

How Could We Improve the Federal Tax System?

RETURN-FREE TAX FILING

What was the experience with return-free filing in California?

Q. What was the experience with return-free filing in California?

A. Generally positive.

California operated a pilot program for return-free tax filing in tax years 2005 and 2006. Some 50,000 prescreened Californians who had previously filed as single taxpayers with no dependents, no itemized deductions, and wage income only were invited to participate. These taxpayers were sent “ReadyReturns”—completed forms—and were given the option of either filing their ReadyReturns (on paper or online) or discarding them and filing conventional returns later. The pilot program was popular among taxpayers who used it, and California subsequently authorized the widespread availability of ReadyReturns for tax year 2007. The program has now been incorporated into CalFile, the state’s free online tax-filing site.

PROGRAM PARTICIPATION

The ReadyReturn pilot program had a participation rate of about 21 percent. Of the 11,000 who chose to participate, approximately half filed a paper copy and half filed electronically. The California Franchise Tax Board, the state’s tax administrator, reported that more than 88,000 people used the service in 2012. The board estimated that about 2 million taxpayers would be eligible for the ReadyReturn in 2013, indicating that the program could be expanded somewhat easily to much of the state’s population.

THE PROGRAM’S SUCCESS

Reviews of the system have been positive. Of those filing an electronic ReadyReturn, 95 percent said that it saved time, as did 87 percent of participants filing a paper version. Almost all participants said that they would opt to use the service the following year. Tax preparation services strongly opposed ReadyReturn and have lobbied against its expansion.

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Further Reading

Bankman, Joseph. 2005. ["Simple Filing for Average Citizens: The California ReadyReturn."](#) *Tax Notes*, June 13.

Goolsbee, Austan. 2006. ["The Simple Return: Reducing America's Tax Burden through Return-Free Filing."](#) Washington, DC: Hamilton Project.

State of California Franchise Tax Board. 2006. [ReadyReturn Pilot Preliminary Studies](#). Sacramento, CA: State of California Franchise Tax Board.

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