

## IRS Oversight Board

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### **IRS Faces Challenges to Meet 80 Percent Goal by 2012**

(Washington, DC) The IRS Oversight Board released its *Electronic Filing 2009 Annual Report to Congress* today, and reports that while federal tax returns filed on paper are steadily becoming a thing of the past, the IRS faces many challenges to meet its 80 percent electronic filing (e-file) goal by 2012.

Last year, approximately 106 million individual, business and tax exempt returns were filed electronically; more than seven million more than in 2008. In terms of the e-file rates for 2009, nearly 67 percent of individual tax returns and roughly 56 percent of the combined total of all major individual, business, and tax exempt returns were filed electronically. The percent of individual returns filed electronically reflects a dramatic rise since 1998, when only 20 percent of individual taxpayers e-filed.

The report indicates that for several unique reasons, virtually all the growth in individual e-file in 2009 is attributable to individuals who self-prepared their returns and filed online. In the view of the Board, there is little doubt that the free federal e-file option newly embedded in the retail tax preparation software sold by two industry leaders contributed significantly to the growth in online filing in 2009.

However, Oversight Board analysis shows that under current trends, it will not be likely for the IRS to reach its goal of an 80 percent e-file rate for all major tax returns by 2012, even with the help of a new federal mandate requiring certain tax return preparers to e-file starting in filing season 2011.

In the interest of achieving the long-term e-file goal, the Board recommends in the report that the IRS and its tax partners in the private sector pay particular attention to increasing electronic filing among the two taxpayer segments filing the largest number of paper returns: individuals who self-prepare their returns and employers who file quarterly Form 941 employment tax returns.

The report also underscores a larger issue at stake: the IRS' ability to achieve the broader vision of electronic tax administration, in which the vast majority of taxpayer interactions with the IRS are handled electronically. The Board believes that achieving that vision is critical to a modernized tax system that provides secure, convenient, timely, and accurate services to taxpayers and tax professionals.

The report further calls on the IRS and policymakers to act in a strategic fashion in determining appropriate changes to existing e-file mandates relating to the filing of business, exempt organization, and employment returns to help meet the 80 percent goal. It also notes the importance of funding IRS information technology modernization programs.

"Although the IRS has made steady progress on the electronic tax administration vision articulated in the IRS Restructuring and Reform Act of 1998, it's clear that the IRS will not meet the 80 percent e-file goal by 2012 unless further strategies are applied," said IRS Oversight Board Chairman Paul Cherecwich.

The *IRS Oversight Board Electronic Filing 2009 Annual Report to Congress* is available at [www.irsoversightboard.treas.gov/reports](http://www.irsoversightboard.treas.gov/reports).

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