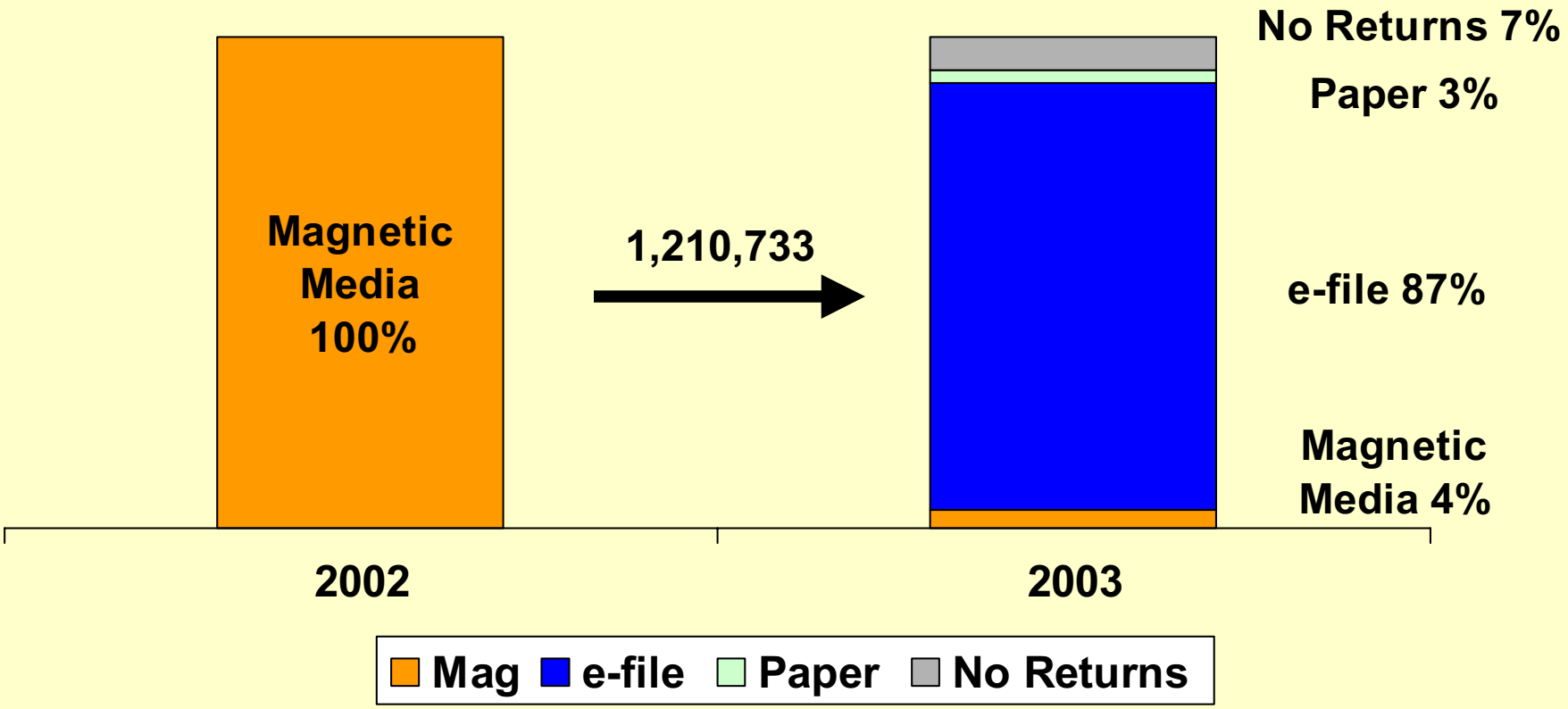


N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)
Note: For the years 2001, 2002 & 2003 *e-file* and Magnetic Media Penetration Rate are combined.

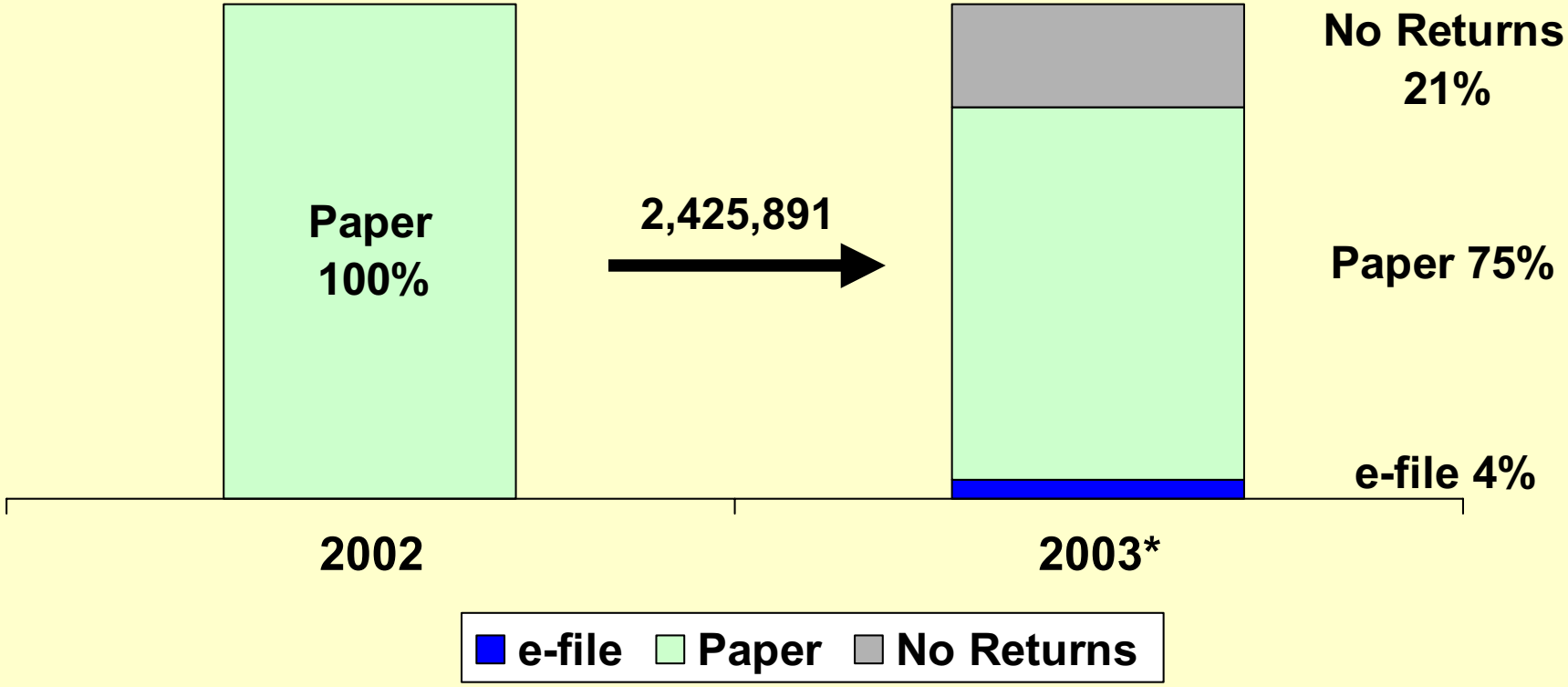
Form 1041: Implementation Schedule



Magnetic Media Migration Between Filing Options



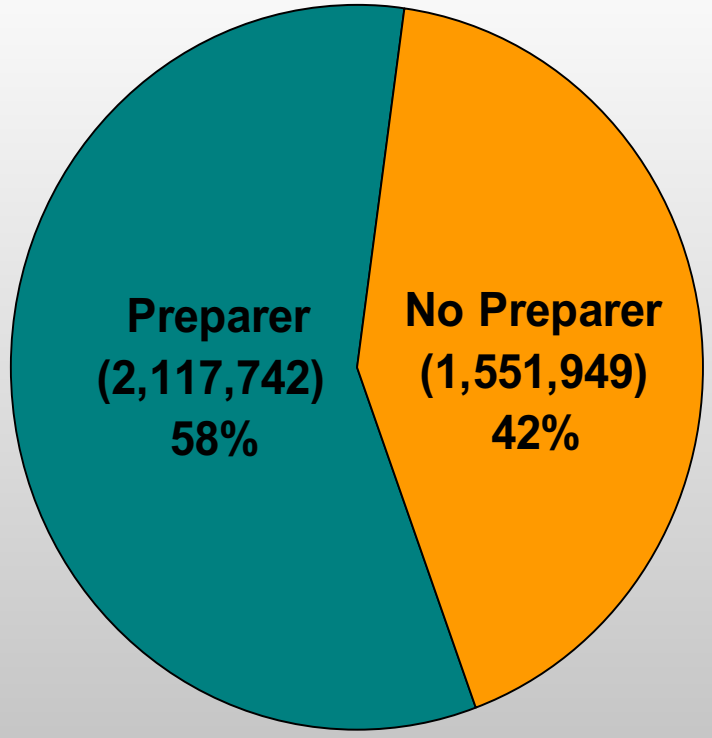
Paper Migration Between Filing Options



*In 2003 less then 1% of Paper migrated to Magnetic Media.

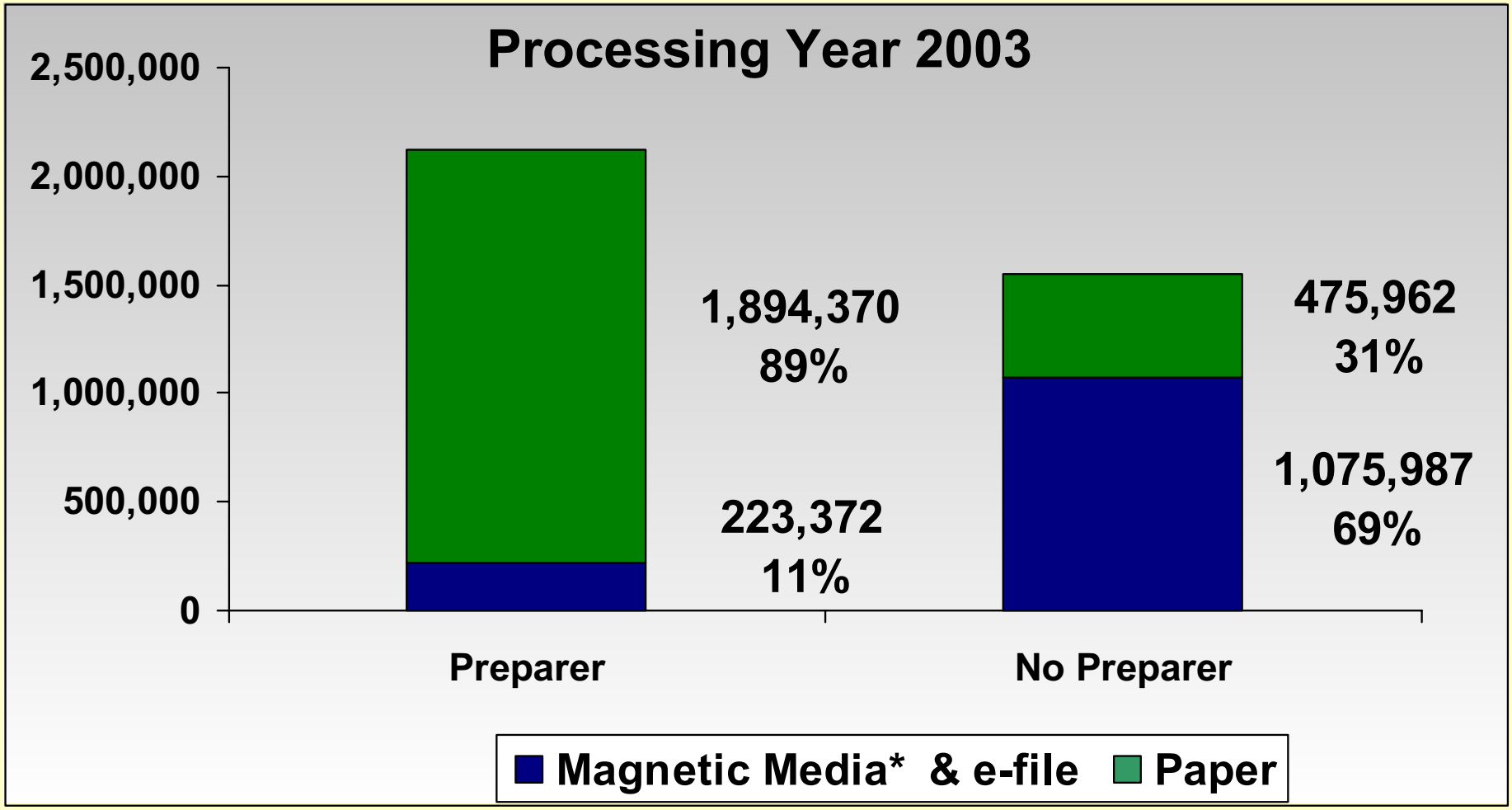
Preparer/No Preparer

Total: 3,669,691



Processing Year 2003

Self & Paid Preparation by Filing Method



*The database does not break down magnetic media by diskette, modem or magnetic tape.

Forms 1041: Top Ten Preparers

Processing Year 2003

Name	Total	Paper	Electronic*
1	87,208	37,207	50,001
2	42,420	0	42,420
3	30,349	15,177	15,172
4	26,506	59	26,447
5	24,641	6,579	18,062
6	24,577	0	24,577
7	12,796	12,796	0
8	11,568	2,016	9,552
9	10,679	7,260	3,419
10	10,453	10,453	0
Total	254,750	91,547	163,203

* Electronic is Magnetic Media and e-file.

Form 1041: Top Ten Magnetic Media & e-file Transmitters

Firm Name of Transmitters	COUNT
1	420,107
2	405,578
3	45,502
4	41,651
5	37,769
6	31,060
7	26,435
8	25,596
9	21,967
10	18,217
Total	1,073,882

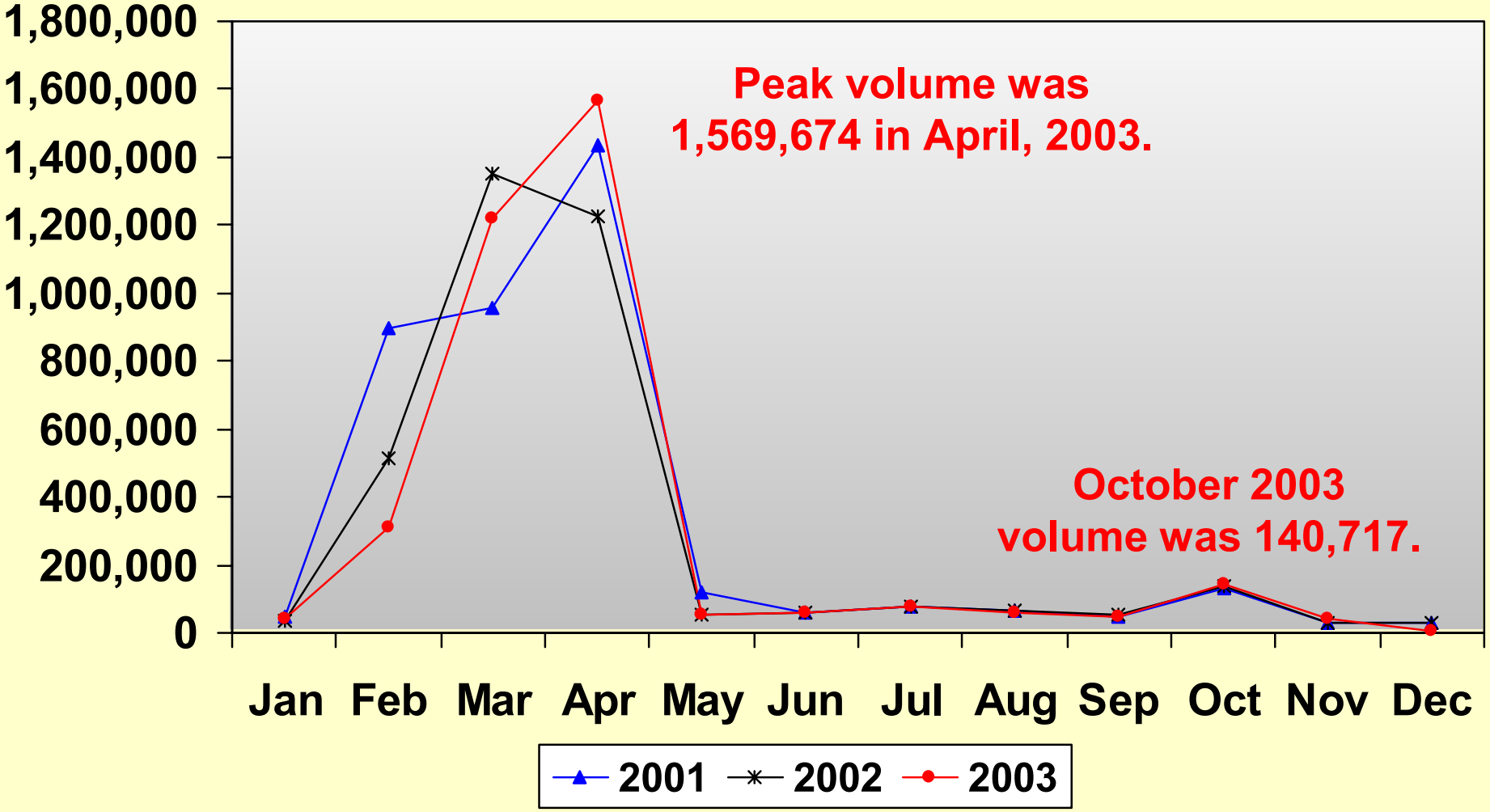
* From the Business Tax Return Database (TRDB) electronic return information for Form 1041.

These are three forms in the 1041 Series:

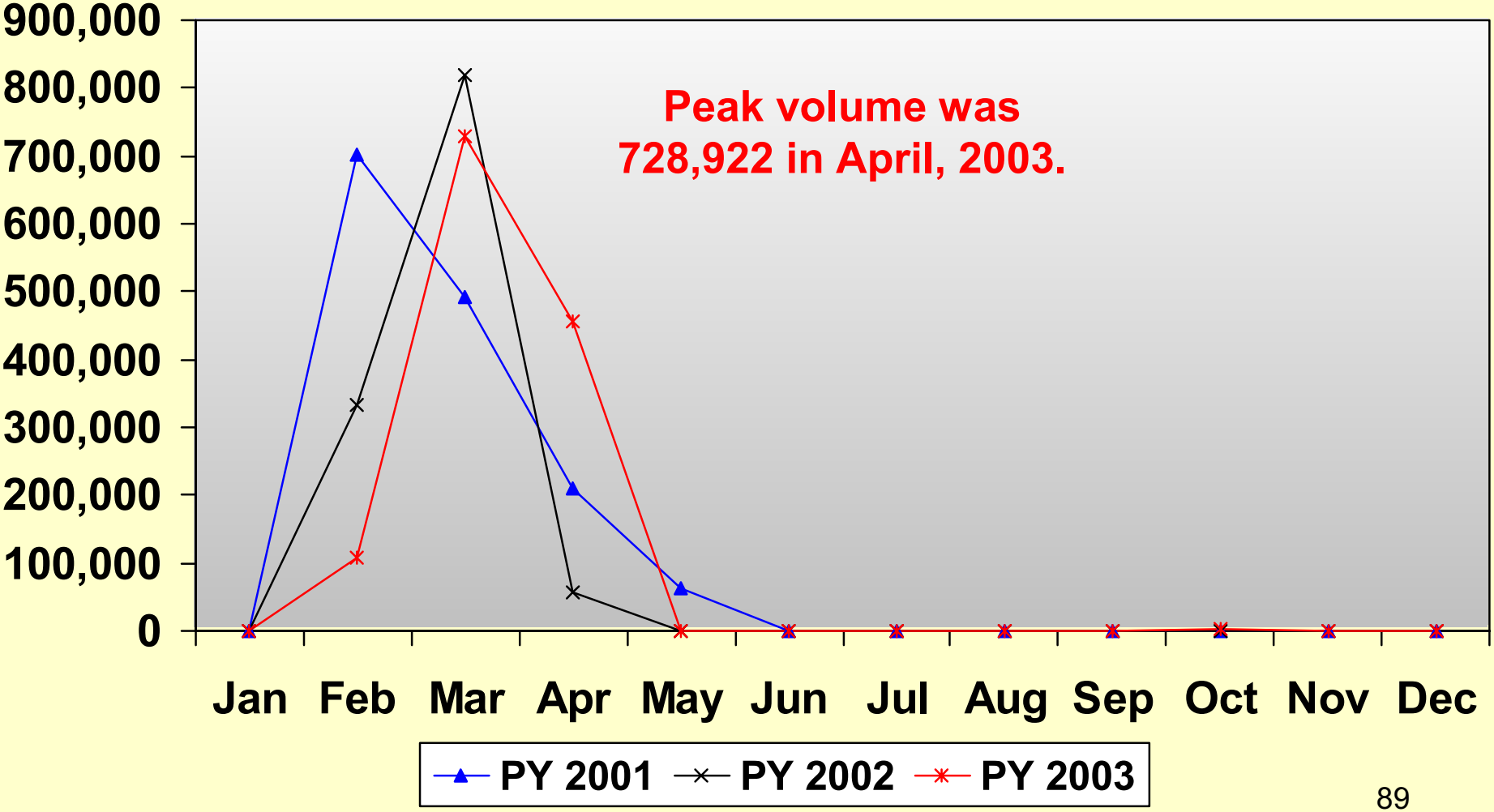
- Form 1041: 2,367,021
  (Document code 44)
- Form 1041 Magnetic Media or e-file:1,299,359
  (Document code 36)
- Form 1041QFT: 3,311
  (Document code 39)*

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

Form 1041: Monthly Filing Patterns

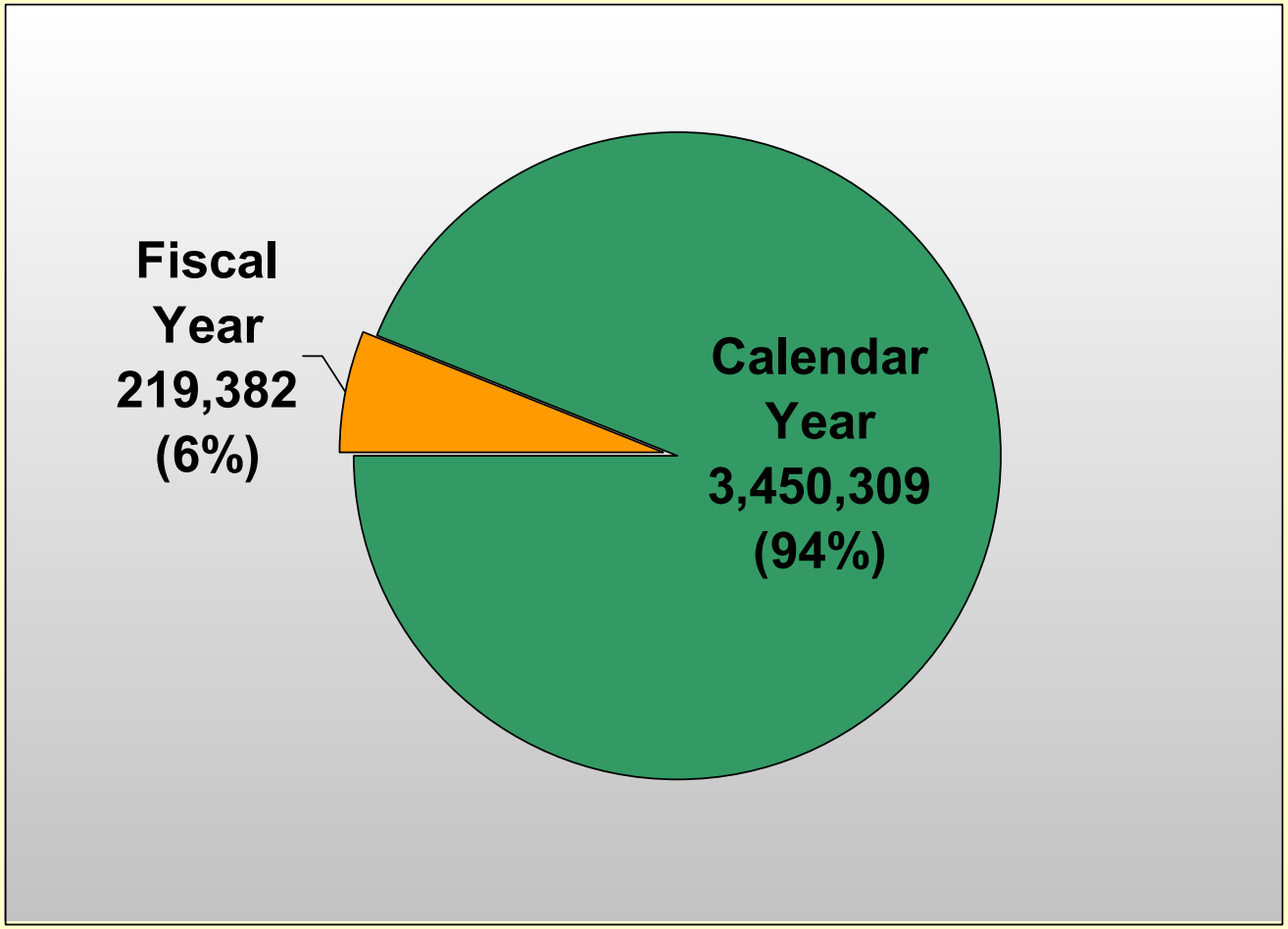


Monthly Filing Patterns for Magnetic Media & e-file by 1041



Fiscal Year Returns vs. Calendar Year Returns

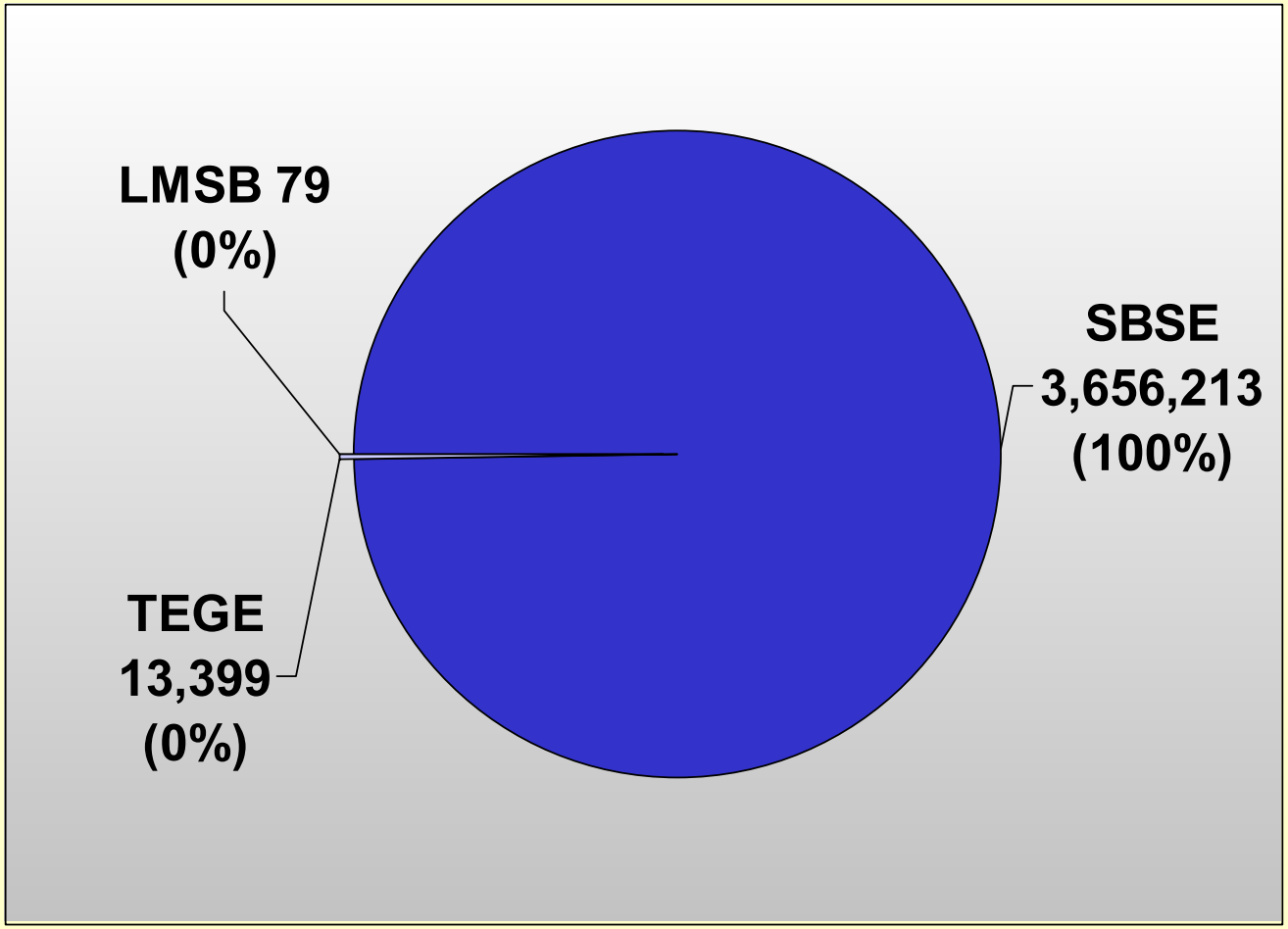
Total: 3,669,691



Processing Year 2003

Forms 1041 by Business Operating Division

Total: 3,669,691



Processing Year 2003

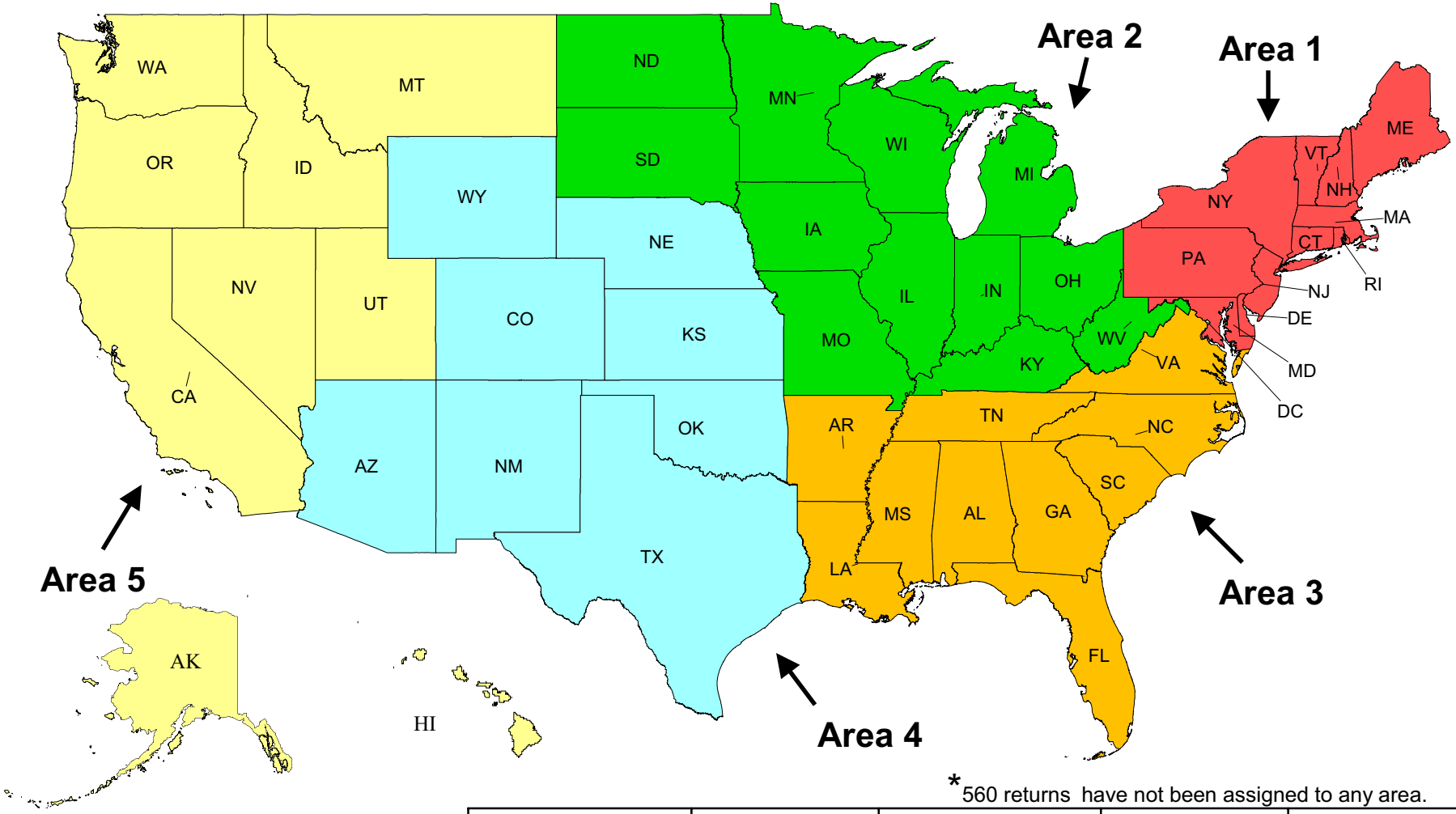
Forms 1041 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2000	2001	2002	2003
813000	Religious, Grantmaking, Civic, Professional, & Similar Organizations	9,009	8,438	8,030	7,491
525000	Funds, Trusts & Other Financial Vehicles	171	376	619	966
525920	Trusts, Estates, & Agency Accounts	234	422	491	580
522294	Secondary Market Financing	26	34	35	470
522292	Real Estate Credit	59	201	306	321
523930	Investment Advice	53	108	172	180
813211	Grantmaking Foundations	33	93	149	152
525110	Pension Funds	6	7	17	80
525990	Other Financial Vehicles	27	18	47	76
531100	Lessors of Real Estate	41	53	67	66
110000	Agriculture, Forestry, Fishing	23	48	55	55

No NAICS code accounted for 1% in Processing Year 2003.

TEC Area (1041)*



*560 returns have not been assigned to any area.

	Area 1	Area 2	Area 3	Area 4	Area 5
All	1,398,545	852,448	506,153	363,651	548,334
Magnetic Media & e-file	757,475	297,859	98,733	54,798	90,493

Form 1041 Summary

- **The method of electronic filing is changing from magnetic media to *e-filing,* and 87% of the magnetic media filers have made the switch.**
- **Develop a marketing strategy to ensure that the remainder of magnetic media filers switch to e-file.**
- **The top 10 Form 1041 preparers filed 64% of their returns electronically.**
- **Target audiences for additional *e-file* users are easily identifiable large-volume paper preparers.**

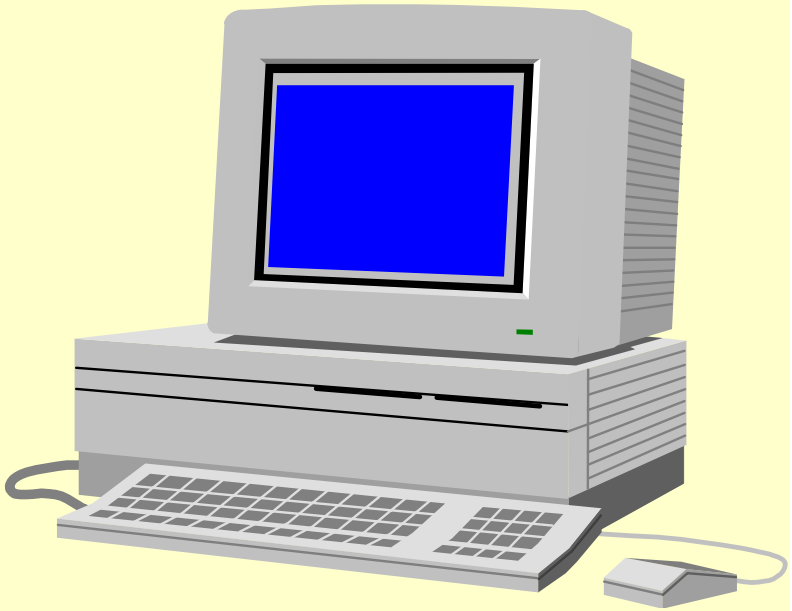
Form 1065 Filers

Return of Partnership Income

Processing Year 2003

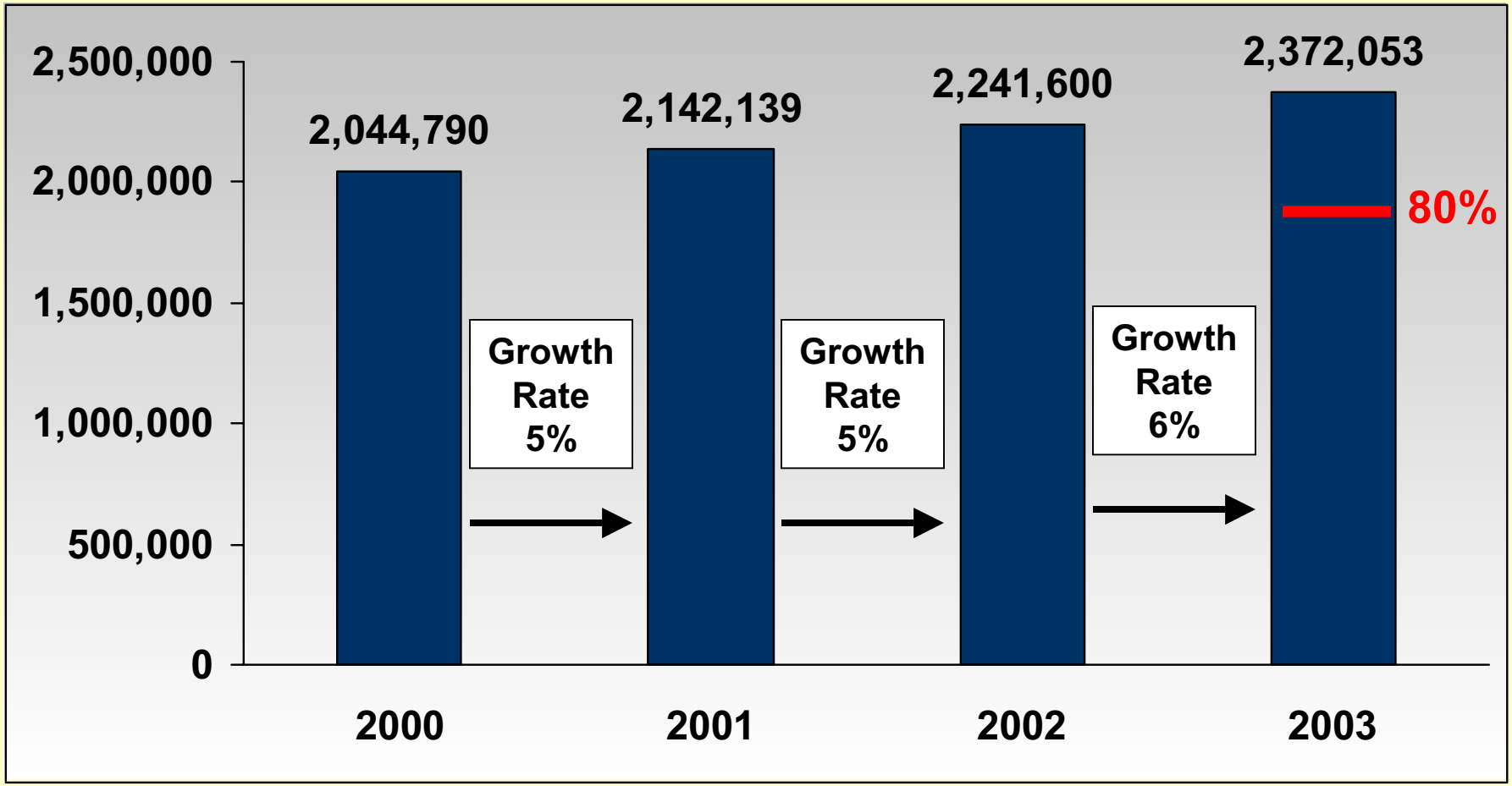
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities

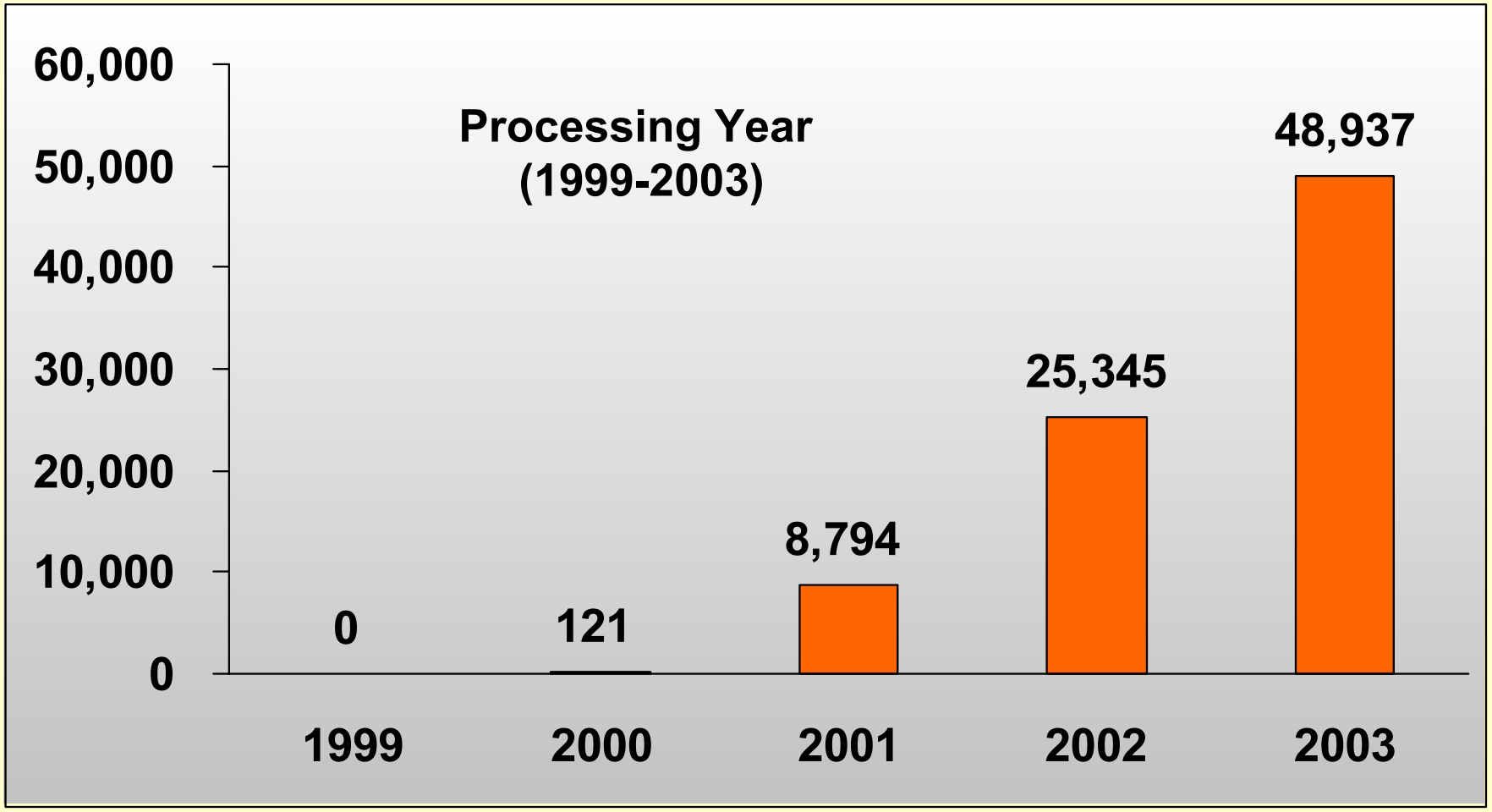


Form 1065
Annual Filing Volume

Processing Year 2000-2003

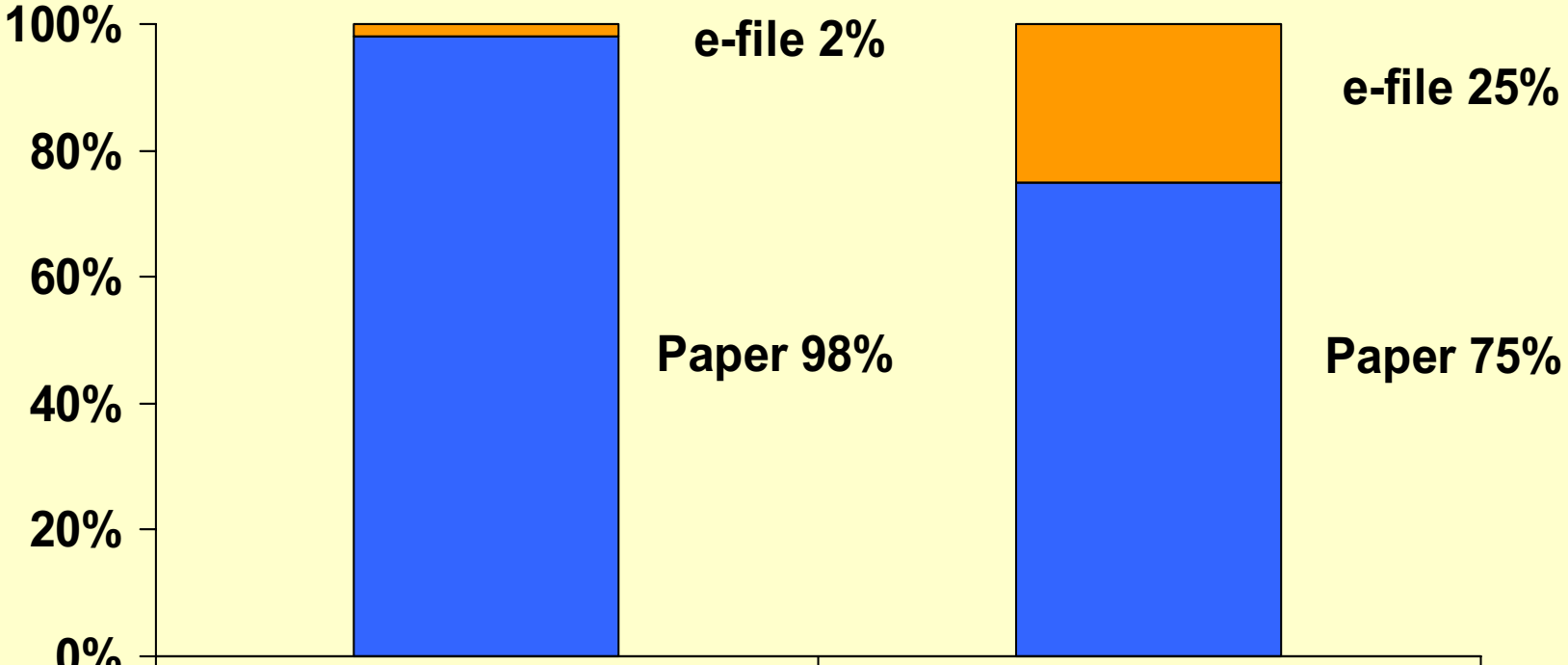


Annual Filing Volume for *e-file* Form 1065



of K1's Associated to 1065 Returns

(where each partner is issued one K-1)

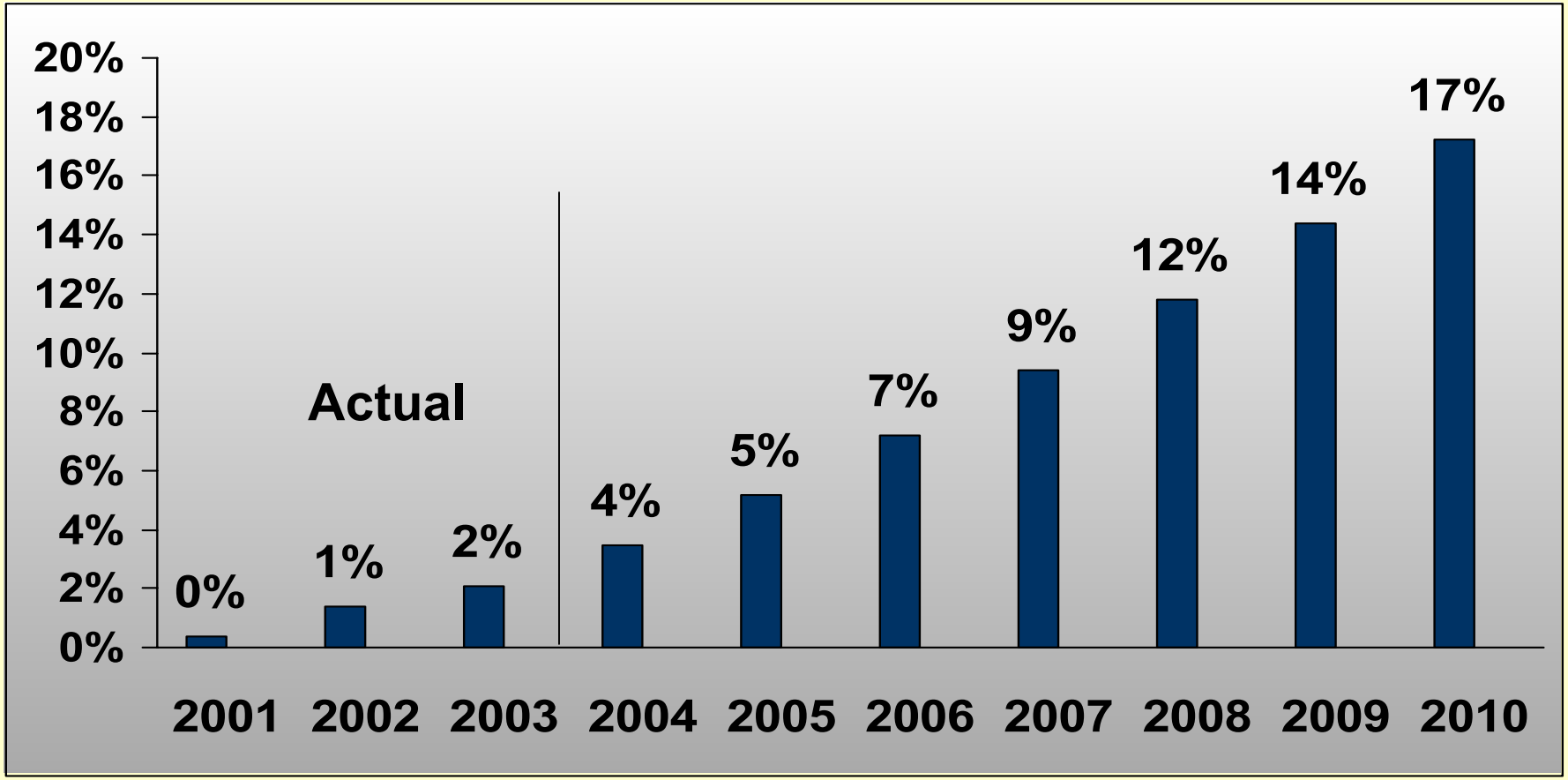


	Returns	K-1's
e-file	48,937	3,833,744
Paper	2,323,112	11,463,222

Note: 4 paper partnerships returns have not been assigned.

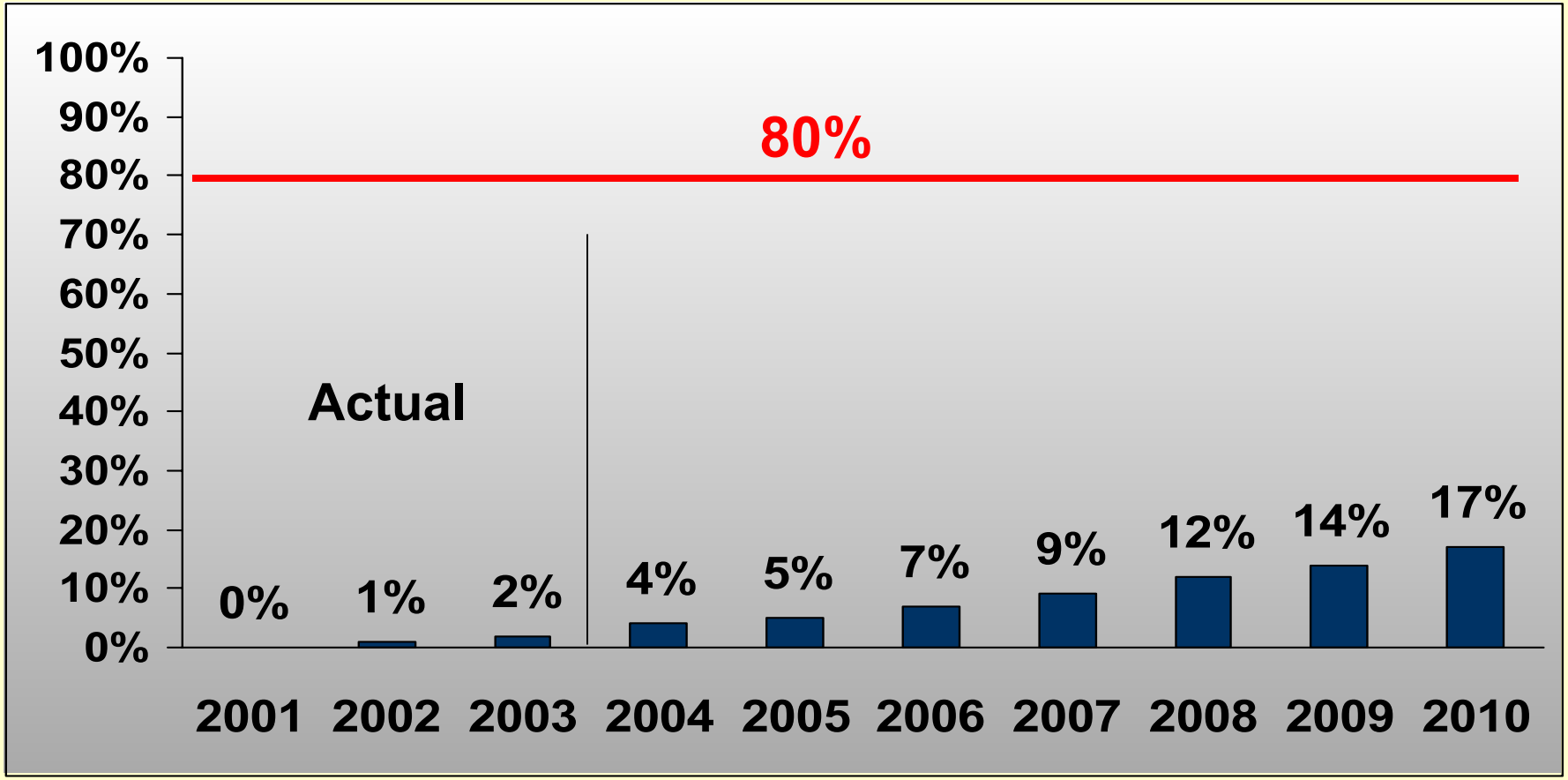
In Processing Year 2003, only 2% of all Forms 1065 were filed electronically.

Form 1065 Projected Electronic Filing Penetration Rate



N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

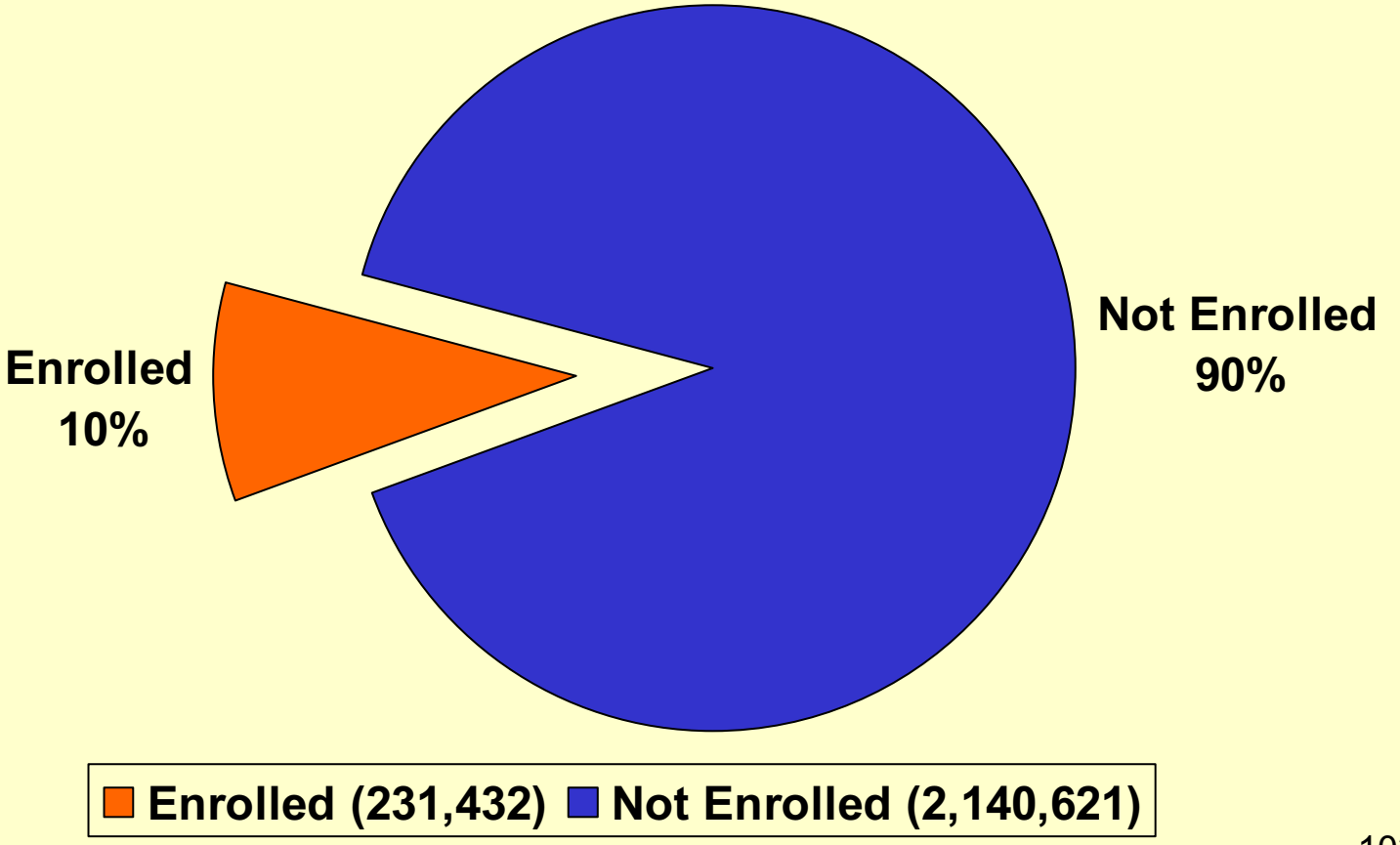
Form 1065 Projected Electronic Filing Penetration Rate



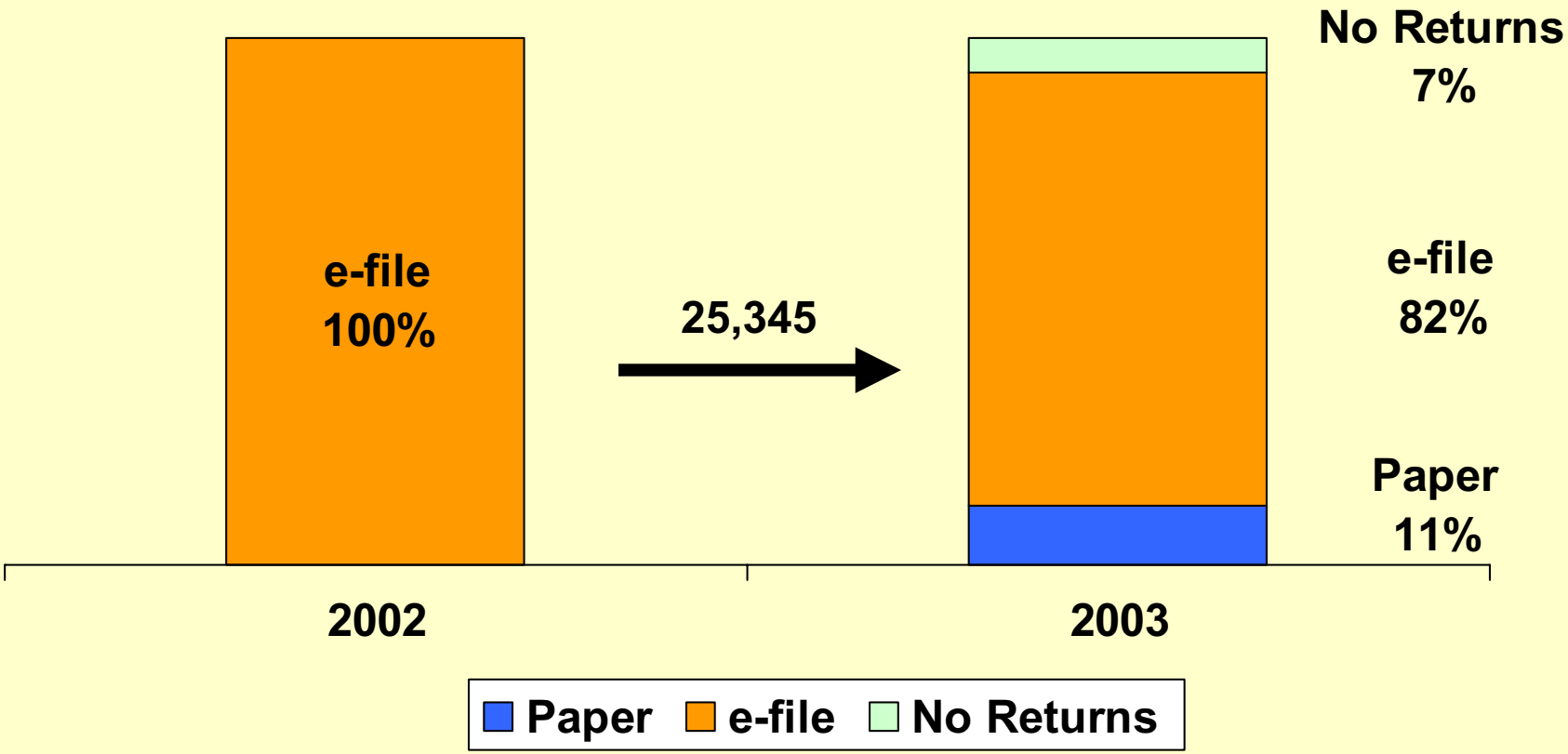
N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

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

Processing Year 2003



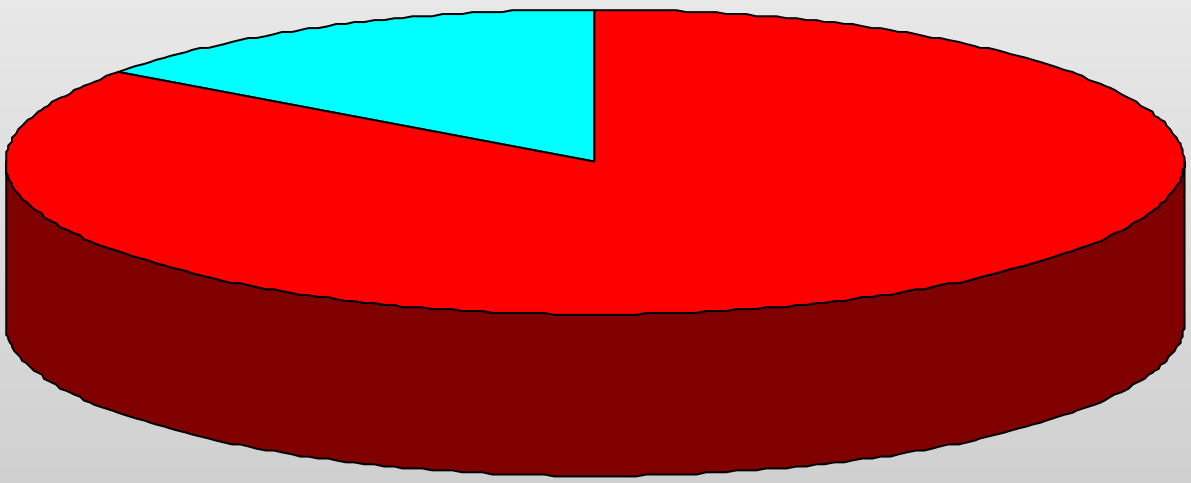
e-file Migration Between Filing Options



82% of Form 1065 *e-file* Users Remained Loyal

Preparer/No Preparer

Total: 2,372,053



Form 1065 - Processing Year 2003

Forms 1065: Top Ten Preparers

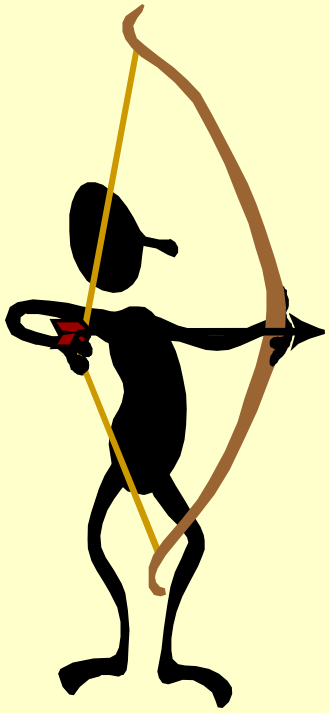
NAME	Total	Paper	e-file
1	17,161	16,576	585
2	15,775	15,393	382
3	14,276	13,844	432
4	13,586	13,121	465
5	10,384	10,274	110
6	8,622	8,568	54
7	*6,592*	*6,592*	*0*
8	5,667	5,577	90
9	4,507	4,473	34
10	4,222	4,162	60
	100,792	98,580	2,212

Processing Year 2003

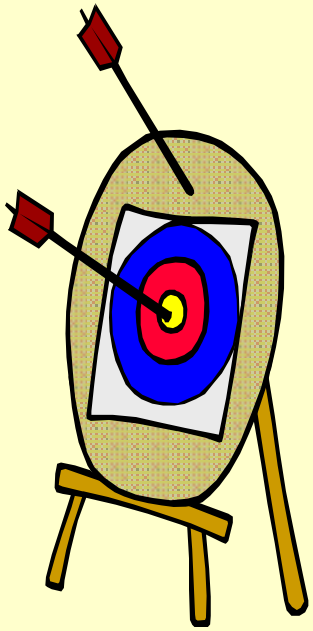
Form 1065:
Top Ten *e-file* Preparers

NAME	e-file	Total	%
1	1,951	2,894	67%
2	890	1,063	84%
3	765	2,121	36%
4	585	17,161	3%
5	513	659	78%
6	467	1,497	31%
7	465	13,586	3%
8	432	474	91%
9	432	14,276	3%
10	382	15,775	2%

Target Market for Form 1065 Electronic Filing



1,715* EROs* *filing more than 50 e-file 1040 & more than 50 1065 returns filed
<u>308,689</u>
partnership returns



****Electronic Return Originators Filing 100 or More Total Returns***

There are three forms in the 1065 Series:

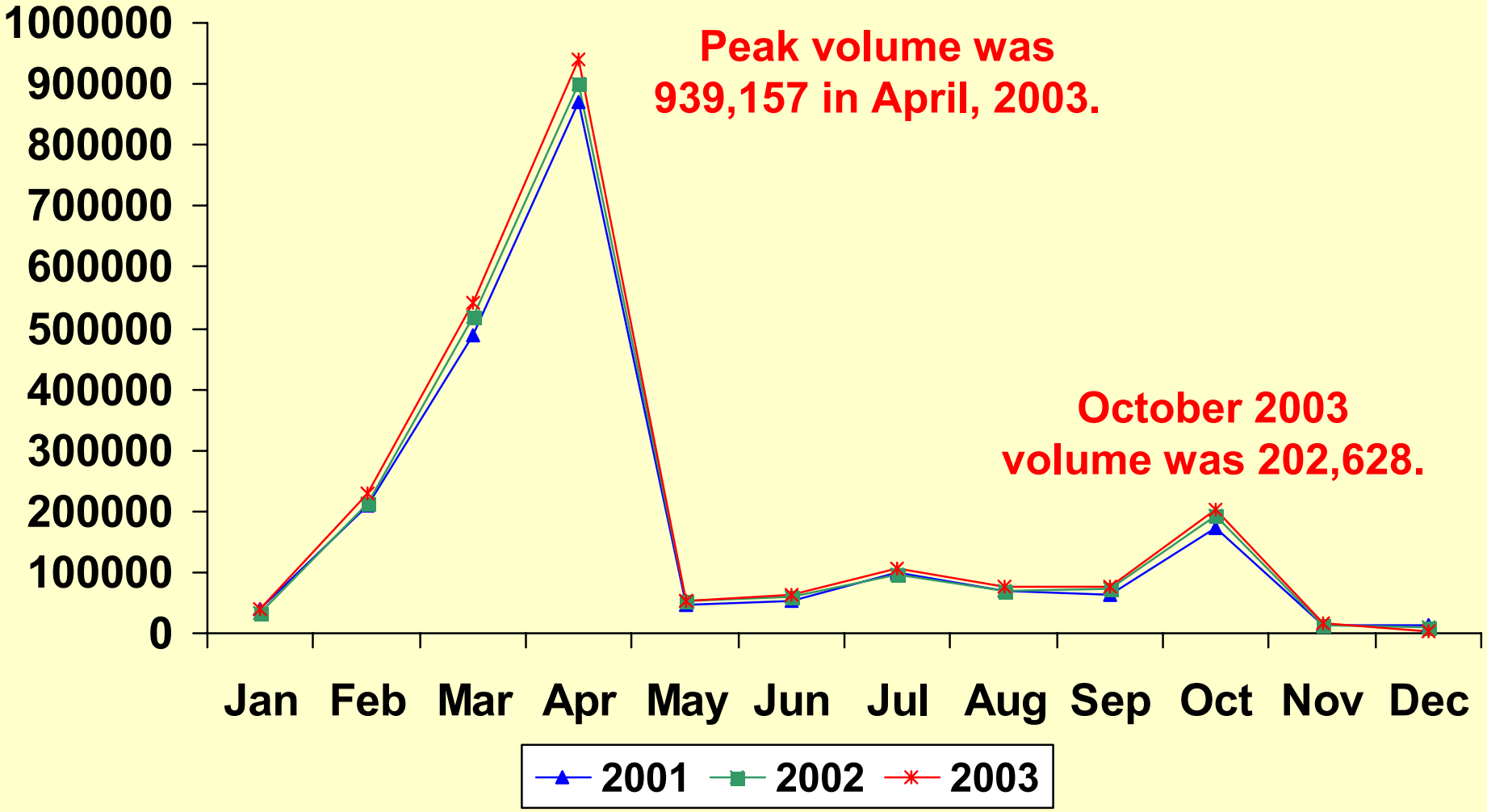
- Form 1065PTP* (Document code 67)
- Form 1065B** (Document code 68)
- Form 1065 (Document code 65)

In Processing Years 2001, 2002 and 2003, Forms 1065PTP and 1065B comprised less than 1% of all Forms 1065; none were filed electronically.

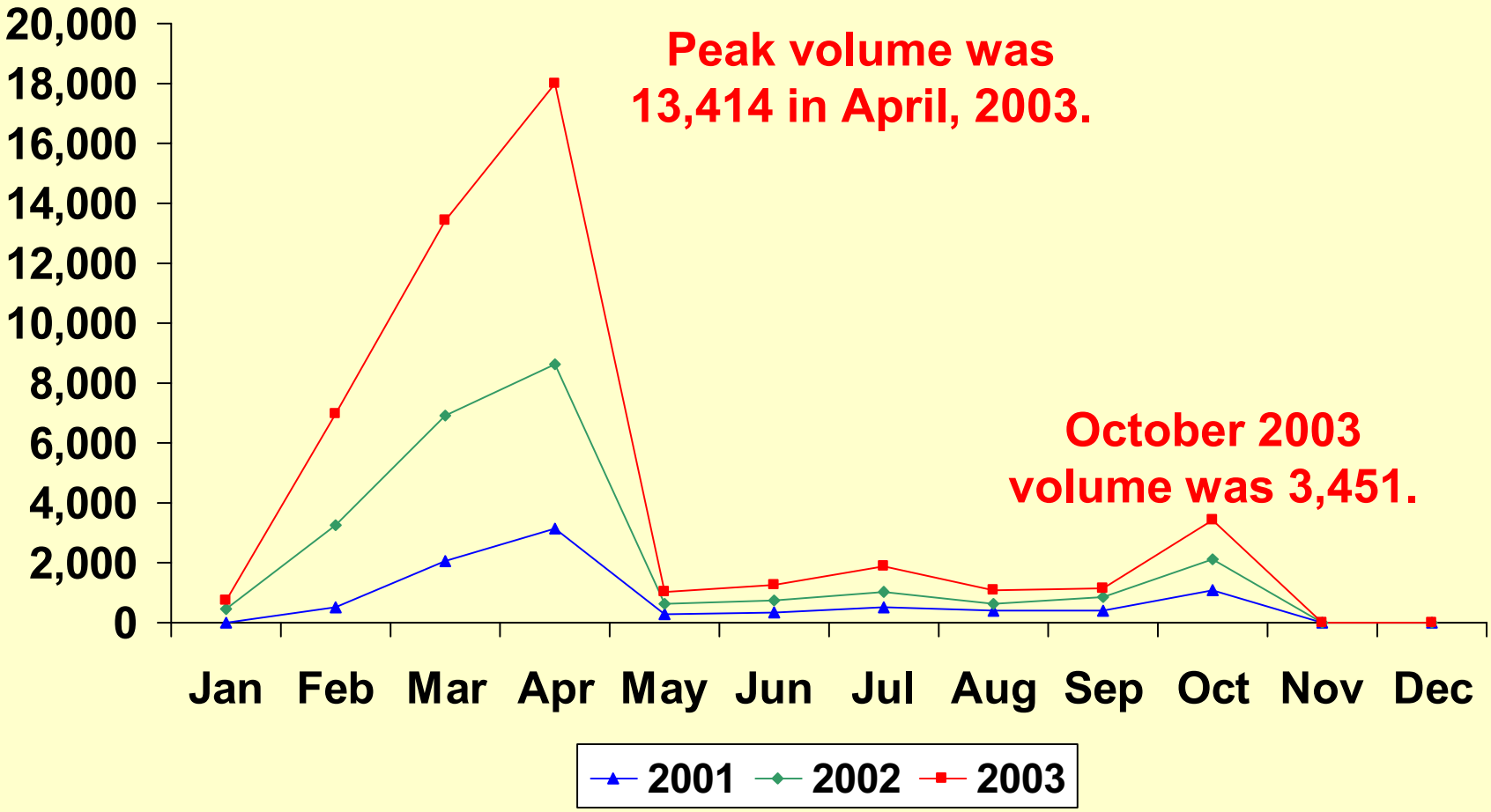
* Form 1065-PTP: Publicly Traded Partnerships.

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

Form 1065 Monthly Filing Patterns

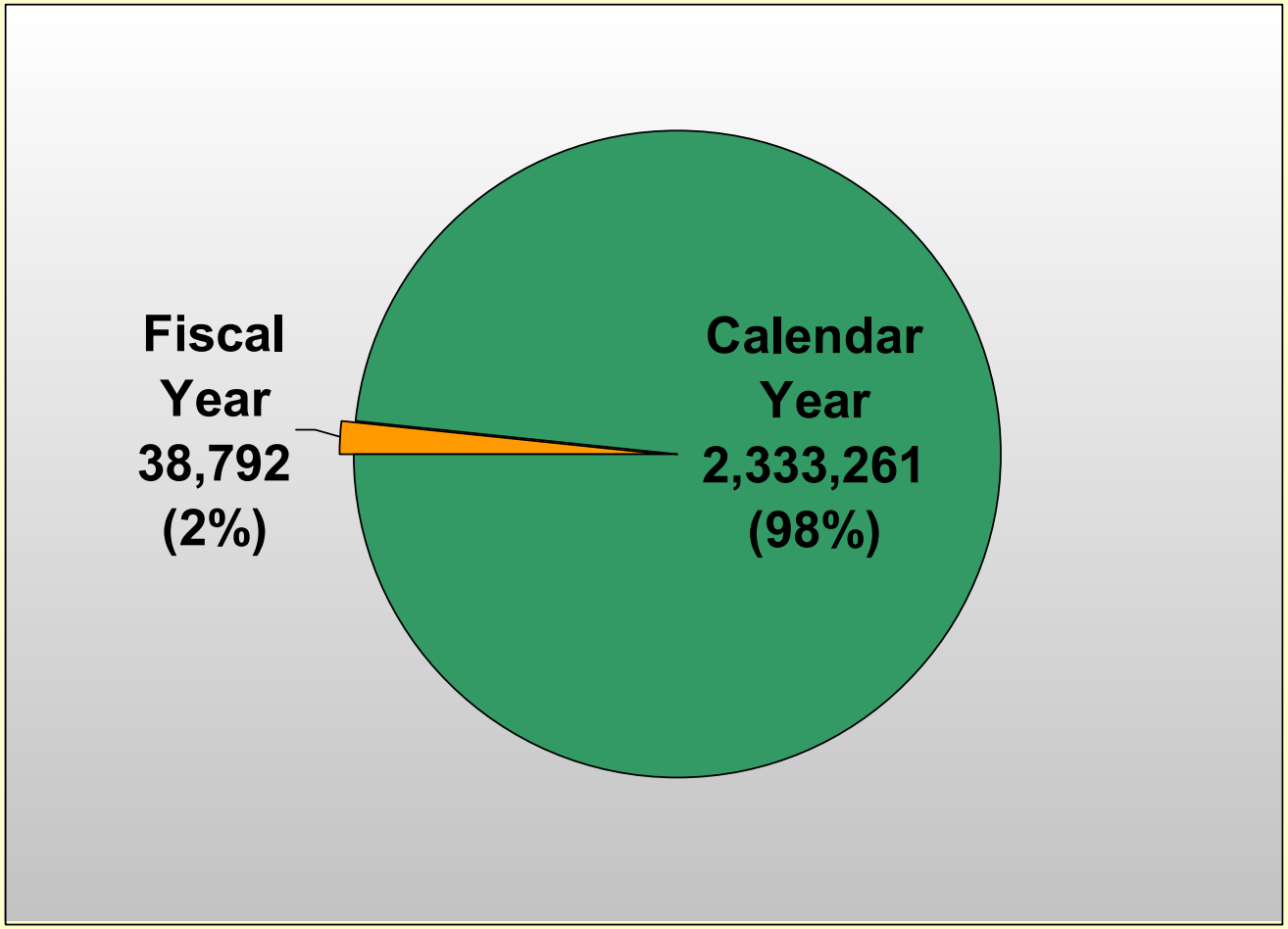


e-file Form 1065 Monthly Filing Patterns



Fiscal Year Returns vs. Calendar Year Returns

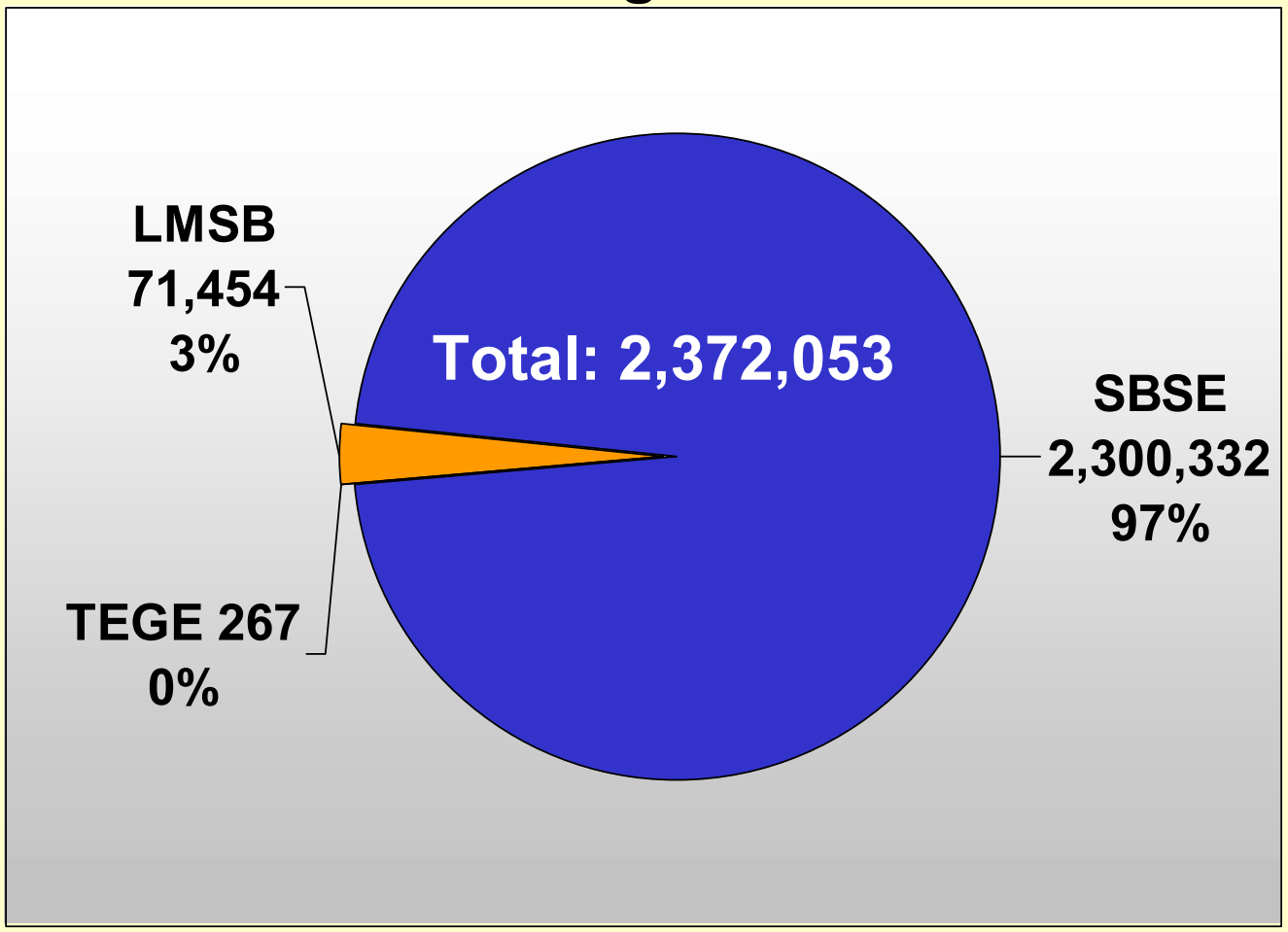
Total: 2,372,053



Processing Year 2003

Forms 1065 by Business Operating Division

Processing Year 2003



Paper Forms 1065 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2001	2002	2003	%*
531120	Lessors of Nonresidential Buildings	296,817	313,426	338,949	15%
531110	Lessors of Residential Buildings	278,263	280,982	289,504	12%
531390	Other Activities Related to Real Estate	140,697	150,788	165,578	7%
523900	Other Financial Investment Act	126,274	129,889	127,934	6%
531190	Lessors of Other Real Estate Property	59,536	64,536	68,343	3%
525990	Other Financial Vehicles	47,544	51,914	57,009	2%
523930	Investment Advice	32,328	41,885	36,069	2%
531310	Real Estate Property Managers	29,462	33,783	34,178	1%
541990	All Other Professional, Scientific	23,348	26,013	28,936	1%
111100	Oilseed and Grain Farming	27,061	26,856	27,340	1%

* The percentage of all paper Forms 1065 filed in PY 2003

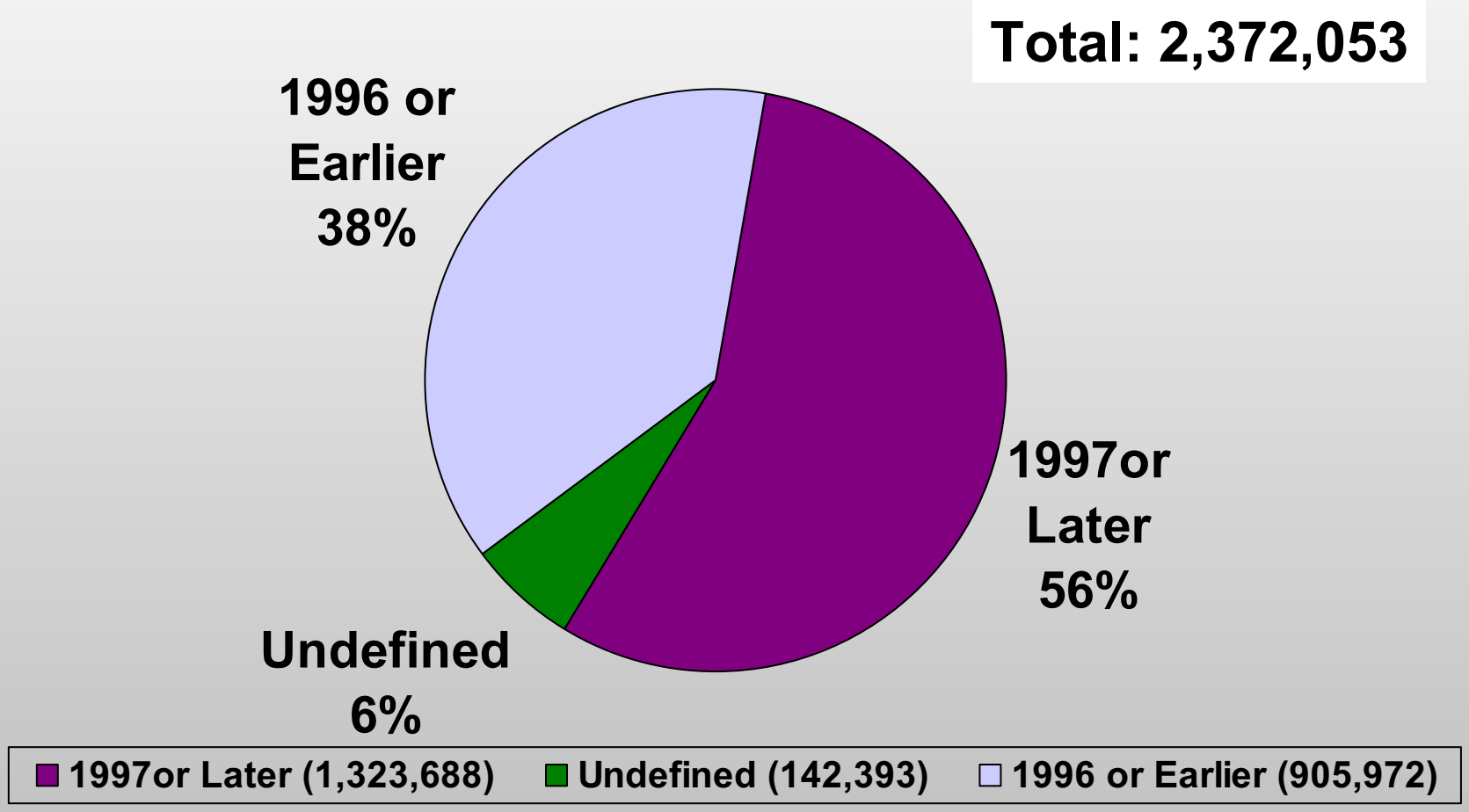
Electronic Forms 1065 by Industry

(The North American Industry Classification System - NAICS)

CODE	TITLE	2,001	2002	2003	%*
531110	Lessors of Residential Buildings	1,486	4,304	8,070	16%
531120	Lessors of Nonresidential Buildings	1,292	3,995	7,632	16%
523900	Other Financial Investment Act	803	1,805	3,534	7%
531390	Other Activities Related to Real Estate	644	1,692	3,131	6%
531190	Lessors of Other Real Estate Property	214	720	1,544	3%
211110	Oil and Gas Extraction	786	1,048	1,447	3%
525990	Other Financial Vehicles	196	497	895	2%
523930	Investment Advice	131	516	866	2%
111100	Oilseed and Grain Farming	98	384	805	2%
233110	Land Subdivision & Land Development	115	421	675	1%

* The percentage of all electronic Forms 1065 filed in PY 2003

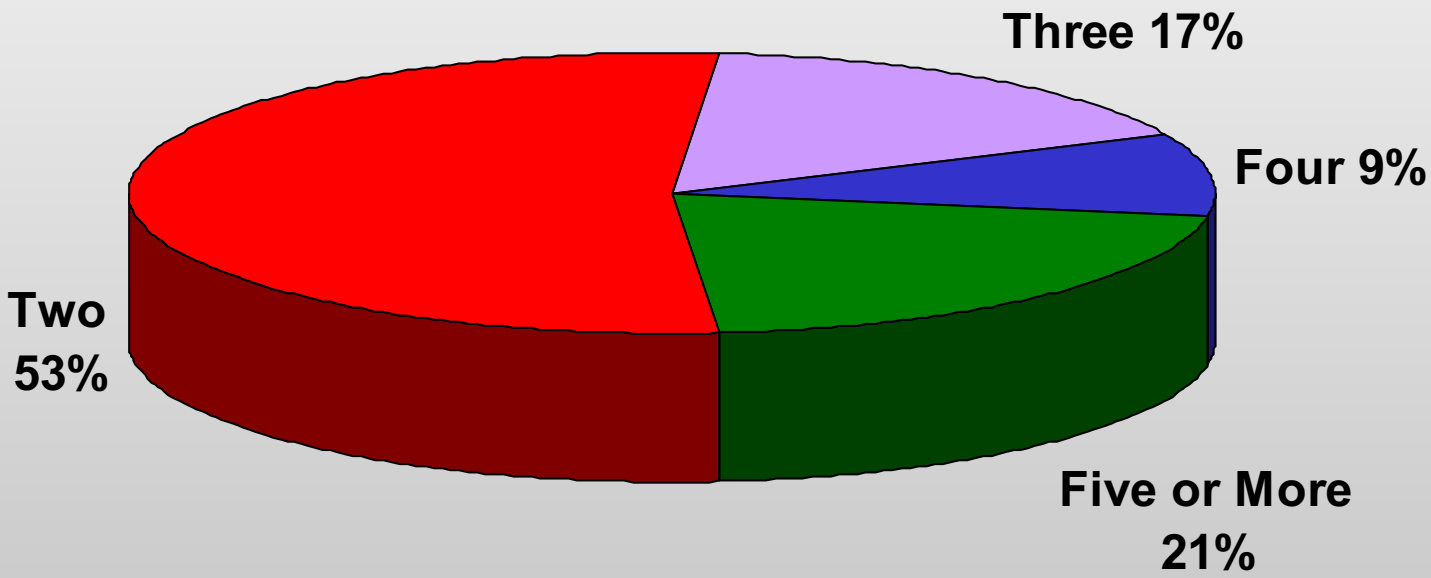
Partnership Start Dates 1900-2003



Processing Year 2003

Number of Partners

Total: 2,372,053



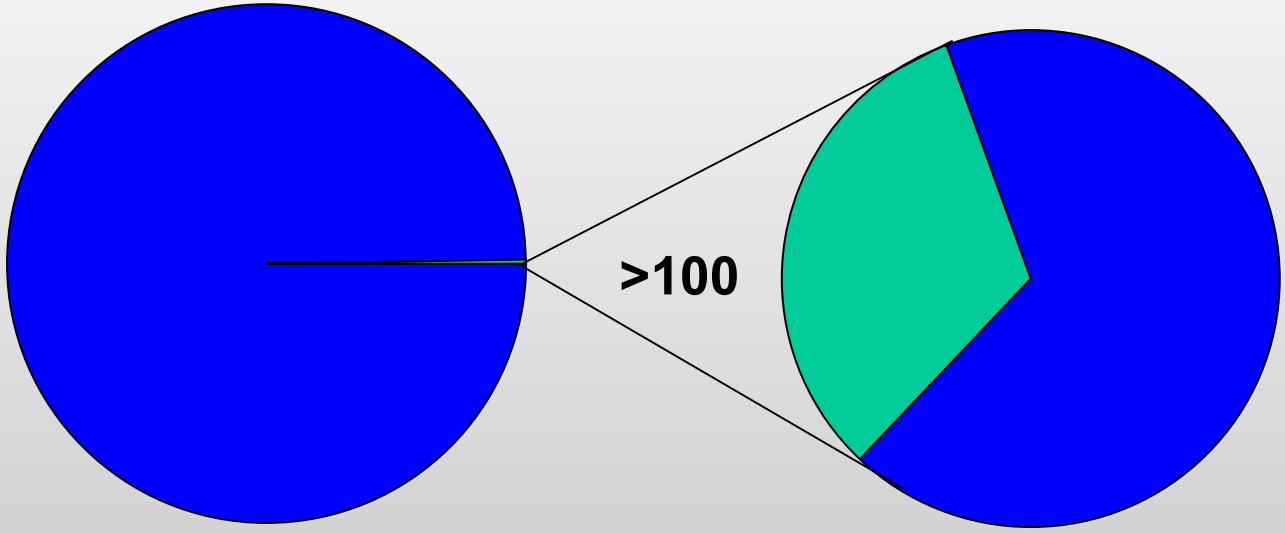
Two (1,252,289) Three (393,791) Four (226,937) Five or More (499,036)

Processing Year 2003

Filers with more than 100 Partners and K-1's

(where each partner is issued one K-1)

Partnerships with more than 100 Partners filed 5,111 returns & 4,952,694 K-1's



Partnerships with 100 or fewer Partners filed 2,366,938 returns & 10,344,272 K-1's

*Electronic filing is mandated for Forms 1065 with more than 100 partners.
(Note: 4 paper partnerships returns have not been assigned.)

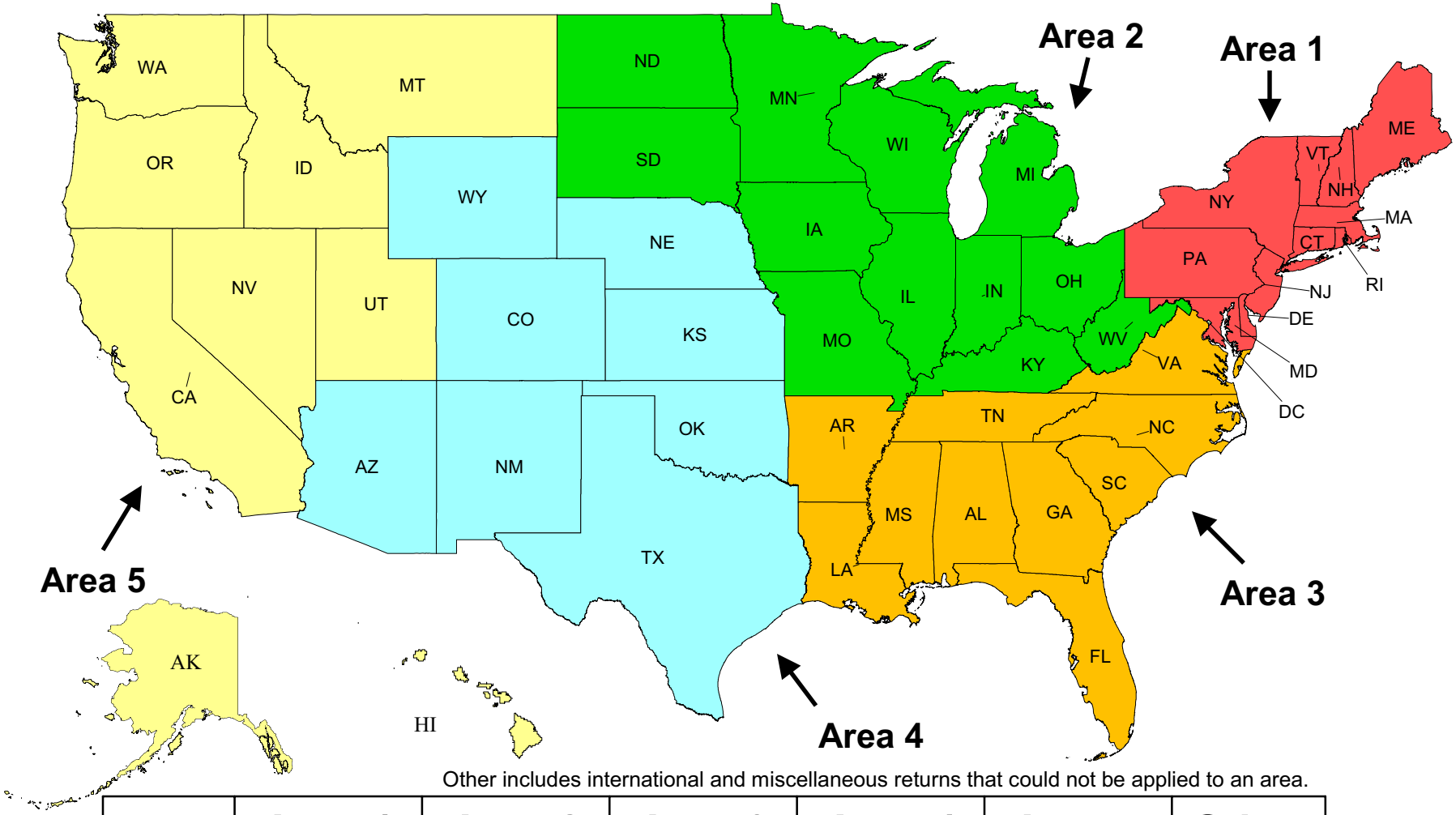
Partnership K-1's

(where each partner is issued one K-1)

# Partners	# Returns	# K-1's	% of K-1s
2	1,252,289	2,503,076	16%
3	393,791	1,181,373	8%
4	226,937	907,748	6%
5 - 10	335,875	2,193,587	14%
11 - 100	158,046	3,558,488	23%
101 - 1,000*	4,438	1,031,223	7%
>1,000*	673	3,921,471	26%
Total	2,372,049	15,296,966	100%

*Electronic filing is mandated for Forms 1065 with more than 100 partners.
(Note: 4 paper partnerships returns have not been assigned.)

TEC Area (1065)



Other includes international and miscellaneous returns that could not be applied to an area.

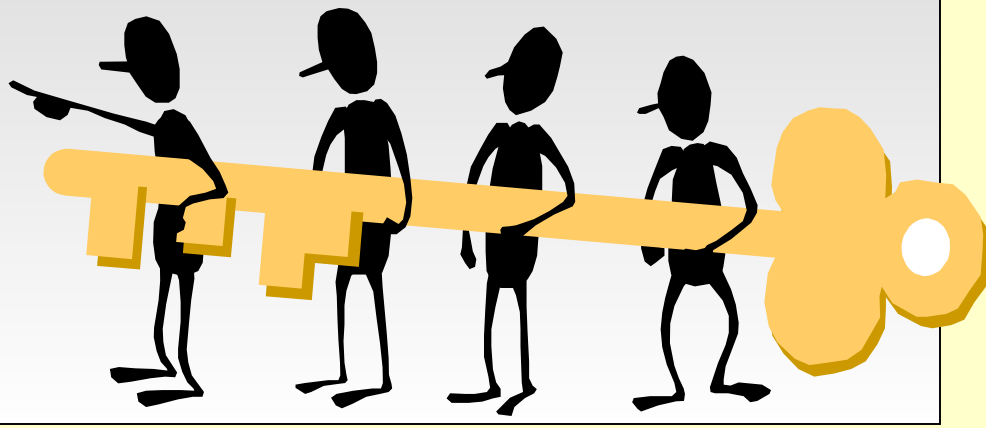
	Area 1	Area 2	Area 3	Area 4	Area 5	Other
e-file	7,497	14,313	7,586	7,953	11,583	5
All	545,399	504,743	444,815	372,377	504,145	574

Form 1065 Summary

- 6,193 Preparers filing more than 50 partnership returns represent 36% of all partnership returns
- 85% of filers use preparers
- 56% of partnerships started in 1997 or later
- 79% of filers have fewer than five partners
- 941,027 (40%) are involved in real estate related activities
- 2% of Forms 1065 were filed electronically

Key Potential Markets

1. **IMF Electronic Return Originators**
2. Preparers
3. Real Estate Related Associations
4. New Partnerships
5. Mandated Returns*



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

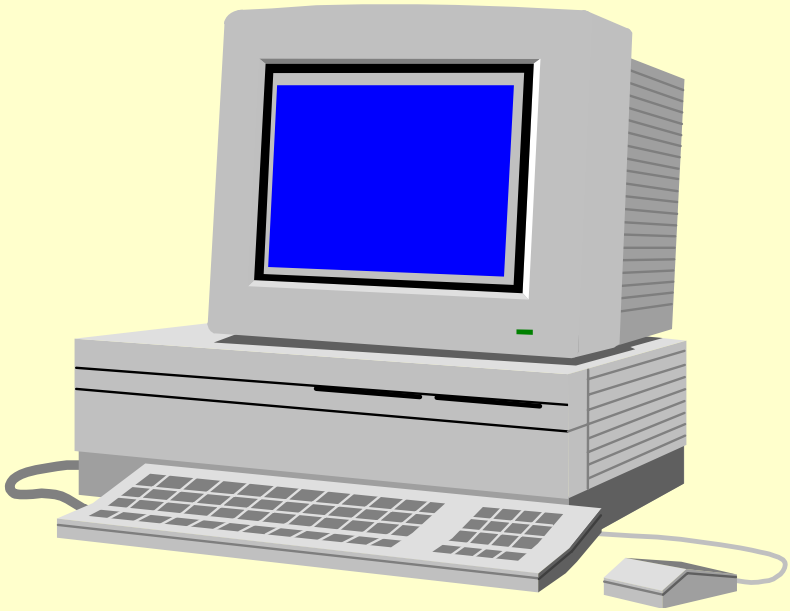
Form 1120 Filers

Corporation Income Tax Return

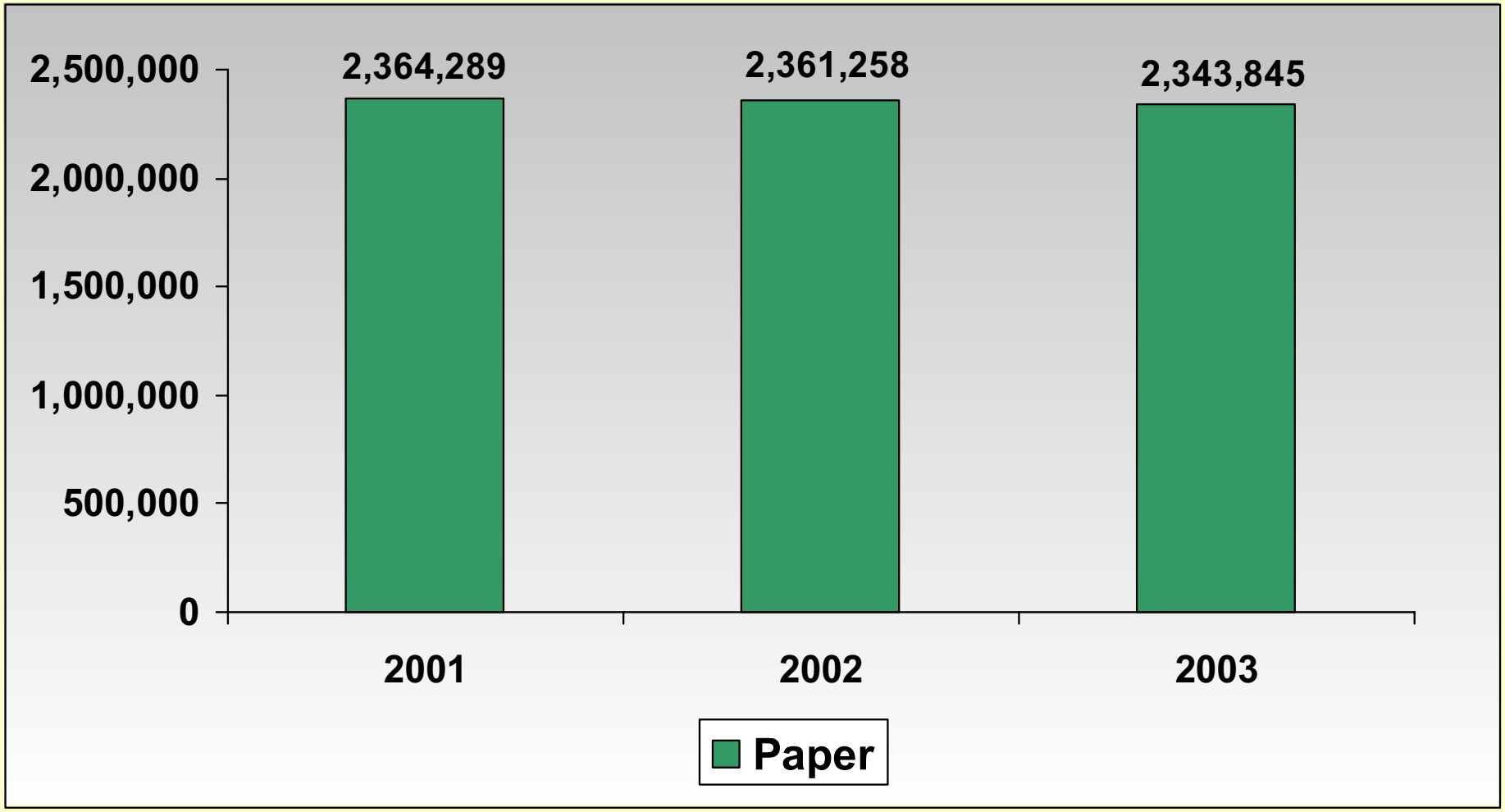
Processing Year 2003

Primary Data Sources

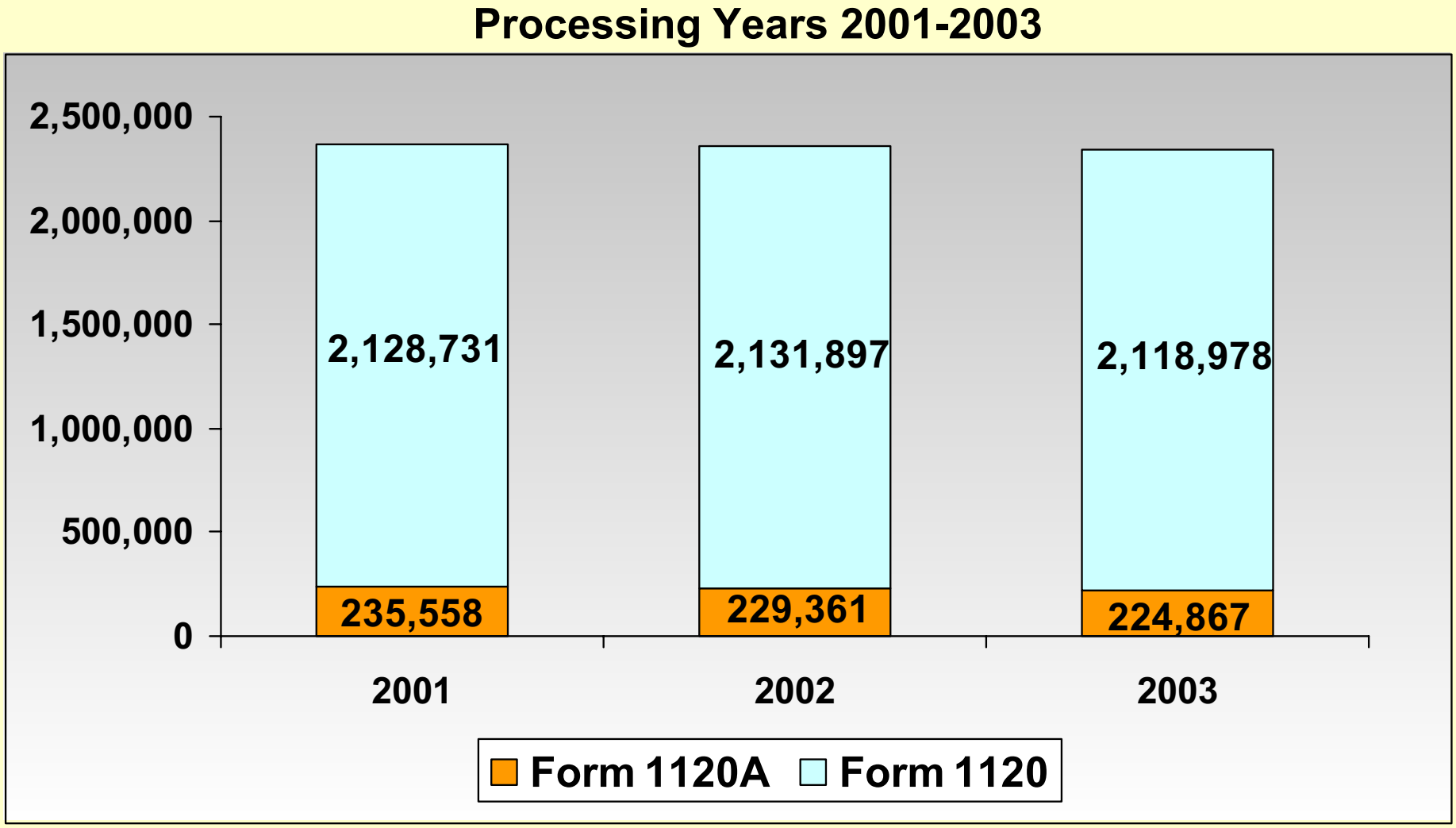
- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- The BMF ETA Marketing Database contains variables from the TRDB (Tax Return Data Base) and TeleFile databases as well as the BRTF (Business Returns Transaction File)
- Includes almost 30 million entities



Form 1120
Annual Filing Volume
Processing Years 2001-2003

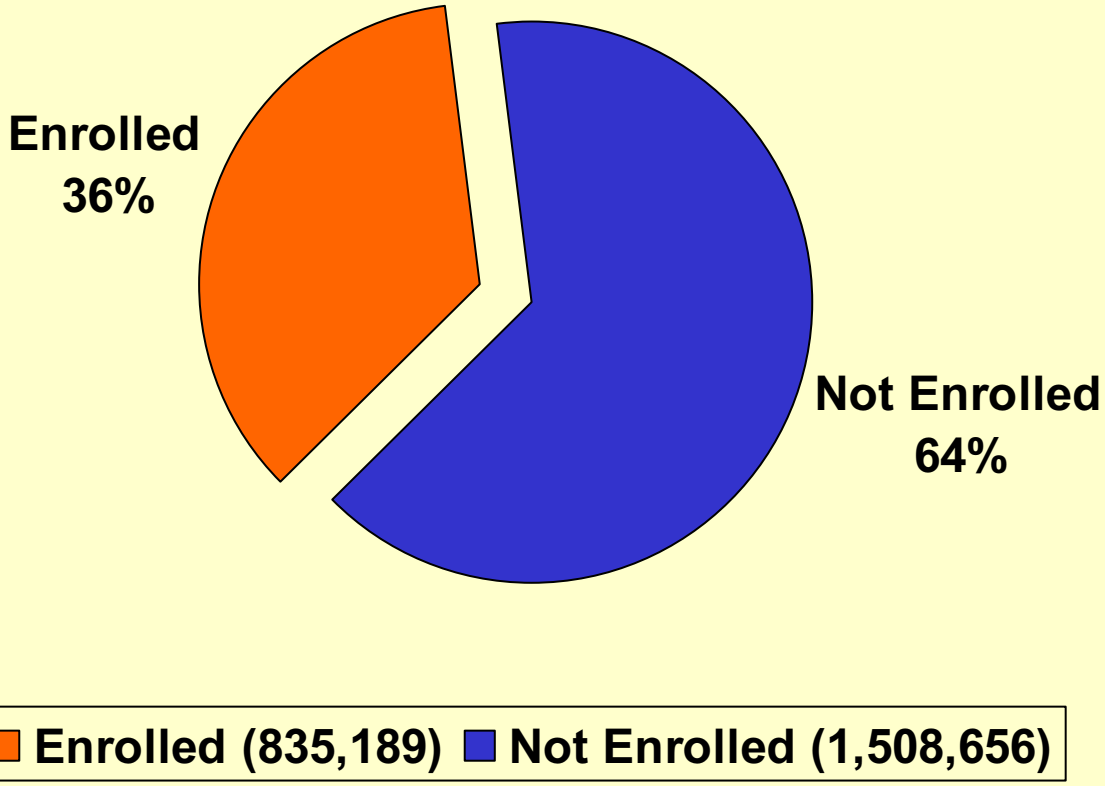


Form 1120 by Series

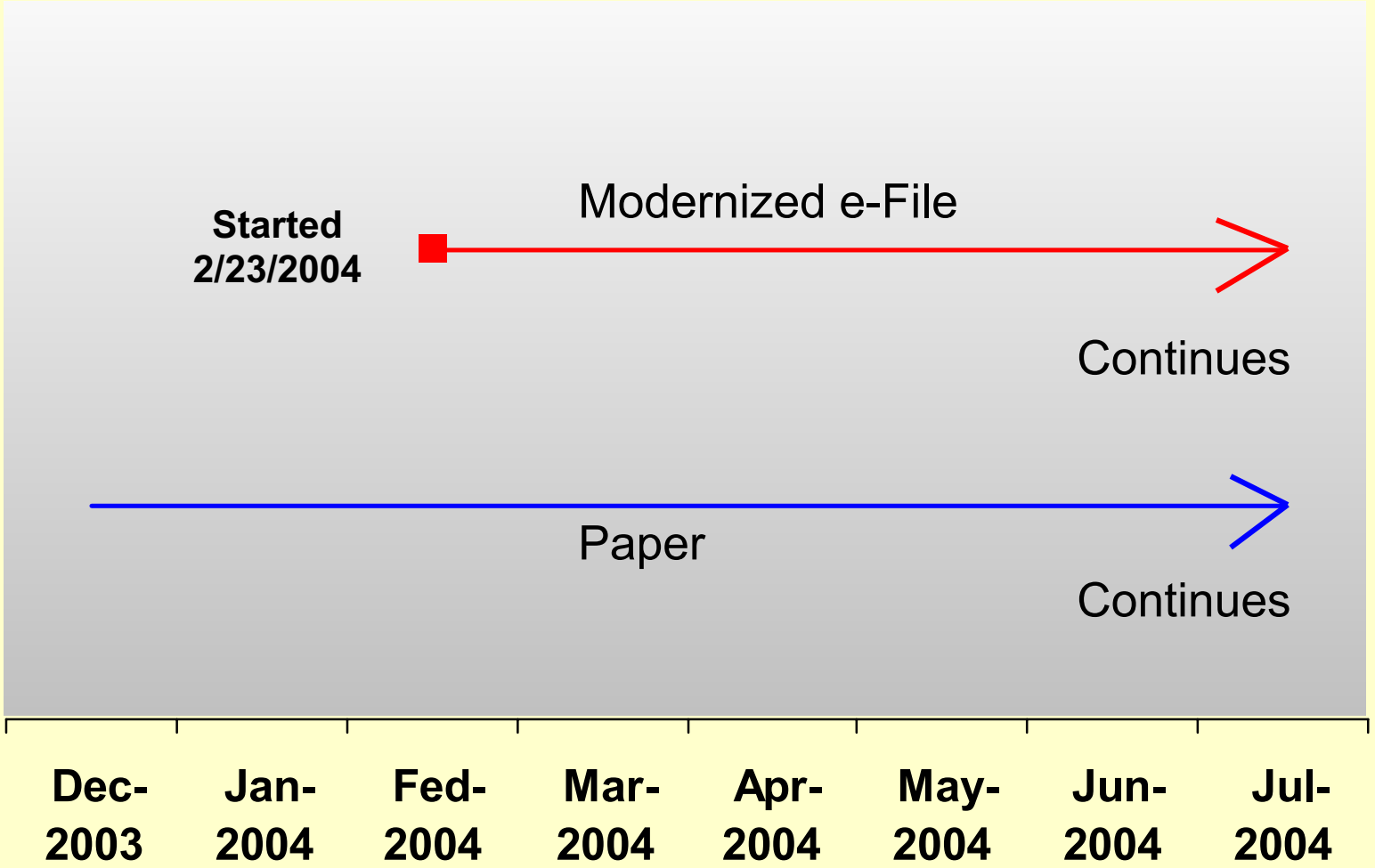


Form 1120 Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

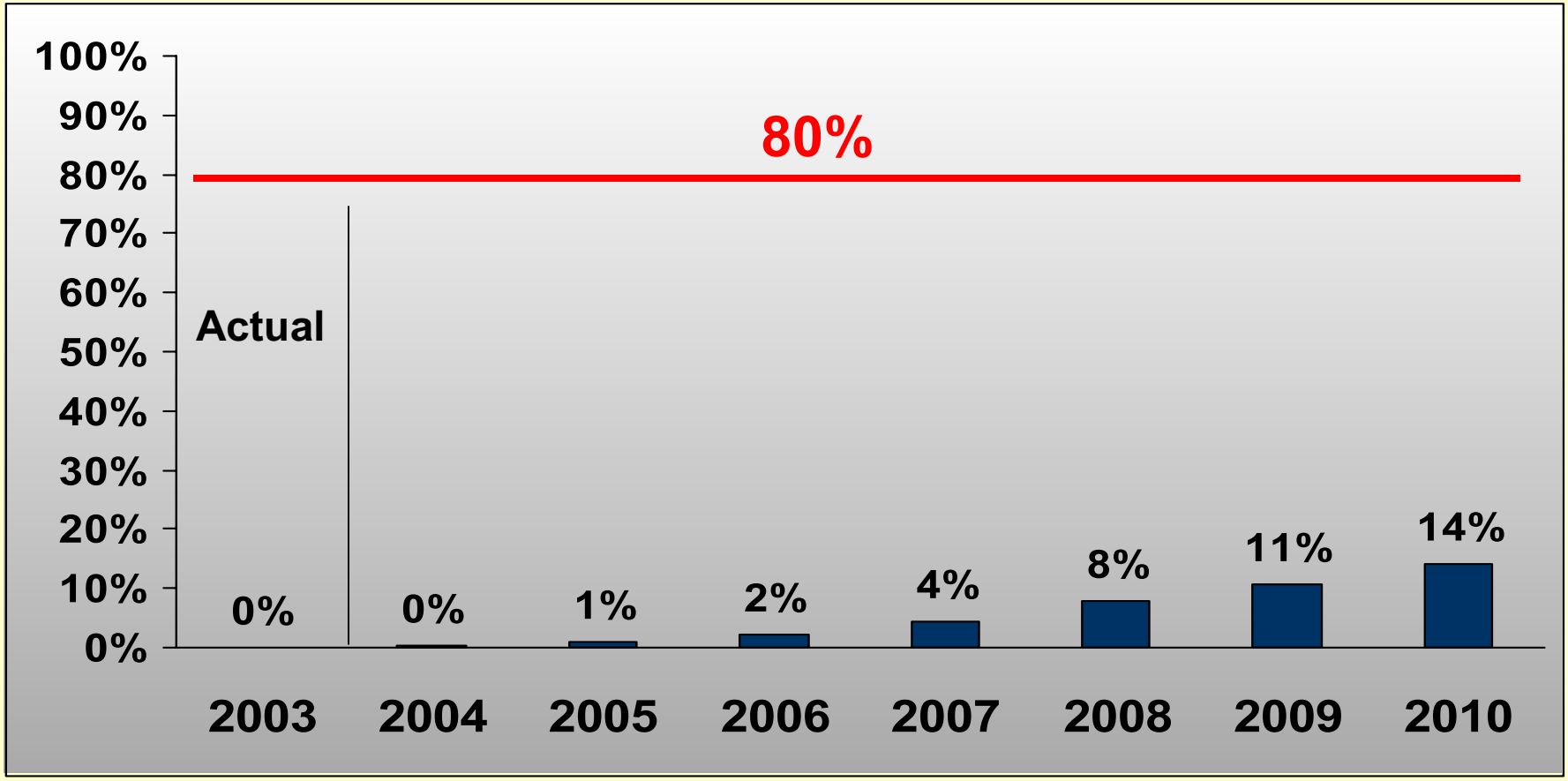
Processing Year 2003



Form 1120: Implementation Schedule



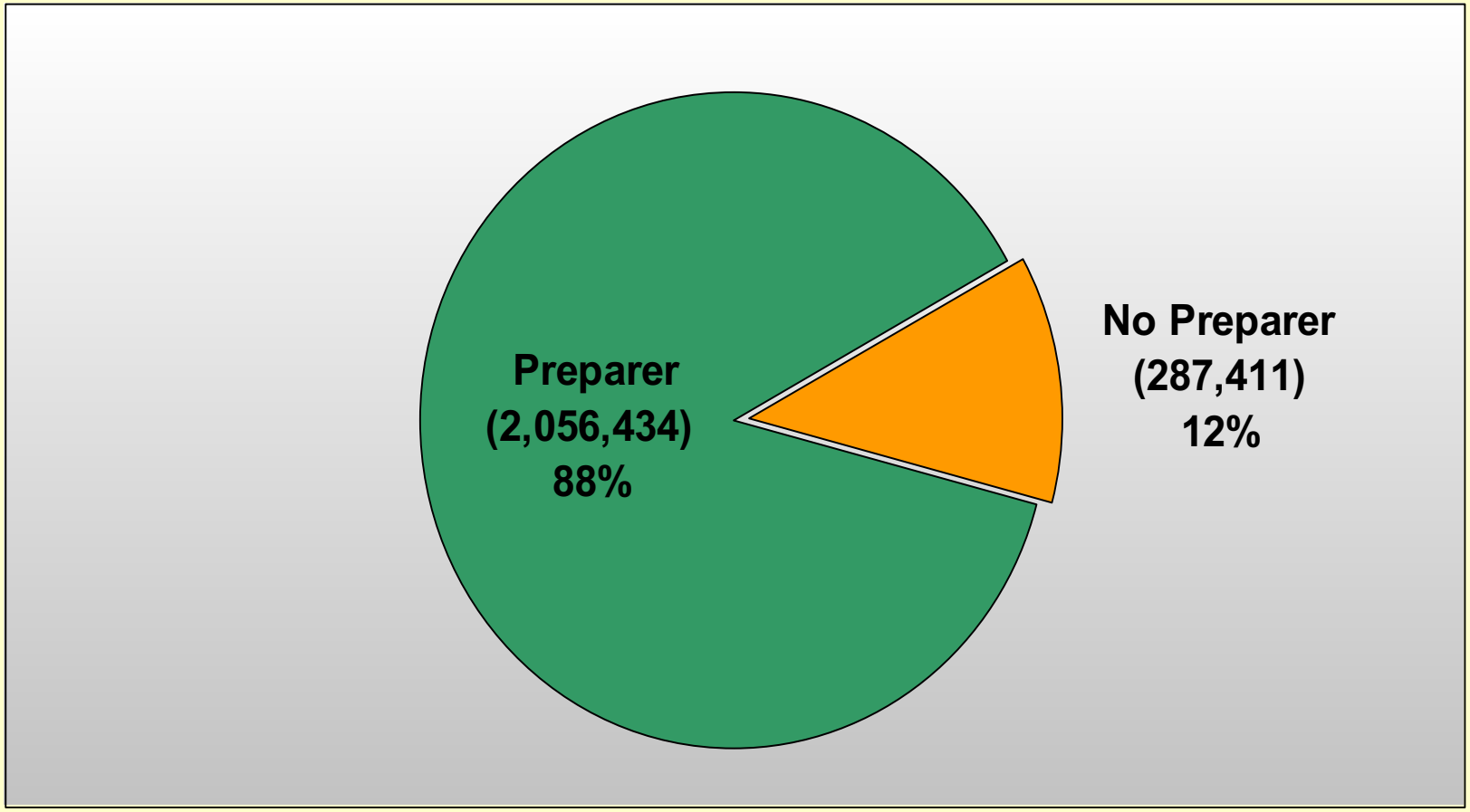
Form 1120 Projected *e-file* Penetration Rate



N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

Preparer/No Preparer

Total: 2,343,845



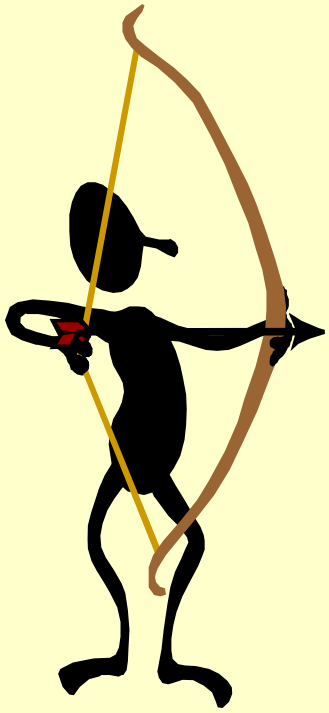
Processing Year 2003

Forms 1120: Top Ten Preparers

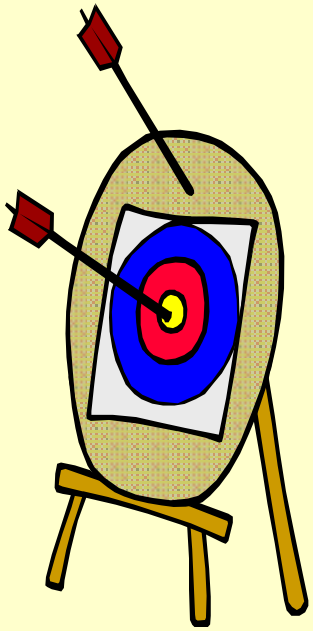
Processing Year 2003

Name	Total
1	7,579
2	7,199
3	7,107
4	7,013
5	5,508
6	5,024
7	4,606
8	3,198
9	2,697
10	2,696
Total	**52,627**

Target Market for Form 1120 Electronic Filing

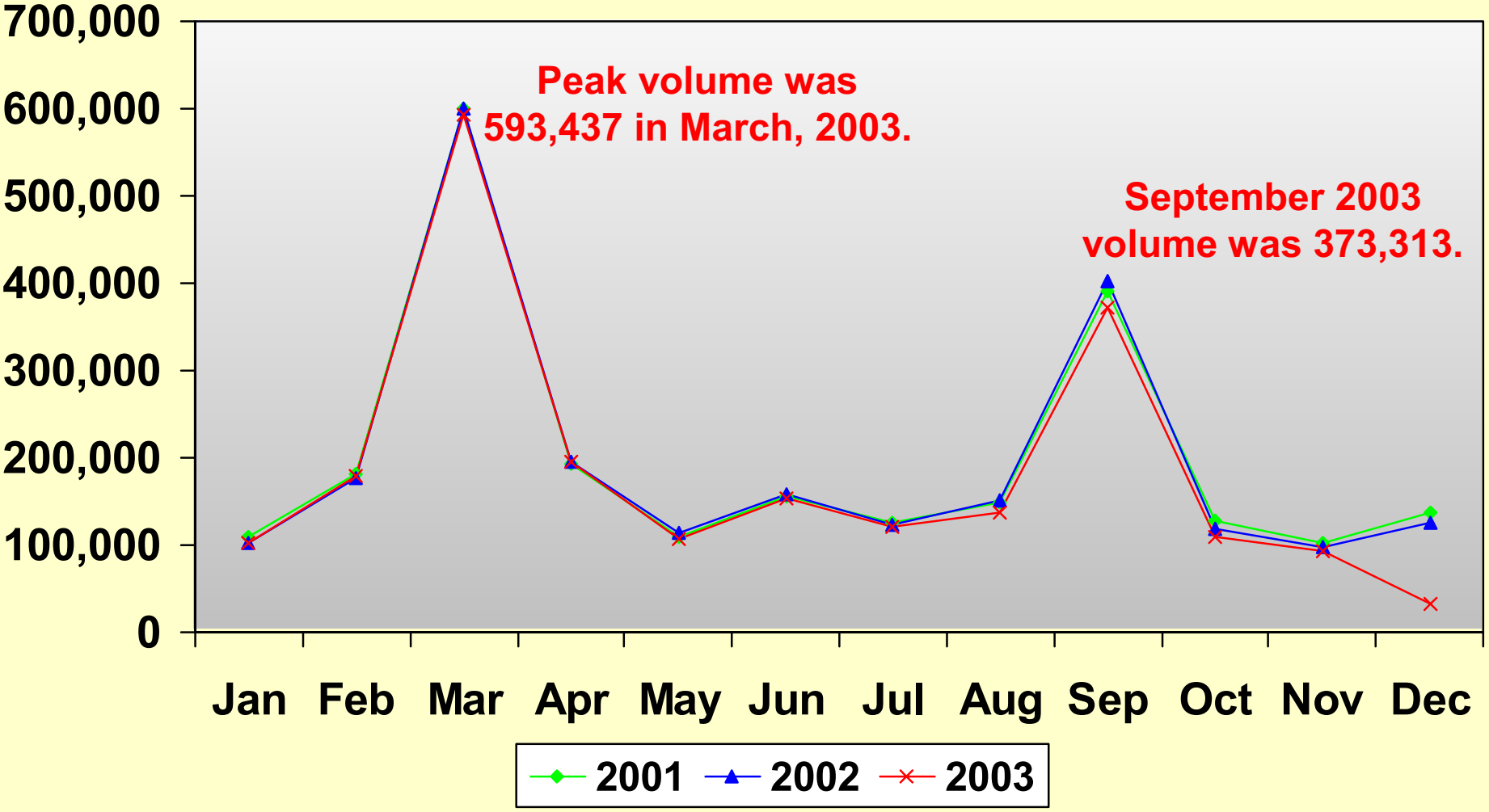


2,033* EROs* *filing more than 50 e-file 1040 & more than 50 1120 returns filed
<u>269,109</u>
Corporation returns



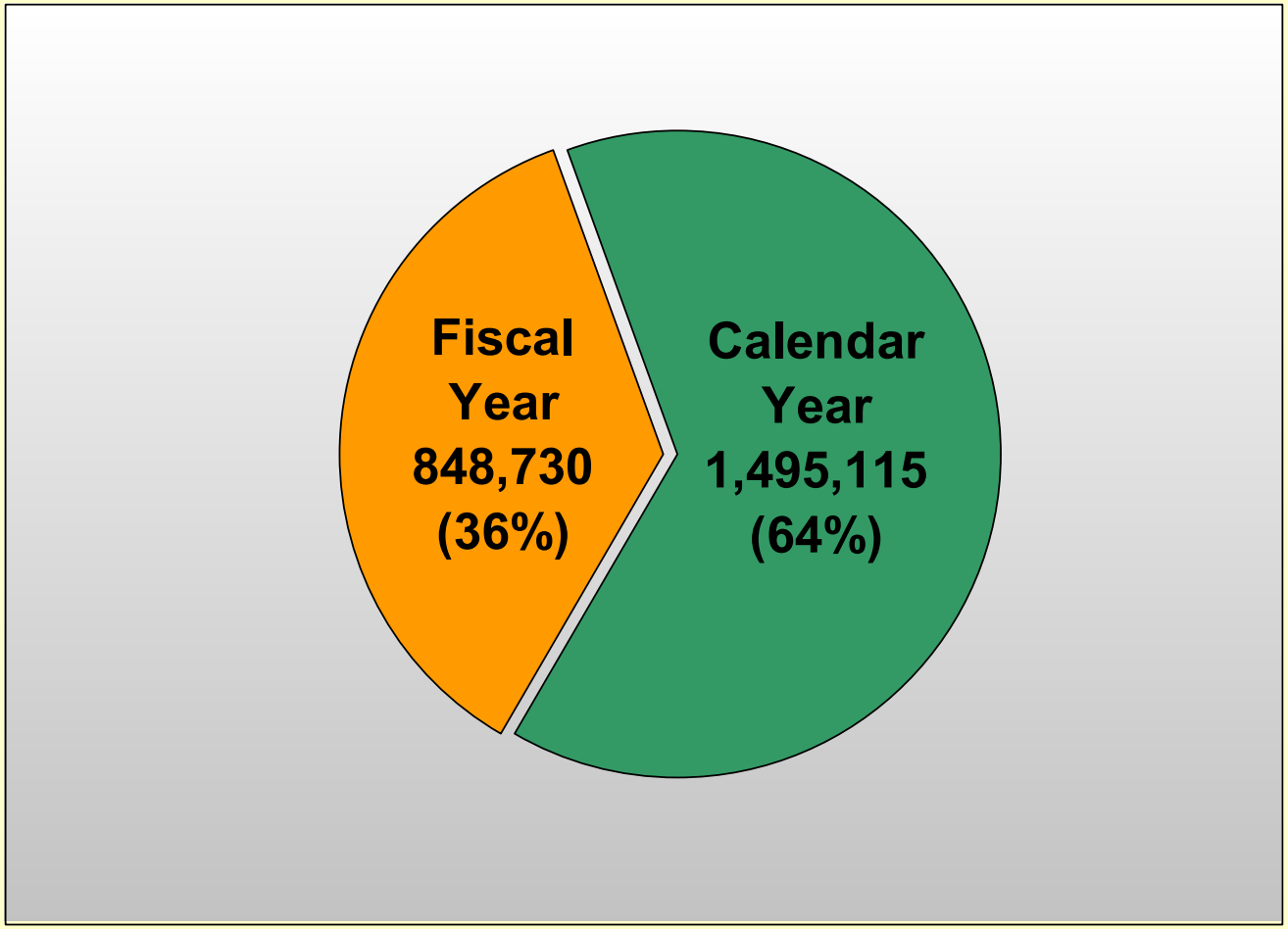
****Electronic Return Originators Filing 100 or More Total Returns***

Form 1120: Monthly Filing Patterns



Fiscal Year Returns vs. Calendar Year Returns

Total: 2,343,845



Processing Year 2003

Forms 1120 by Industry

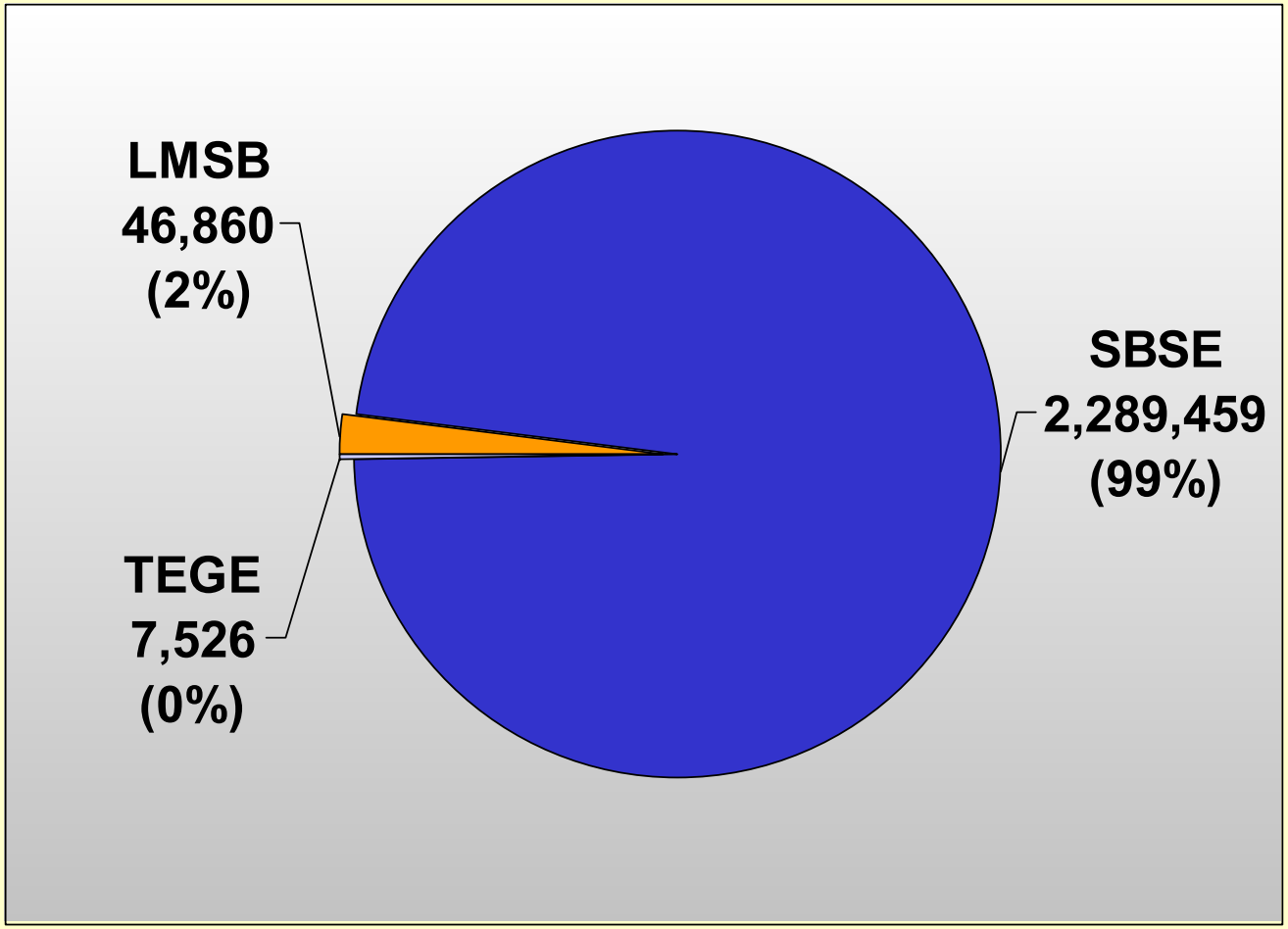
(The North American Industry Classification System - NAICS)

NAICS	NAICS TITLE	Count	%
531390	Other Activities Related to Real Estate	92,817	4%
621111	Offices of Physicians (except mental health specialists)	76,897	3%
541990	All Other Professional, Scientific, & Technical Services	63,892	3%
722110	Full-Service Restaurants	40,230	2%
531120	Lessors of Nonresidential Buildings	36,464	2%
531110	Lessors of Residential Buildings & Dwellings	33,766	1%
531310	Real Estate Property Managers	33,161	1%
541600	Management, Scientific, & Technical Consulting Services	32,760	1%
812990	All Other Personal Services	32,689	1%
541110	Offices of Lawyers	32,129	1%

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

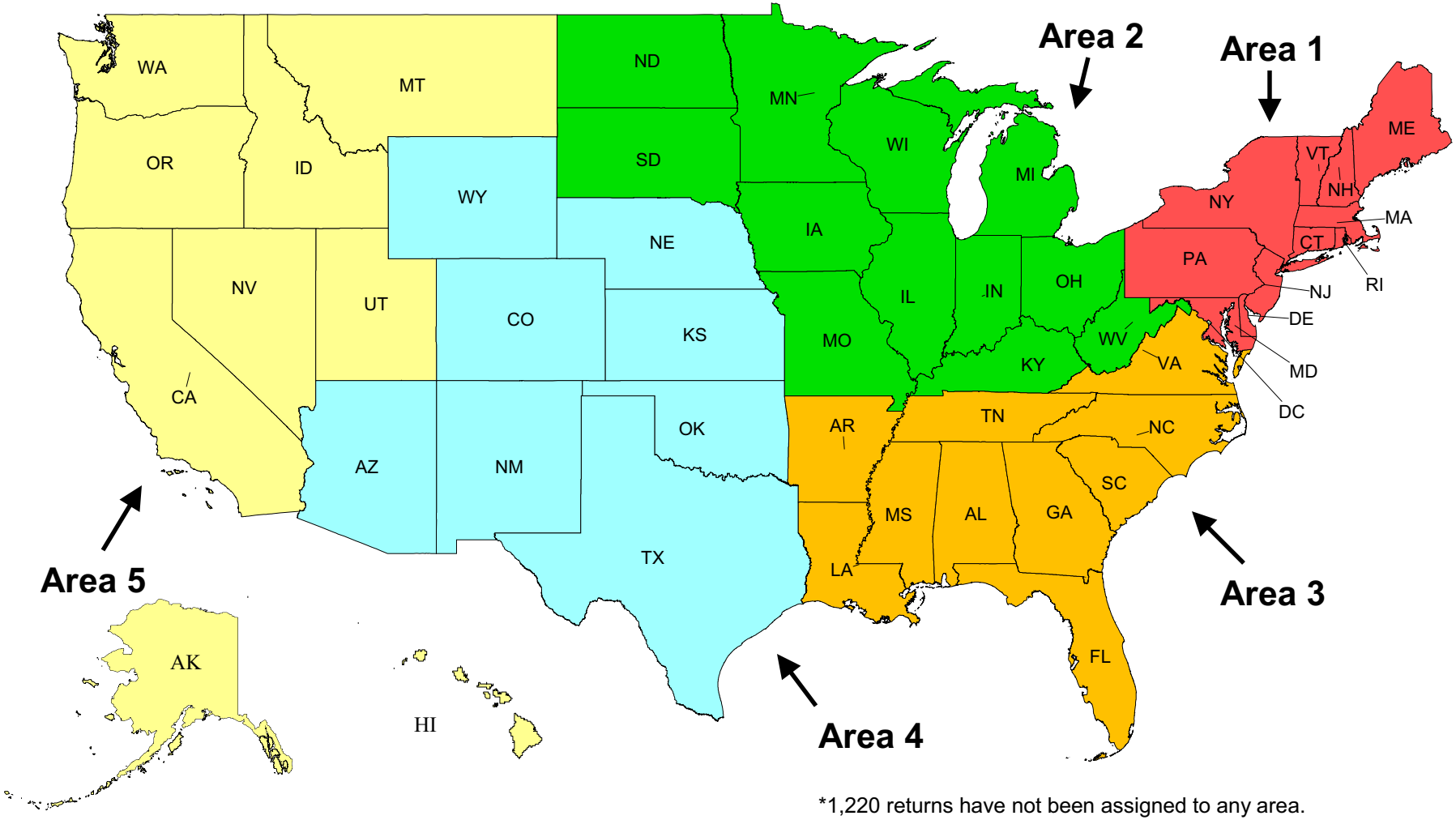
Forms 1120 by Business Operating Division

Total: 2,343,845



Processing Year 2003

TEC Area (1120)*



*1,220 returns have not been assigned to any area.

	Area 1	Area 2	Area 3	Area 4	Area 5
Total	589,787	472,162	500,551	304,719	475,406

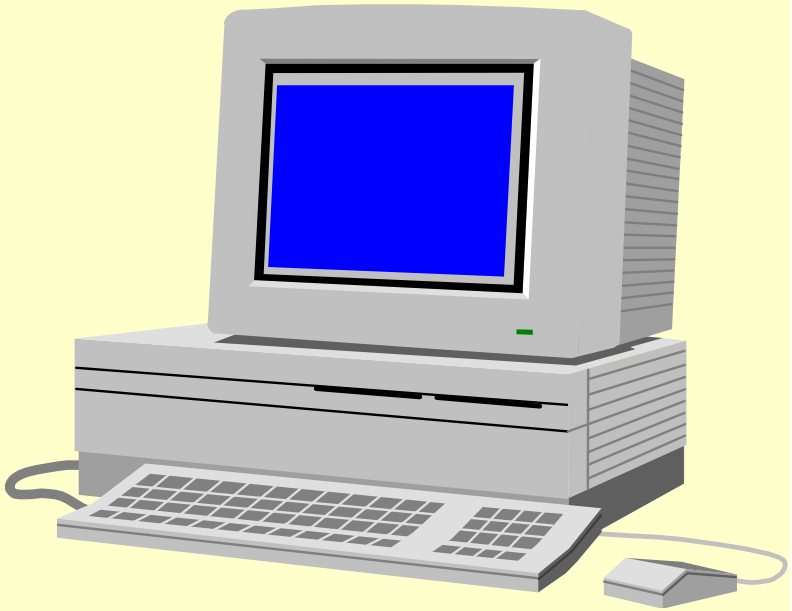
Form 1120S Filers

Small Business Corporation
Income Tax Return

Processing Year 2003

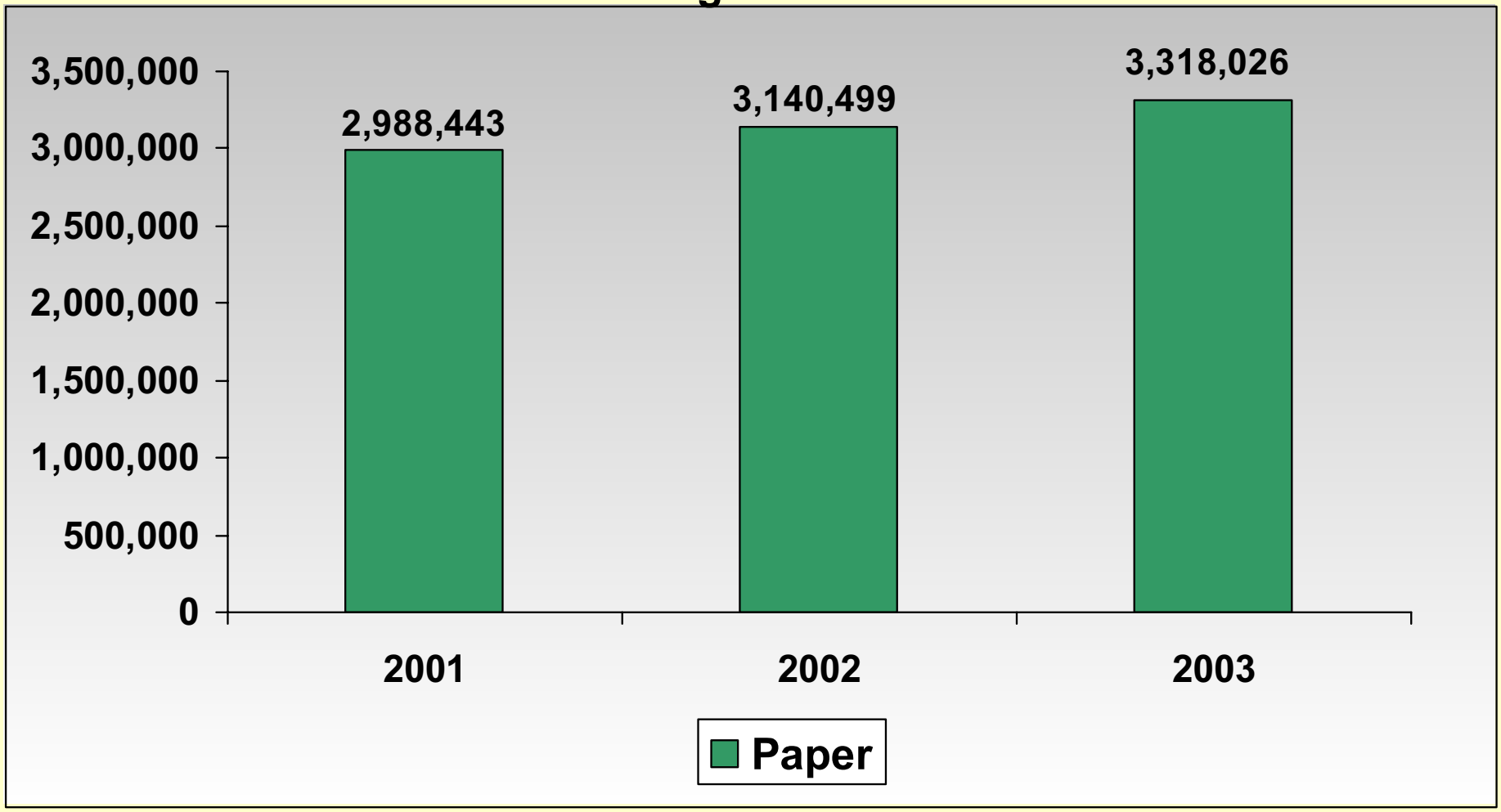
Primary Data Sources

- All business tax returns filed for Processing Year 2003
- Returns processed through December 31, 2003 (cycle 200353)
- 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 almost 30 million entities



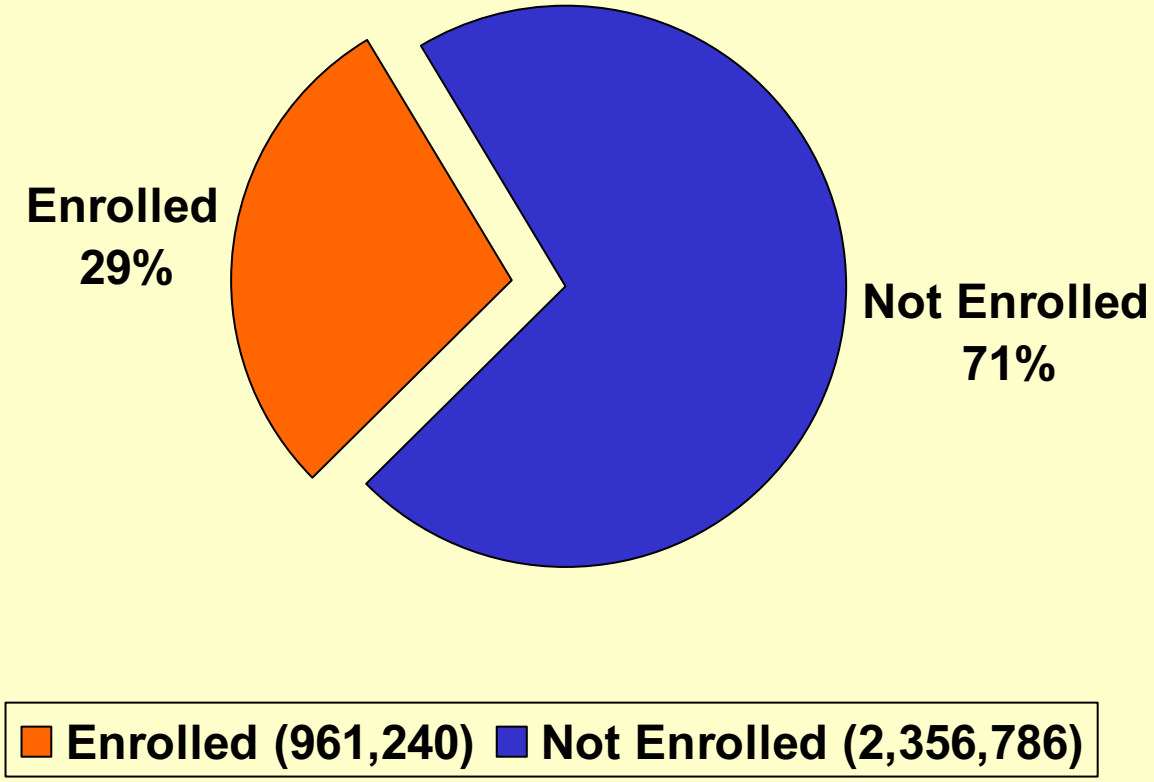
Form 1120S
Annual Filing Volume

Processing Years 2001-2003

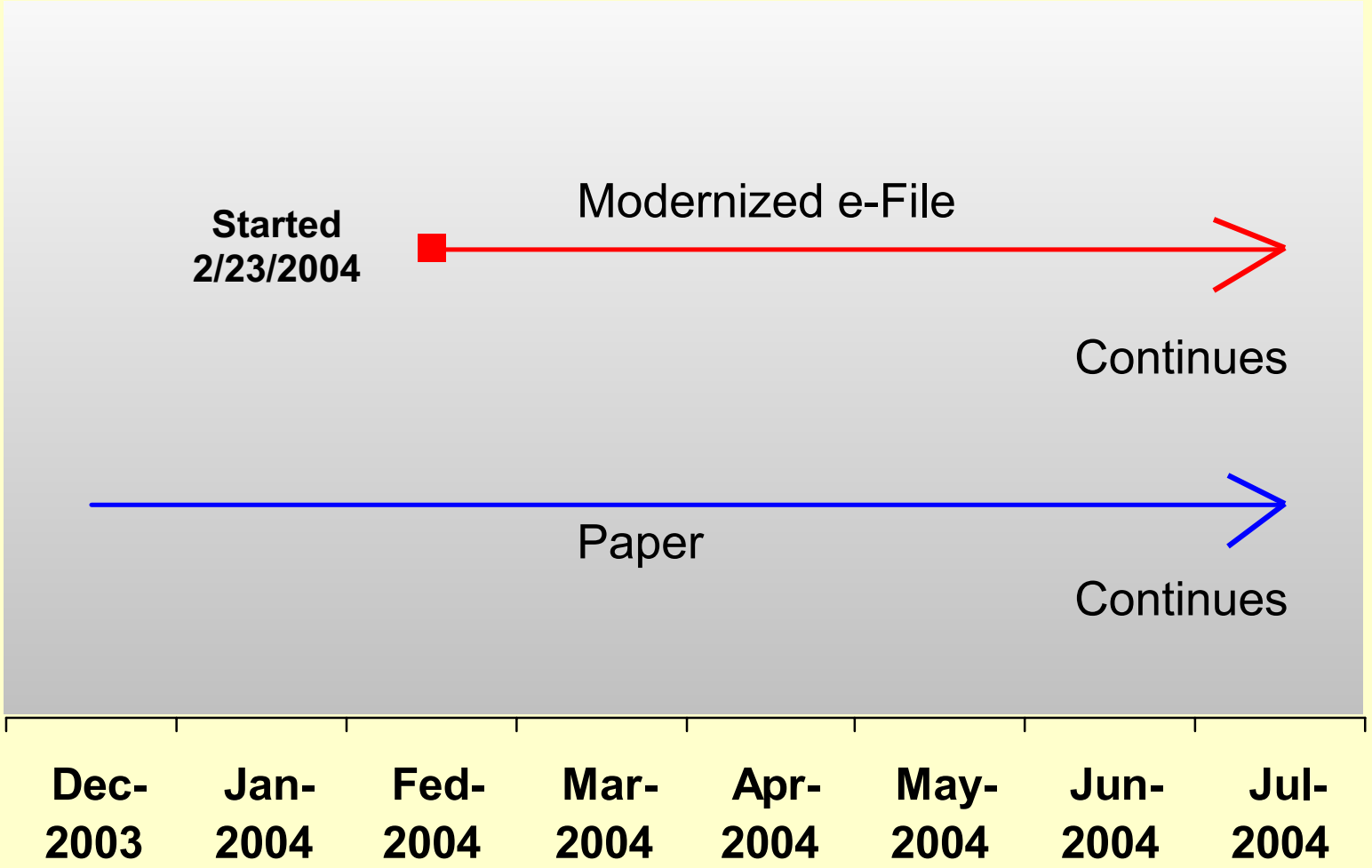


Form 1120S Taxpayers Enrolled in EFTPS (Electronic Federal Tax Payment System)

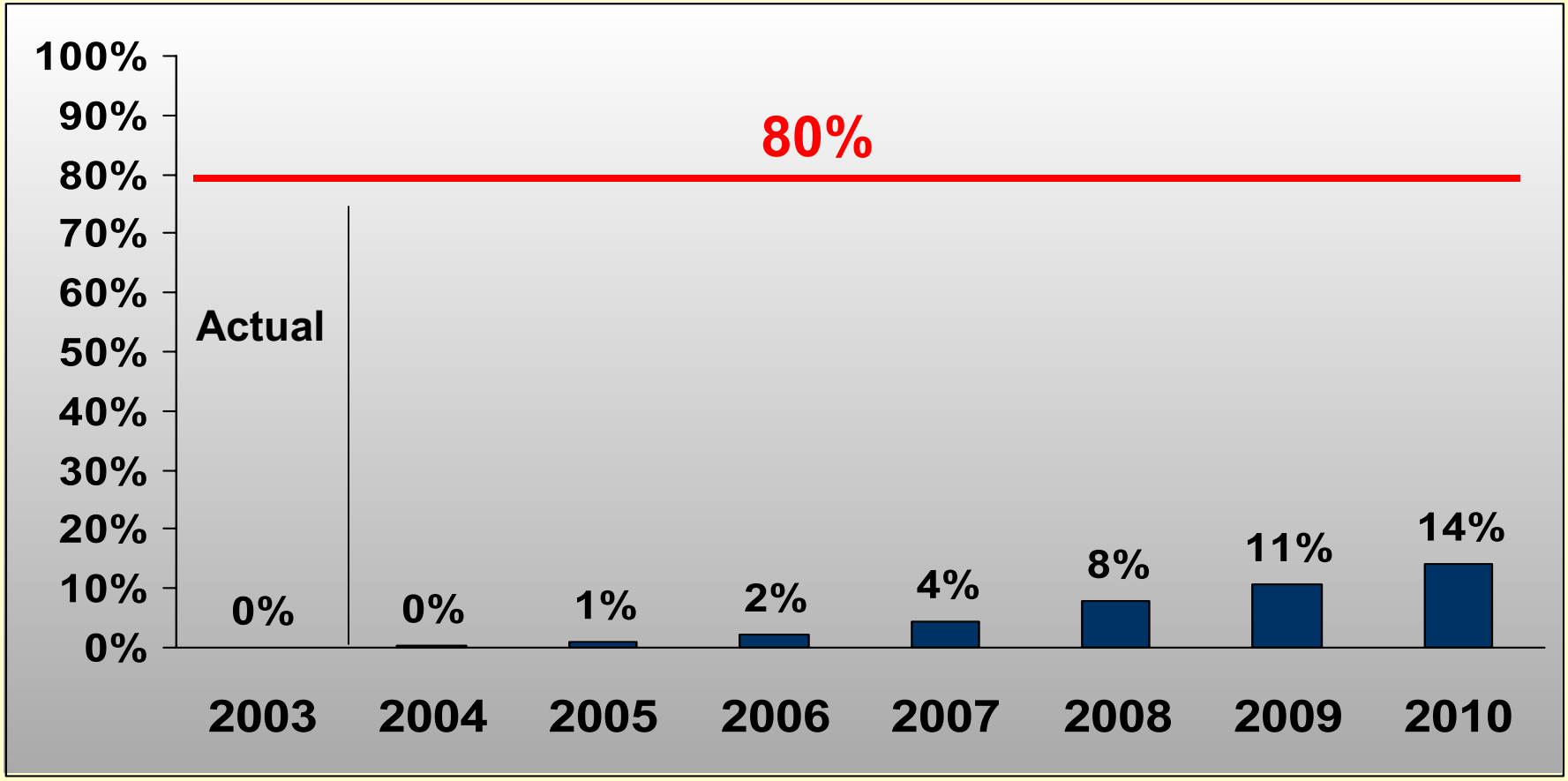
Processing Year 2003



Form 1120S: Implementation Schedule



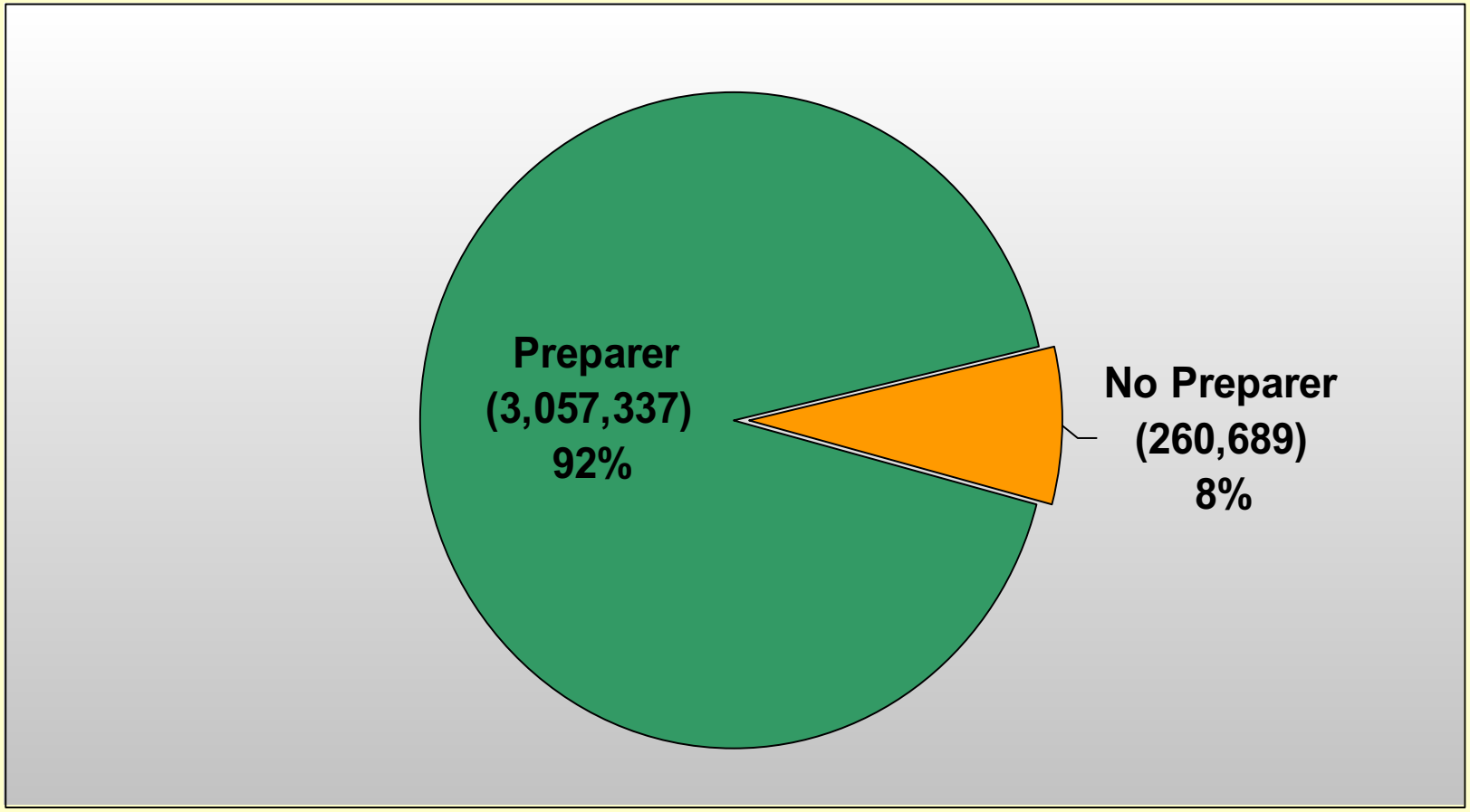
Form 1120S Projected *e-file* Penetration Rate



N:ADC:R:R: Projections of Electronic Business Returns/
Other Miscellaneous Forms and Resulting Participation Rates (October 2003)

Preparer/No Preparer

Total: 3,318,026



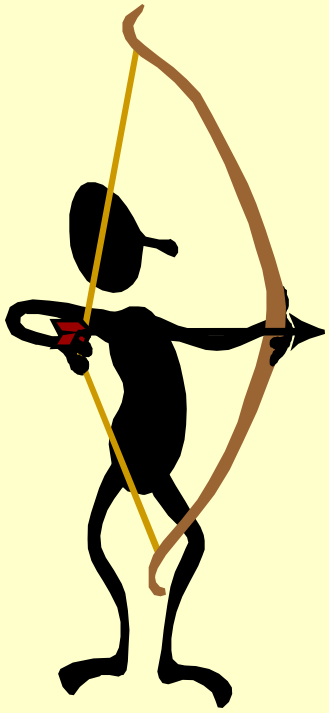
Processing Year 2003

Forms 1120S: Top Ten Preparers

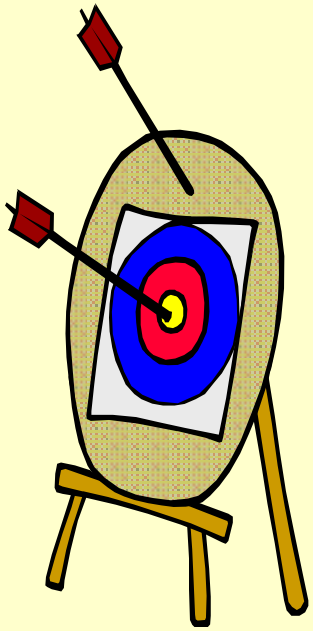
Processing Year 2003

Name	Total
1	9,049
2	7,805
3	6,775
4	4,213
5	3,866
6	3,527
7	3,360
8	2,858
9	2,827
10	2,809
Total	47,089

Target Market for Form 1120S Electronic Filing

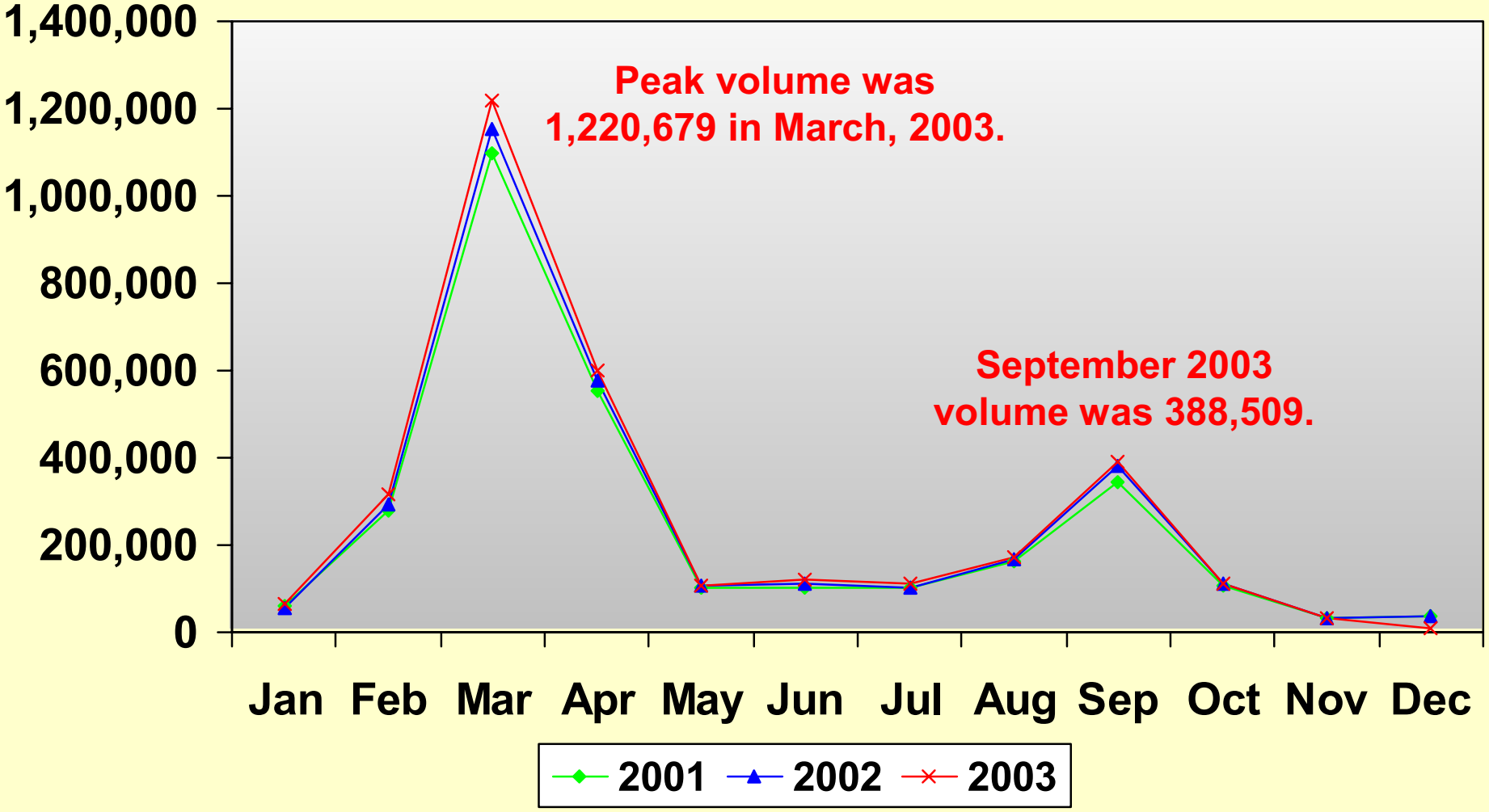


4,133* EROs* *filing more than 50 e-file 1040 & more than 50 1120S returns filed
<u>521,043</u>
S Corporation returns



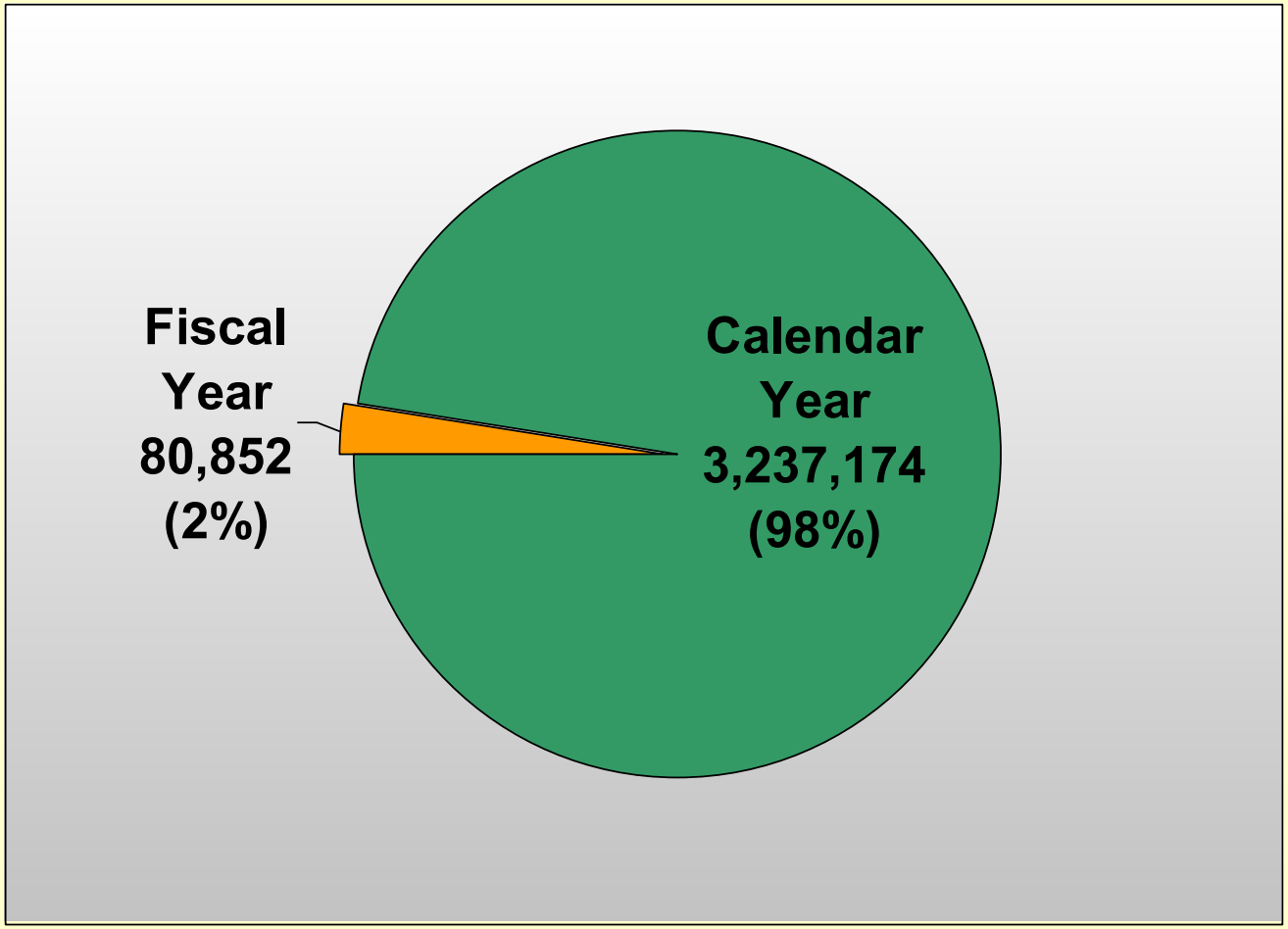
****Electronic Return Originators Filing 100 or More Total Returns***

Form 1120S: Monthly Filing Patterns



Fiscal Year Returns vs. Calendar Year Returns

Total: 3,318,026



Processing Year 2003

Forms 1120S by Industry

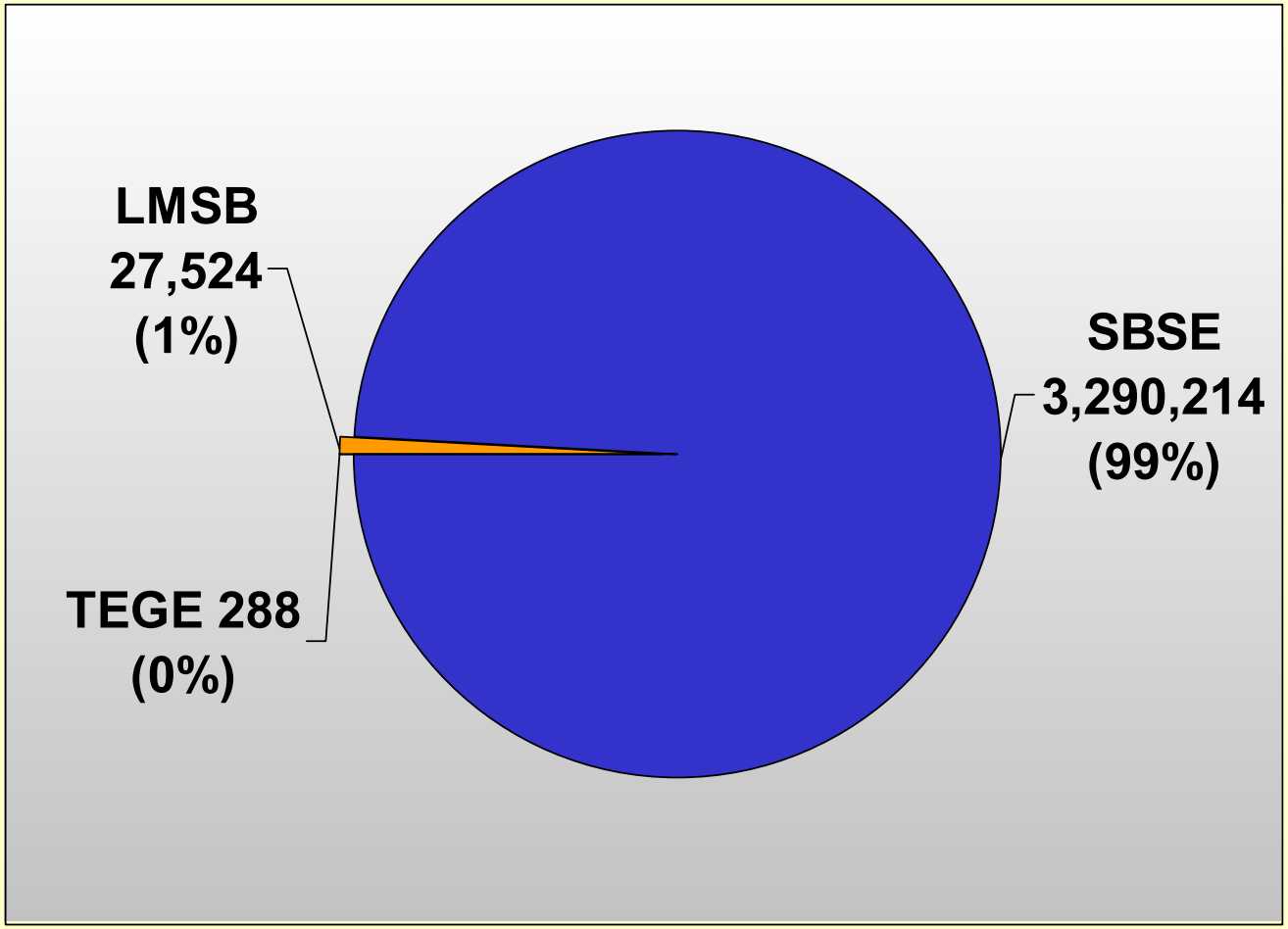
(The North American Industry Classification System - NAICS)

NAICS	NAICS TITLE	Count	%
541990	All Other Professional, Scientific, & Technical Services	113,431	3%
531390	Other Activities Related to Real Estate	99,628	3%
531120	Lessors of Nonresidential Buildings	79,975	2%
722110	Full-Service Restaurants	70,578	2%
812990	All Other Personal Services	67,930	2%
238900	Other Specialty Trade Contractors	62,238	2%
541600	Management, Scientific, & Technical Consulting Services	59,620	2%
236110	Residential Building Construction	59,588	2%
621111	Offices of Physicians (except mental health specialists)	54,534	2%
531110	Lessors of Residential Buildings & Dwellings	51,586	2%
531210	Offices of Real Estate Agents & Brokers	49,889	2%

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

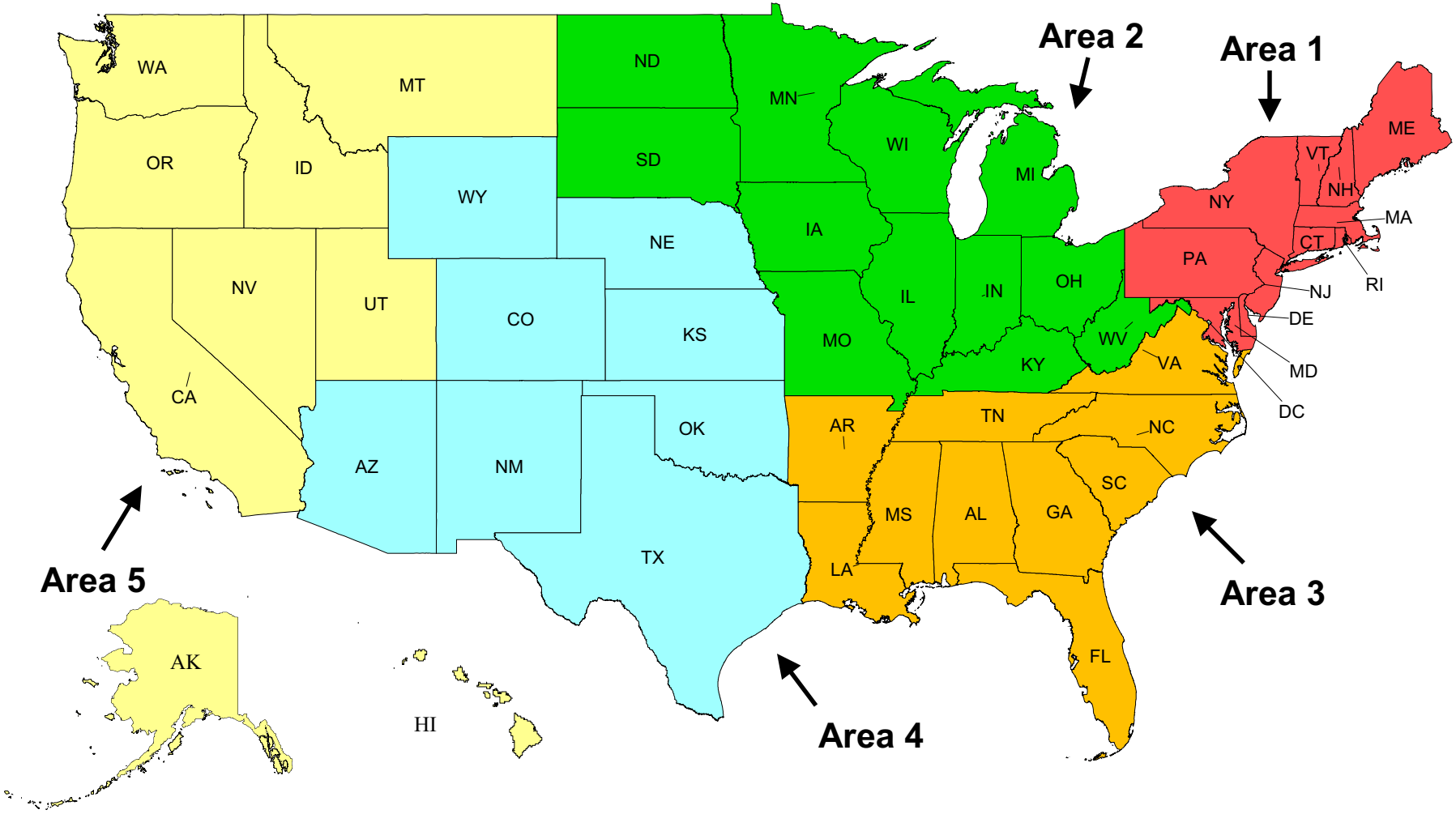
Forms 1120S by Business Operating Division

Total: 3,318,026



Processing Year 2003

TEC Area (1120S)*



*1,031 returns have not been assigned to any area.

	Area 1	Area 2	Area 3	Area 4	Area 5
Total	810,714	741,390	912,510	377,799	474,582