

Handbook

for **Authorized IRS e-file Providers**
of **Individual Income Tax Returns**



www.irs.gov/efile



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Chapter 1

Stay Informed

Why a New Publication 1345?

This edition of Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns* replaces the previous edition revised November, 2004. This publication continues to address only the rules and requirements for participation in IRS e-file by Authorized IRS e-file Providers (Providers) filing Individual Income Tax Returns and related forms and schedules.

Following is a brief description of changes included in this publication.

Chapter 1 – Stay Informed

Updated “Where to Get Additional Information” to include:

- Removed reference to the Electronic Filing Bulletin Board which Individual e-file no longer uses to post operational information;
- Added IRS.gov page locations for easier navigation;
- Updated the information on how to report suspected fraudulent activity; and
- Added information related to IRS e-file marketing material.

Chapter 2 – Must Read Information

Updated “Publications for Individual Income Tax” as follows:

- Publication 1345 is now available in Web content on IRS.gov, “Authorized IRS e-file Providers e-filing Individual Income Tax Returns” and
- Publication 1345A is deleted.

Updated “Safeguarding IRS e-file” as follows:

- Included New IRS e-file Security and Privacy Standards



Stay informed and
check the IRS Web
site at [IRS.gov](https://www.irs.gov).

- Taxpayers can now use their prior year Personal Identification Number (PIN) to authenticate electronic signatures.
- More taxpayers can now electronically sign individual tax returns; we have updated the list of taxpayers ineligible for electronic signatures.
- Deleted the paper signature sections as they are no longer applicable.
- EROs may sign Forms 8879 and 8878 by rubber stamp, mechanical device (such as signature pen) or computer software program as described in Notice 2007-79.
- Included all supporting documents that the IRS requires be attached to Form 8453, *U.S. Individual Income Tax Transmittal for an IRS e-file Return*.
- Clarified information regarding the storage of records by an ERO and the copy of the tax return provided to the taxpayer.
- Deleted reference to extension Form 2688 which is obsolete.

Chapter 4 – Transmission

- Clarified that Transmitters participating in Online Filing must provide the Internet Protocol (IP) information (IP Address, IP Date, IP Time and IP Time Zone of the computer the taxpayer uses to submit the return).
- The taxpayer must adjust the electronic postmark to the time zone where the taxpayer resides to determine the postmark's actual time.

Paperwork Reduction Act

Removed reference to the Western Area Distribution Center in relation to the accuracy of estimates as this center no longer exists.




Subscribe to these Services on the IRS Web site:

- [IRS.gov](https://www.irs.gov)
- Click on the "Tax Professionals" tab
- Click on Subscription Services under "Tax Professional Topics"
- Click on the particular service described, right, that you are interested in to receive important information.

Where to Get Additional Information

The IRS offers a number of ways to find out what Providers need to know. Here are the best sources of information for frequently asked questions.

Where can I find the most current information about IRS e-file?

- Visit the IRS Web site at [IRS.gov](https://www.irs.gov);
- Click on the IRS e-file logo; 
- Click on "e-file for Tax Professionals."

How does the IRS keep Authorized IRS e-file Providers (Providers) informed of operational issues?

The IRS posts all important operations information at [IRS.gov](https://www.irs.gov). The IRS also notifies Providers of important information via "QuickAlerts" e-file Messaging System and various other subscription services.

QuickAlerts – QuickAlerts provides first hand knowledge of processing delays the moment they happen, by fax or e-mail.

IRS Newswire – Newswire subscribers receive news releases and other documents via e-mail as the IRS National Media Relations Office in Washington, DC issues them.

IRS Tax Tips – Tax Tips provide tax information via e-mail from the IRS daily during the tax-filing season and periodically the rest of the year.

Tax Stats Dispatch Mailing List – Announcements via e-mail which cover the most recent tax statistics.


e-News for Small Businesses – Provides information about IRS small business and self-employed outreach products and programs via e-mail.

IRS GuideWire – The IRS notifies GuideWire subscribers by e-mail when it issues advance copies of tax guidance such as Revenue Rulings, Revenue Procedures, Announcements and Notices.

e-News for Tax Professionals – The IRS *e-News for Tax Professionals* provides the latest national news for the tax professional community, as well as links to resources on [IRS.gov](https://www.irs.gov) and local news and events by state.

Where can I find the current filing season information I need?

"YYYY (current year) Tax Year IRS *e-file* for Individual Income Tax Returns" provides necessary updated filing season information. It is updated prior to each filing season and available in Web content only on the IRS Web site. To locate, select the IRS Web site links indicated below:

- IRS.gov;
- Click on the IRS *e-file* logo; 
- Click on "Tax Professionals" under the heading "IRS *e-file* Options For" and
- Click on "YYYY (current year) Tax Year IRS *e-file* for Individual Income Tax Returns."

If I get correspondence from the IRS, who can I call for more information?

All letters from the IRS have a contact telephone number to reach the person best able to help you with your questions.

Where can I find telephone numbers and addresses for other services provided by the IRS?

Providers may find addresses and telephone numbers in current year tax packages that are available at IRS.gov.

What information should I give taxpayers so they can inquire about the status of their individual income tax refunds?

Taxpayers should be advised to check the status of their individual income tax refunds using the "Where's My Refund" feature at IRS.gov, or they may call (800) 829-1954.

Where can I get information about electronic payment options?

Via the Internet at the IRS Web site:

- IRS.gov;
- Keyword "e-pay."

The IRS does not develop or sell tax preparation or electronic return data transmission software.

How Do I Report Suspected Tax Fraud Activity?

If you suspect or know of an individual or company that is not complying with the tax laws, you may report this activity by completing *Form 3949-A, Information Referral*, via the Internet at the IRS Web site.

- [IRS.gov](https://www.irs.gov);
- Click on "Tax Professionals;"
- Click on "Basic Tools for Tax Pro" under the heading "Tax Professional Topics;"
- Click on "How to Report Problem Preparers" under the heading "Your Responsibilities as a Tax Professional."

My software doesn't work, what should I do?

The IRS does not develop or sell tax preparation or electronic return data transmission software. If problems exist, Providers should contact the vendor who sold them the software or the technical support operation that comes with the software package.

Where can I get information about the IRS Nationwide Tax Forums?


Via the Internet at the IRS Web site:

- [IRS.gov](https://www.irs.gov);
- Click on "Tax Professionals;"
- Click on "Nationwide Tax Forum Information."



Where can I get more information about filing both federal and state individual income tax returns?

Additional information and a list of state e-file contacts are available via the IRS Web site:

- [IRS.gov](https://www.irs.gov);
- Click on the IRS *e-file* logo; 
- Click on "Tax Professionals" under the heading "IRS *e-file* Options For;"
- Click on "Federal/State e-file."

Often, the Provider offering comprehensive one-stop tax service is the most successful. If the Provider is not participating in Federal/State e-file, it is missing a golden business opportunity to offer its clients and customers the benefits and convenience of filing both federal and state tax returns electronically. See the [Federal/State e-file](#) section, page 14, in Chapter 2.

Is there marketing material available to help grow my e-file business?

Providers are eligible to receive a free *IRS e-file Marketing Toolkit* (Publication 3005). The IRS updates this toolkit annually. It contains professionally designed marketing materials and brochures. It's a great way to attract new clients and provide answers to everyone's e-file questions. Providers can order the Marketing Toolkit by calling (800) 829-3676.




Chapter 2

Must Read Information

Publications for Individual Income Tax Returns

Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, provides rules and requirements for participation in IRS e-file of Individual Income Tax Returns and related forms and schedules. Violating a provision of this publication may subject the Authorized IRS e-file Provider (Provider) to sanctions. Providers should familiarize themselves with the *Revenue Procedure 2007-40*, 2007-26 I.R.B. 1488 (or the latest update) and *Publication 3112, IRS e-file Application and Participation*, to ensure compliance with requirements for participation in IRS e-file. The IRS updates Publication 1345 as needed. The most current information is available on the IRS Web site:

- [IRS.gov](#);
- Click on the IRS e-file logo; 
- Click on "Tax Professionals" under the heading "IRS e-file Options For:"; and
- "Authorized IRS e-file Providers e-filing Individual Income Tax Returns."

Providers can download the latest published version of Publication 1345, but it isn't as current as "Authorized IRS e-file Providers e-filing Individual Income Tax Returns."

Another important publication for participants in individual IRS e-file is *Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*. This publication is in three parts:

- **Part 1, File Specifications**, contains file specifications and error reject conditions for individual e-file income tax returns;
- **Part 2, Record Layouts**, contains record layouts for forms and schedules associated with individual e-file income tax returns: and
- **Part 3, Electronic Transmitted Documents**, contains file specifications, error reject conditions, and record layouts for e-file forms that taxpayers file separately from the tax return.

[Publication 1345](#) and [Publication 1346](#) are available on the IRS Web site:

- [IRS.gov](#);
- Click on the IRS e-file logo;
- Click on "Tax Professionals" under the heading "IRS e-file Options For" and
- Click on "Library"
- Click on IRS e-file Technical Publications



Providers must be diligent in recognizing and preventing fraud and abuse in IRS *e-file*.

Safeguarding IRS *e-file*

Safeguarding of IRS *e-file* from fraud and abuse is the shared responsibility of the IRS and Authorized IRS *e-file* Providers. Providers must be diligent in recognizing and preventing fraud and abuse in IRS *e-file*. Neither the IRS nor Providers benefit when fraud or allegations of abuse tarnish the integrity and reputation of IRS *e-file*. Providers must report fraud and abuse to the IRS as indicated in [“Where To Get Additional Information,”](#) page 4. Providers must also cooperate with the IRS’ investigations by making available to the IRS upon request, information and documents related to returns with potential fraud or abuse.

Providers appoint an individual as a Responsible Official who is responsible for ensuring the firm meets IRS *e-file* rules and requirements. Providers with problems involving fraud and abuse may be suspended or expelled from participation in IRS *e-file*, be assessed civil and preparer penalties or be subject to legal action.

New IRS *e-file* Security and Privacy Standards

The IRS has developed six (6) new security and privacy standards to better protect taxpayer information collected, processed and stored by Providers participating in Online Filing of individual income tax returns.

The IRS strongly encourages Providers participating in Online Filing of individual income tax returns to implement these six (6) new standards for the 2009 filing season.

The new standards are based on industry best practices and are intended to supplement the Gram-Leach-Bliley Act and the implementing rules and regulations promulgated by the Federal Trade Commission.

1. Extended Validation SSL Certificate

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that collect taxpayer information via the Internet. These Providers shall possess a valid and current Extended Validation Secure Socket Layer (SSL) certificate using SSL 3.0 / TLS 1.0 or later and minimum 1024-bit RSA / 128-bit AES.

2. External Vulnerability Scan

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that collect, transmit, process or store taxpayer

CHAPTER 2

Must Read Information

information. These Providers shall contract with an independent third-party vendor to run weekly external network vulnerability scans of all their “system components” in accordance with the applicable requirements of the Payment Card Industry Data Security Standards (PCIDSS). All scans shall be performed by a scanning vendor certified by the Payment Card Industry Security Standards Council and listed on their current list of Approved Scanning Vendors (ASV). In addition, Providers whose systems are hosted shall ensure that their host complies with all applicable requirements of the PCIDSS.

For the purposes of this standard, “system components” is defined as any network component, server or application that is included in or connected to the taxpayer data environment. The taxpayer data environment is that part of the network that possesses taxpayer data or sensitive authentication data.

If scan reports reveal vulnerabilities, action shall be taken to address the vulnerabilities in line with the scan report’s recommendations. Retain weekly scan reports for at least one year. The ASV and the host (if present) shall be located in the United States.

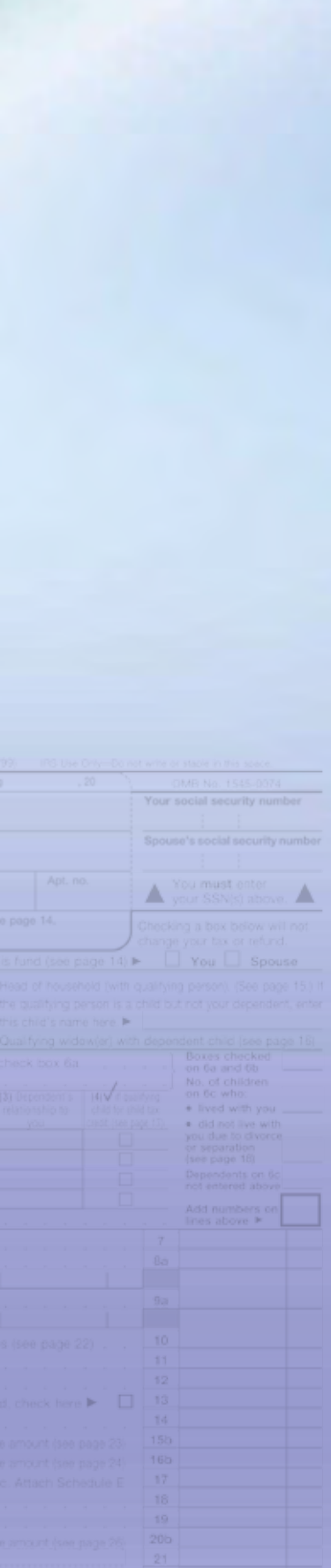
3. Information Privacy and Safeguard Policies

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that own or operate a Web site through which taxpayer information is collected, transmitted, processed or stored. These Providers shall have a written information privacy and safeguard policy consistent with the applicable government and industry guidelines and including the following statement: “we maintain physical, electronic and procedural safeguards that comply with applicable law and federal standards.”

In addition, Providers’ compliance with these policies shall be certified by a privacy seal vendor acceptable to the IRS.

4. Web site Challenge-Response Test

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that own or operate a Web site through which taxpayer information is collected, transmitted, processed or stored. These Providers shall implement an effective challenge-response protocol (e.g., CAPTCHA) to protect their Web site against malicious bots. Taxpayer information shall not be collected, transmitted, processed or stored unless the user successfully completes this challenge-response test.



A taxpayer cannot electronically file an individual income tax return after the 15th day of October even if the IRS has granted an extension to file a return beyond that date.

5. Public Domain Name Registration

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that own or operate a Web site through which taxpayer information is collected, transmitted, processed or stored.

These Providers shall have their Web site's domain name registered with a domain name registrar that is located in the United States and accredited by the Internet Corporation for Assigned Names and Numbers (ICANN). The domain name shall be locked *and* not be private.

6. Reporting of Security Incidents

This standard applies to Authorized IRS *e-file* Providers participating in Online Filing of individual income tax returns that collect, transmit, process, or store taxpayer information. These Providers shall report security incidents to the IRS as soon as possible but not later than the next business day after confirmation of the incident. For the purposes of this standard, an event that can result in an unauthorized disclosure, misuse, modification or destruction of taxpayer information shall be considered a reportable security incident. See instructions for [submitting incident reports](#).

In addition, if the Provider's Web site is the proximate cause of the incident, the Provider shall cease collecting taxpayer information via their Web site immediately upon detection of the incident and until the underlying causes of the incident are successfully resolved.

"Returns Filed" Using IRS *e-file*

A return filed using IRS *e-file* may be a composite of electronically transmitted data and certain paper documents or be completely paperless. The paper portion of a composite return may consist of a paper transmittal Form 8453, *U.S. Individual Income Tax Transmittal* and other paper documents that cannot be electronically transmitted and must be mailed to the IRS attached to the Form 8453 ([See page 15](#)).

Filing individual income tax returns using IRS *e-file* is limited to tax returns with prescribed due dates in the current year. A taxpayer cannot electronically file an individual income tax return after the 15th day of October even if the IRS has granted an extension to file a return beyond that date. If the 15th day of October falls on a Saturday, Sunday or legal holiday, the due date is the next business day.



If Providers submit state individual income tax returns as part of Federal/State e-file, state returns become a part of the electronically transmitted data. States often require the submission of paper documents to complete the return, but they are separate from paper documents for federal returns. Providers should process state paper documents according to applicable state rules.

Returns Not Eligible for IRS e-file

The following individual income tax returns and related return conditions cannot be processed using IRS e-file:

- Other than current year tax returns;
- Tax returns with fiscal year tax periods;
- Amended tax returns;
- Returns containing forms or schedules that cannot be processed by IRS e-file other than those forms and schedules that are required to be submitted with Form 8453, *U.S. Individual Income Tax Transmittal for an IRS e-file Return*;
- Tax returns with Taxpayer Identification Numbers (TIN) within the range of 900-00-0000 through 999-99-9999. Exception: Adopted Taxpayer Identification Numbers (ATIN) and Individual Taxpayer Identification Numbers (ITIN) may fall within the range above. Valid ATINs contain the digits 93 in the fourth and fifth positions. Valid ITINs contain digits within a range of 70 through 88 in the fourth and fifth digits. See [Verifying Taxpayer Identification Numbers](#), page 16, for more information on ATINs and TINs; and
- The IRS cannot electronically process tax returns with rare or unusual processing conditions or that exceed the specifications for returns allowable in IRS e-file. These conditions change from year to year. The software should alert Providers to these conditions when they occur. If Providers transmit electronic return data with one of these conditions to the IRS, it rejects and the taxpayer may have to file the tax return on paper. The software package documentation or the software's support program should provide more specific information.

Form 1040 Department of the Treasury Internal Revenue Service
U.S. Individual Income Tax Return

For the year Jan. 1-Dec. 31, 2008, or other tax year

Label
See instructions on page 14. Use the IRS label. Otherwise, please print or type.

Filing Status
Check only one box.

Exemptions
If more than four dependents, see page 17.

Income
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a W-2, see page 21. Enclose, but do not attach, any payment. Also, please use Form 1040-V.

1 Your first name and initial
2 If a joint return, spouse's first name and initial
3 Home address (number and street), if you have one
4 City, town or post office, state, and ZIP code

1 Single
2 Married filing jointly (even if you are not living with your spouse)
3 Married filing separately. Enter your name here.

5a Yourself. If someone can claim you as a dependent, do not check this box.
b Spouse
c Dependents:
1st name Last name
2nd name Last name
3rd name Last name
4th name Last name
5th name Last name
d Total number of exemptions: 0

7 Wages, salaries, tips, etc. Attach Form W-2.
8a Taxable interest. Attach Schedule B if required.
b Tax-exempt interest. Do not include here.
9a Ordinary dividends. Attach Schedule D if required.
b Qualified dividends (see page 17).
10 Taxable refunds, credits, or other offset payments (see instructions).
11 Alimony received.
12 Business income or loss. Attach Schedule C.
13 Capital gain or loss. Attach Schedule D.
14 Other gains or losses. Attach Schedule D.
15a IRA distributions 15b
16a Pensions and annuities 16b
17 Rental real estate, royalties, partnerships, S-corporations, trusts, etc. Attach Schedule E.
18 Farm income (or loss). Attach Schedule F.
19 Unemployment compensation.
20a Social security benefits 20b
21 Other income. List type and amount.

Submitting a Timely Filed Electronic Tax Return

All prescribed due dates for filing of returns apply to e-file returns. All Providers must ensure that returns are promptly processed. However, a Provider that receives a return for electronic filing on or before the due date of the return must ensure that it transmits the electronic portion of the return on or before the due date (including extensions). An electronically filed return is not considered filed until the IRS acknowledges acceptance of the electronic portion of the tax return for processing. The IRS accepts individual income tax returns electronically only if the taxpayer signs the return using a Personal Identification Number (PIN). If Providers transmit the electronic portion of a return on or shortly before the due date and the IRS ultimately rejects it, but the Provider and the taxpayer comply with the requirements for timely resubmission of a correct return, the IRS considers the return timely filed. For additional information about the filing of a return through IRS *e-file*, see [*Submitting the Electronic Return to the IRS*](#), page 28.

Transmitters may provide electronic postmarks to taxpayers for individual returns if the Transmitters adhere to the requirements in Chapter 4. The receipt of an electronic postmark provides taxpayers with confidence that they have filed their return timely. The date of the electronic postmark is considered the date of filing when the date of electronic postmark is on or before the prescribed due date and the return is received by the IRS after the prescribed due date for filing. All requirements for signing the return and completing a paper declaration, if required, as well as for timely resubmitting of a rejected timely filed return must be adhered to for the electronic postmark to be considered the date of filing.



Providers may file both federal and state returns electronically for clients and customers.

Federal/State e-file

Federal/State e-file is a cooperative tax-filing effort between the IRS and most states. Providers may file both federal and state returns electronically for clients and customers. In addition to accepting federal and state individual income tax returns electronically in a single transmission, State Only returns are also accepted and forwarded to the Electronic Management System (EMS). The IRS may accept a State Only return if the state return:

- was previously rejected by the state;
- is originated separately from the federal return;
- is a part-year residency return;
- is a non-resident state return; or
- is a married filing separately state return, but the federal return was filed jointly.

The IRS provides state acknowledgement service on its Electronic Management System (EMS). Participating states can send their acknowledgements to EMS for transmitters to pick up when they pick up their federal acknowledgement.

Adding Federal/State e-file to a Provider's business is very similar to the process it went through to become a Provider. Refer to [*Publication 3112, IRS e-file Application and Participation*](#) for further details. Also, the Provider should contact the state coordinators for the state programs in which it participates for further explanation of state rules and requirements.



Chapter 3

Electronic Return Origination

Obtaining, Handling and Processing Return Information from Taxpayers

An Electronic Return Originator (ERO) originates the electronic submission of returns it either prepares or collects from taxpayers who want to e-file their returns. An ERO originates the electronic submission of a return after the taxpayer authorizes the filing of the return via IRS *e-file*. The ERO must have either prepared the return or collected it from a taxpayer. An ERO originates the electronic submission by:

- Electronically sending the return to a Transmitter that transmits the return to the IRS;
- Directly transmitting the return to the IRS; or
- Providing a return to an Intermediate Service Provider for processing prior to transmission to the IRS.

The ERO must always identify the paid preparer (if any) in the appropriate field of the electronic record of returns it originates. The ERO must always enter the paid preparer's identifying information [name, address, EIN, when applicable, and Social Security Number (SSN) or Preparer's Tax Identification Number (PTIN)] in the appropriate fields of the electronic record. Make sure the PTIN (preferred) or SSN of the individual who prepared the return is present as well as the EIN of the firm (if applicable). If the individual preparer is a foreign national and does not have an SSN or PTIN, the Provider should enter the preparer's individual EIN in the SSN/PTIN field. EROs may either transmit returns directly to the IRS or arrange with another Authorized IRS *e-file* Provider (Provider) to transmit the electronic return to the IRS.

A Provider, including an ERO, may disclose tax return information to other Providers in connection with e-filing a tax return under Treas. Reg. §301.7216-2(d)(1). For example, an ERO may pass on return information to an Intermediate Service Provider or a Transmitter for the purpose of having an electronic return formatted or transmitted to the IRS.

An ERO that chooses to originate returns that it has not prepared, but only collected, becomes an income tax return preparer of the returns when, as a result of entering the data, it discovers errors that require substantive changes and then makes the changes. A non-substantive change is a correction limited to a transposition error, misplaced entry, spelling error or arithmetic correction. The IRS considers all other changes substantive, and the ERO becomes a tax return preparer. As such, the ERO may be required to sign the tax return as the tax return preparer.

Safeguarding IRS *e-file* From Fraud and Abuse

While all Providers must be on the lookout for fraud and abuse in IRS *e-file*, EROs must be particularly diligent while acting in their capacity as the first contact with taxpayers filing a return. An ERO must be diligent in recognizing fraud and abuse, reporting it to the IRS and preventing it when possible. Providers must cooperate with the IRS' investigations by making available to the IRS upon request, information and documents related to returns with potential fraud or abuse. Additional information regarding Reporting Fraud and Abuse in IRS *e-file* is available at IRS.gov.

Indicators of abusive or fraudulent returns may be unsatisfactory responses to filing status questions, multiple returns with the same address, and missing or incomplete Schedules A and C income and expense documentation. A "fraudulent return" is a return in which the individual is attempting to file using someone else's name or SSN on the return or the taxpayer is presenting documents or information that have no basis in fact. A potentially abusive return is a return that the taxpayer is required to file but contains inaccurate information that may lead to an understatement of a liability or the overstatement of a credit resulting in a refund to which the taxpayer may not be entitled.

An ERO that is also the paid preparer should exercise due diligence in the preparation of returns involving the Earned Income Tax Credit (EITC), as it is a popular target for fraud and abuse. Section 6695(g) of the Internal Revenue Code requires paid preparers to exercise due diligence in the preparation of returns involving EITC. Paid preparers must complete all required worksheets and meet all record keeping requirements.

Verifying Taxpayer Identification Numbers (TINs)

To safeguard IRS *e-file* from fraud and abuse, an ERO should confirm identities and TINs of taxpayers, spouses and dependents listed on returns prepared by its firm. TINs include SSNs, EINs, Adopted Taxpayer Identification Numbers (ATINs) and

An ERO that is also the paid preparer should exercise due diligence in the preparation of returns involving the Earned Income Tax Credit (EITC), as it is a popular target for fraud and abuse.

CHAPTER 3

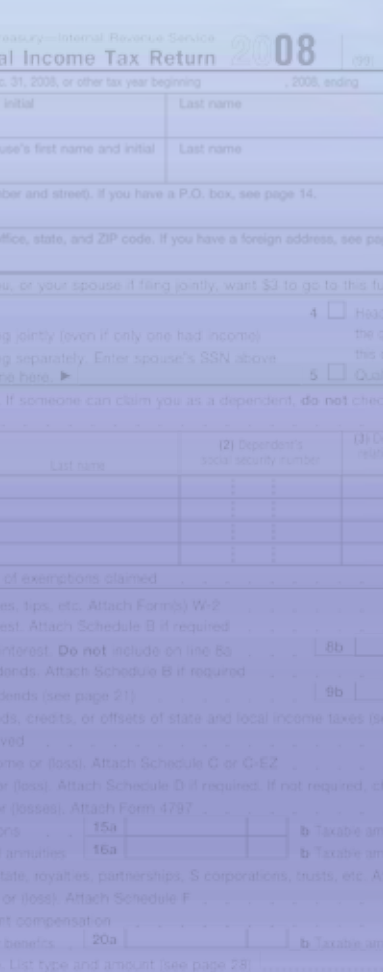
Electronic Return
Origination

Individual Taxpayer Identification Numbers (ITINs). To confirm identities, an ERO should ask taxpayers not known to them to provide two forms of identification (picture IDs are preferable) that include the taxpayer's name and current address. Also, seeing Social Security cards, ITIN letters and other documents avoids including incorrect TINs for taxpayers, spouses and dependents on returns. Providers should take care to ensure that they transcribe all TINs correctly.

The TIN entered in the Form W-2, *Wage and Tax Statement*, of the electronic return record must be identical to the TIN on the version provided by the taxpayer. The TIN on the Form W-2 should be identical to the TIN on the electronic return unless otherwise allowed by the IRS. The IRS requires taxpayers filing tax returns filed with an Individual Taxpayer Identification Number reporting wages paid to show the Social Security Number under which they earned the wages. This creates an identification number (ITIN/SSN) mismatch. In the past, taxpayers could only file returns with this mismatch on paper. Due to programming changes the IRS' e-file system can now accept these returns. Taxpayer's should use their correct ITIN as the identifying number at the top of Form 1040, *U.S. Individual Income Tax Return*. When inputting Form W-2 information, EROs should enter taxpayers' SSNs exactly as shown on the Form W-2 issued by the employer. It is now possible to e-file a return with an ITIN/SSN mismatch.

Incorrect TINs, using the same TIN on more than one return or associating the wrong name with a TIN are some of the most common causes of rejected returns (see [Acknowledgments of Transmitted Return Data](#), page 31).

Additionally, Name Control and TINs identify taxpayers, spouses and dependents. A Name Control is the first four significant letters of an individual taxpayer's last name as recorded by the Social Security Administration (SSA) or the first four letters/numbers of a business name. Having the wrong Name Control associated with a taxpayer's TIN contributes to a large portion of TIN related rejects. The most common example for a return rejecting due to a mismatch between a taxpayer's TIN and Name Control involves newly married taxpayers. Typically, the taxpayer may file using a correct SSN along with the name used in the marriage, but the taxpayer has failed to update the records with the SSA to reflect a name change. To minimize TIN related rejects, it is important to verify taxpayer TINs and Name Control information prior to submitting electronic return data to the IRS.



Be Aware of Non-Standard Information Documents

The IRS has identified questionable Forms W-2 as a key indicator of potentially abusive and fraudulent returns (see *Safeguarding IRS e-file From Fraud and Abuse*, page 16). Be on the lookout for suspicious or altered Forms W-2, W-2G, 1099-R and forged or fabricated documents. EROs must always enter the “non-standard form” code in the electronic record of individual income tax returns for Forms W-2, W-2G or 1099-R that are altered, handwritten or typed. An alteration includes any pen-and-ink change. Providers must never alter the information after the taxpayer has given the forms to them.

Providers should report questionable Forms W-2 if they observe or become aware of them. See the [“Where To Get Additional Information”](#) section, page 4.

Be Careful with Addresses

Addresses on Forms W-2, W-2G or 1099-R; Schedule C or C-EZ; or on other tax forms supplied by the taxpayer that differ from the taxpayer’s current address must be input into the electronic record of the return. Providers must input addresses that differ from the taxpayer’s current address even if the addresses are old or if the taxpayer has moved. EROs should inform taxpayers that when the return is processed, the IRS uses the address on the first page of the return to update the taxpayer’s address of record. The IRS uses a taxpayer’s address-of-record for various notices that it is required to send to a taxpayer’s “last known address” under the Internal Revenue Code and for refunds of overpayments of tax (unless otherwise specifically directed by taxpayers, such as by Direct Deposit).

Finally, Providers must never put their address in fields reserved for taxpayers’ addresses in the electronic return record or on Form 8453, *U.S. Individual Income Tax Transmittal for an IRS e-file Return*. The only exceptions are if the Provider is the taxpayer or the power of attorney for the taxpayer for the tax return.

Avoiding Refund Delays

EROs should advise taxpayers that they can avoid refund delays by having all of their taxes and obligations paid, providing current and correct information to the ERO, ensuring that all bank account information is up-to-date, ensuring that their Social Security Administration records are current and carefully checking their tax return information before signing the return.

CHAPTER 3

Electronic Return Origination

EROs can do a number of things for clients and customers to avoid rejects and refund delays. Here are some suggestions:

- Insist on identification and documentation of social security and other identification numbers for all taxpayers and dependents;
- Exercise care in the entry of tax return data into tax return preparation software and carefully check the tax return information before signing the tax return;
- Avoid taxpayers who insist on claiming dubious items on tax returns or present altered or suspicious documents;
- Ask taxpayers if there were problems with last year's refund; if so, see if the conditions that caused the problems have been corrected or can be avoided this year; and
- Keep track of client issues that result in refund delays and analyze for common problems; counsel taxpayers on ways to address these problems.

See Refund Delay Conditions in Publication 1346.

Refund Returns

When taxpayers are entitled to refunds, Providers should inform them that they have several options. An individual income tax refund may be applied to next year's estimated tax; received as a Direct Deposit or paper check; or be split so that a portion is applied to next year's estimated tax and the rest received as a Direct Deposit or paper check.

Direct Deposit of Refunds

Taxpayers often elect the Direct Deposit option because it is the fastest way of receiving refunds. Providers must accept any Direct Deposit election to any eligible financial institution designated by the taxpayer. The taxpayer may designate refunds for Direct Deposit to qualified accounts in the taxpayer's name. Qualified accounts include savings, checking, share draft or consumer asset accounts (for example, IRA or money market accounts). Taxpayers should not request a deposit of their refund to an account that is not in their own name (such as their tax preparer's own account). The taxpayer may not designate refunds for Direct Deposit to credit card accounts. Qualified accounts are accounts held by financial institutions within the United States and established primarily for personal, family or household purposes. Qualifying institutions may be national banks, state banks (including the District of

Columbia and political sub-divisions of the 50 states), savings and loan associations, mutual savings banks and credit unions.

By completing Form 8888, *Direct Deposit of Refund to More Than One Account*, the taxpayer may split refunds between up to three qualified accounts. A qualified account can be a checking, savings, or other account such as an individual retirement arrangement (IRA), health savings account (HSA), Archer MSA, Coverdell education savings account (ESA), or TreasuryDirect online account. For example, a taxpayer expecting a refund of \$400 may choose to deposit \$150 into a checking account, \$150 into a savings account, and \$100 into an IRA account. Taxpayers may choose the refund splitting option regardless of which Form 1040 series tax form they file.

Providers should caution taxpayers that some financial institutions do not permit the deposit of joint individual income tax refunds into individual accounts. The IRS is not responsible if the financial institution refuses Direct Deposits for this reason. Check or share draft accounts that are “payable through” another institution may not accept Direct Deposits. Taxpayers should verify their financial institution’s Direct Deposit policy before they elect the Direct Deposit option.

Taxpayers who choose Direct Deposit must provide Providers with account numbers and routing transit numbers for qualified accounts. The annual tax packages show how to find and identify these numbers. The taxpayer can best obtain this information from official financial institution records, account cards, checks or share drafts that contain the taxpayer’s name and address. The sole exception involves accounts specifically created to receive refunds that repay Refund Anticipation Loans (RAL) and other refund products offered by financial institutions. In those cases Providers may supply the identifying account data.

Additionally, a Provider must never charge a separate fee for Direct Deposit and must accept any Direct Deposit election by a taxpayer to any eligible financial institution. The Provider must advise taxpayers that they cannot rescind a Direct Deposit election and they cannot make changes to routing transit numbers of financial institutions or to their account numbers after IRS has accepted the return. The Provider must not alter the Direct Deposit information in the electronic record after taxpayers have signed the tax return.

Providers with repeat customers or clients should check to see if taxpayers have new accounts. Some software stores prior year’s information and reuses it unless it is changed. If account information is not current, taxpayers do not receive Direct Deposit of their refunds.

Refunds that are not Direct Deposited because of institutional refusal, erroneous account or routing transit numbers, closed accounts, bank mergers or any other reason are issued as paper checks, resulting in refund delays of up to ten weeks. While the IRS ordinarily processes a request for Direct Deposit, it reserves the right to issue a paper check and does not guarantee a specific date for deposit of the refund into the taxpayer's account. Treasury's Financial Management Service (FMS) issues federal income tax refunds and offsets taxpayers' refunds to pay off past-due child support or federal agency debts such as student loans. Neither the IRS nor FMS is responsible for the misapplication of a Direct Deposit that results from error, negligence or malfeasance on the part of the taxpayer, the Provider, financial institution or any of their agents.

Taxpayers who owe additional tax must pay their balances due by the original due date of the return or be subject to interest and penalties.

Balance Due Returns

Taxpayers who owe additional tax must pay their balances due by the original due date of the return or be subject to interest and penalties. An extension of time to file may be filed electronically by the original return due date, but it is an extension of time to file the return, not an extension of time to pay a balance due. Providers should inform taxpayers of their obligations and options for paying balances due. Taxpayers have several choices when paying any taxes owed on their returns as well as estimated tax payments.

Electronic Funds Withdrawal

Taxpayers can e-file and, at the same time, authorize an electronic funds withdrawal (EFW). Taxpayers who choose this option must provide account numbers and routing transit numbers for qualified savings, checking or share draft accounts to the Provider. The IRS tax return instructions describe how to find and identify these numbers. Providers should encourage their clients to confirm their account numbers and routing transit numbers with their financial institution. If a financial institution is unable to locate, or match, the numbers entered in a payment record with account information they have on file for a given taxpayer, they reject (return) the direct debit request.

Providers should caution taxpayers to ensure, before they e-file, that their financial institution allows EFW requests from the designated account. Some credit unions do not permit direct debits from share accounts.

CHAPTER 3

Electronic Return Origination

Taxpayers can schedule a payment for withdrawal on a future date. Scheduled payments must be effective on or before the return due date. For example, the Provider may transmit an individual income tax return in March and the taxpayer can specify that the withdrawal be made on any day on or before the return due date. The taxpayer does not have to remember to do anything at a later date. For returns transmitted after the due date, the payment date must be the same as the date the Provider transmitted the return. The taxpayer must authorize EFW payments by completion of a payment record at the time the balance due return or form is e-filed.

Taxpayers can make payments by EFW for the following:

- Current year Form 1040 series return;
- Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*;
- Form 2350, *Application for Extension of Time to File U.S. Income Tax Return for Citizens and Resident Aliens Abroad Who Expect to Qualify for Special Tax Treatment*; and
- Form 1040-ES, *Estimated Tax for Individuals*. Taxpayers can make up to four estimated tax payments at the time that they electronically file the Form 1040 series return.

Providers should be careful to ensure that all the information needed for the EFW request is included with the return. The payment record must include the following:

- Routing Transit Number (RTN);
- Bank account number;
- Type of account (checking or savings);
- Requested payment date (e.g., 20090415 for balance due payment; e.g., 20090615 for 3rd quarter estimated payment) and
- Amount of tax payment for balance due payments sent after the due date; this amount may include interest and penalty payment.

If taxpayers do not provide all of the needed information, Providers must contact the taxpayers. If the Provider is unsuccessful in obtaining or transmitting the EFW information, but the return is otherwise complete, the Provider should proceed with the origination of the electronic return data to the IRS. The Provider must inform their clients that they need to make other arrangements to pay the balance due and/or estimated payments. See below for other payment options.



Credit or Debit Card Payments

Taxpayers may also pay electronically using a credit or debit card. Taxpayers can make credit or debit card payments when e-filing or separately via telephone or the Internet.

■ **Integrated e-file and e-pay:** Taxpayers can e-file and, at the same time, pay the balance due by credit or debit card if the tax software used includes this option. The software prompts taxpayers to enter the necessary card information. The service provider charges taxpayers convenience fees based on the amount of the tax payments and informs them of these fees before taxpayers authorize the payments.

■ **Pay by Phone or Internet:** Taxpayers may pay a balance due by phone or the Internet using a major credit card (American Express® Card, Discover®Card, MasterCard® or Visa® card). This service is available through credit card service providers. The service provider charges a convenience fee based on the amount of the tax payment. The software advises taxpayers of this fee during the transaction, and they can choose to end the transaction before the payment is completed and confirmed. The software provides a confirmation number at the end of the transaction. EROs should inform taxpayers of this option and advise them that fees may vary between service providers.

■ **An ATM/debit card payment option** is available through the service providers. Pay by phone or internet using a Visa® consumer debit card or a MasterCard® consumer debit card. You can also pay with an ATM/debit card with the NYCE®, PULSE® or STAR® logos. The service provider charges a convenience fee per payment transaction.

■ Taxpayers can make payments by phone or the Internet via credit or debit card for the following:

- Current year Form 1040 series returns, including balance due notices;
- Prior year Form 1040 series returns (applies to past due payments where no Installment Agreement);
- Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*;
- Form 1040-ES, *Estimated Tax for Individuals*;
- Form 1040, Advance Payment of a determined deficiency
- Trust Fund Recovery Penalty; and
- Installment Agreement payments.

Electronic Federal Tax Payment System (EFTPS)

Individual taxpayers who make more than one tax payment per year, particularly in installment or Form 1040 estimated payments, find EFTPS very convenient. Taxpayers can enroll in EFTPS via the Internet at EFTPS.gov or by completing Form 9783 (*EFTPS Individual Enrollment Form*) and mailing it to the EFTPS Enrollment Center. To receive an Enrollment Form, individuals should call EFTPS Customer Service (800) 316-6541. After EFTPS processes the enrollment, taxpayers receive two separate mailings. One is a Confirmation/Update Form. The other is a letter that includes the taxpayers' Enrollment Trace Number, Personal Identification Number (PIN) and instructions on how to obtain an Internet Password. Once taxpayers receive the PINs, they may begin making payments by phone. After the taxpayers obtain their Internet Password, they may begin making payments via the Internet. With EFTPS taxpayers only need to enroll once to make a payment by both telephone and the Internet as the payment methods are interchangeable. Payments can be made 24/7; however, taxpayers must submit their tax payment instructions to EFTPS before 8:00 p.m. ET at least one calendar day prior to the tax due date. Taxpayers can schedule individual tax payments up to 365 days in advance.

Pay by Check

Taxpayers may pay the balance due by mailing a check accompanied by Form 1040-V, *Payment Voucher*. The taxpayer can find these forms in many individual income tax return packages. Providers must supply Form 1040-V to taxpayers, if needed, and help them identify the correct mailing address from the chart on the back of the form. Taxpayers do not have to mail these vouchers at the same time the Provider transmits the electronic return. For example, the return may be transmitted in January and the taxpayer may mail the payment and voucher at any time on or before the return due date.

Installment Agreement Requests

Taxpayers who cannot pay the amount they owe for Form 1040 series returns and owe \$25,000 or less in combined taxes, interest and penalties may use the [Online Payment Agreement](#) (OPA) application to request an installment agreement. They can also submit Form 9465, *Installment Agreement Request*, to the IRS. The Provider can transmit Form 9465 electronically (if supported by software) with the taxpayer's electronic return data, or it may submit it later, either electronically or on paper. If accepted, the IRS charges a user fee for setting up the installments.

With EFTPS taxpayers only need to enroll once to make a payment by both telephone and the Internet as the payment methods are interchangeable.

Signing an Electronic Tax Return

As with an income tax return submitted to the IRS on paper, the taxpayer and paid preparer (if applicable) must sign an electronic income tax return. Taxpayers must sign individual income tax returns electronically. There are currently two methods for signing individual income tax returns electronically (see Electronic Signature Methods, below).

Taxpayers must sign and date the Declaration of Taxpayer to authorize the origination of the electronic submission of the return to the IRS prior to the transmission of the return to IRS. The Declaration of Taxpayer includes the taxpayer's declaration under penalties of perjury that the return is true, correct and complete, as well as the taxpayers' Consent to Disclosure. The Consent to Disclosure authorizes the IRS to disclose information to the taxpayers' Providers. Taxpayers authorize Intermediate Service Providers, Transmitters and EROs to receive from the IRS an acknowledgment of receipt or reason for rejection of the electronic return, an indication of any refund offset, the reason for any delay in processing the return or refund and the date of the refund.

Taxpayers must sign a new declaration if the electronic return data on individual income tax returns is changed after taxpayers signed the Declaration of Taxpayer and the amounts differ by more than either \$50 to "Total income" or "AGI," or \$14 to "Total tax," "Federal income tax withheld," "Refund," or "Amount you owe."

Electronic Signature Methods

There are two methods of signing individual income tax returns with an electronic signature available for use by taxpayers. Both methods allow taxpayers to use a Personal Identification Number (PIN) to sign the return and the Declaration of Taxpayer.

Self-Select PIN is one of these methods. The Self-Select PIN method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) amount or prior year PIN for use by the IRS to authenticate the taxpayers. EROs should encourage taxpayers who do not have their original prior AGI or PIN to call IRS Tax Help at (800) 829-1040.

This method may be completely paperless if the taxpayers enter their own PINs directly into the electronic return record using key strokes after reviewing the completed return. Taxpayers may also authorize EROs to enter PINs on their behalf, in which case the taxpayers must review and sign a completed signature authorization form after reviewing the return. Also see IRS *e-file* Signature Authorization below.

Practitioner PIN is the other method and it does not require the taxpayer to provide their prior year AGI amount or prior year PIN. When using the Practitioner PIN method, taxpayers must always appropriately sign a completed signature authorization form (see IRS *e-file* Signature Authorization). Taxpayers, who use the Practitioner PIN method and enter their own PINs in the electronic return record using key strokes after reviewing the completed return, must still appropriately sign the signature authorization form.

Regardless of the method of electronic signature used, taxpayers may enter their own PINs; EROs may select and enter the taxpayers' PINs; or the software may generate the taxpayers' PINs in the electronic return. After reviewing the return, the taxpayers must agree by signing an IRS *e-file* signature authorization containing the PIN.

The following taxpayers are ineligible to sign individual income tax returns with an electronic signature using the Self-Select PIN:

- Primary taxpayers under age sixteen who have never filed; and
- Secondary taxpayers under the age sixteen who did not file the prior tax year.

EROs should advise taxpayers to keep a copy of their completed tax return to assist with authentication in the subsequent year.

IRS *e-file* Signature Authorization

When taxpayers are unable to enter their PIN directly in the electronic return, taxpayers authorize the ERO to enter their PINs in the electronic return record by signing the appropriate completed IRS *e-file* signature authorization form. Form 8879, *IRS e-file Signature Authorization*, authorizes an ERO to enter the taxpayers' PINs on Individual Income Tax Returns and Form 8878, *IRS e-file Authorization for Application of Extension of Time to File*, authorizes an ERO to enter the taxpayers' PINs on Forms 4868 and 2350.

The ERO may enter the taxpayers' PINs in the electronic return record before the taxpayers sign Form 8879 or 8878, but the taxpayers must sign and date the appropriate form before the ERO originates the electronic submission of the return. The taxpayer must sign and date the Form 8879 or Form 8878 after reviewing the return and ensuring the tax return information on the form matches the information on the return.

Only taxpayers who provide a completed tax return to an ERO for electronic filing may complete the IRS *e-file* Signature Authorization without reviewing the return

originated by the ERO. The ERO must enter the line items from the paper return on the applicable Form 8879 or Form 8878 prior to the taxpayers signing and dating the form. The ERO may use these pre-signed authorizations as authority to input the taxpayer's PIN only if the information on the electronic version of the tax return agrees with the entries from the paper return.

Taxpayers and the ERO representative must always complete and sign Form 8879 or Form 8878 for the Practitioner PIN method of electronic signature.

Electronic Signatures for EROs

EROs must also sign with a PIN. EROs should use the same PINs for the entire tax year. The ERO may manually input or the software can generate the PIN in the electronic record in the location designated for the ERO Electronic Filing Identification Number (EFIN)/PIN. The ERO is attesting to the ERO Declaration by entering a PIN in the ERO EFIN/PIN field. For returns prepared by the ERO firm return preparers are declaring under the penalties of perjury that they reviewed the returns and they are true, correct and complete.

EROs may authorize members of their firms or designated employees to sign for them, but the EROs are still responsible for all the electronic returns originated by their firms.

For returns prepared by other than the ERO firm that originates the electronic submission, the ERO attests that the return preparer signed the copy of the return and that the electronic return contains tax information identical to that contained in the paper return. The ERO must enter the return preparer's identifying information (name, address, EIN, when applicable, and SSN or PTIN) in the electronic return.

EROs may sign Forms 8879 and 8878 by rubber stamp, mechanical device (such as signature pen) or computer software program as described in Notice 2007-79. The signature must include either a facsimile of the individual ERO's signature or of the ERO's printed name. EROs using one of these alternative means are personally responsible for affixing their signatures to returns or requests for extension. This does not alter the requirement that taxpayers must sign Form 8879 and Form 8878 by handwritten signature. The ERO must retain Forms 8879 and 8878 for three years from the return due date or the IRS received date, whichever is later. EROs must not send Forms 8879 and 8878 to the IRS unless the IRS requests they do so.

EROs must also sign with a PIN. EROs should use the same PINs for the entire tax year.

CHAPTER 3

Electronic Return Origination

Submitting the Electronic Return to the IRS

Once signed, an ERO must originate the electronic submission of a return as soon as possible. EROs must not electronically file individual income tax returns prior to receiving Forms W-2, W-2G or 1099-R. If the taxpayer is unable to secure and provide a correct Form W-2, W-2G, *Certain Gambling Winnings*, or 1099-R, *Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, the ERO may electronically file the return after the taxpayer completes Form 4852, *Substitute for Form W-2, Wage and Tax Statement* or 1099-R, *Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, in accordance with the use of that form. If Form 4852 is used, the non-standard W-2 indicator must be included in the record, and the ERO must maintain Form 4852 in the same manner required for Forms W-2, W-2G and 1099-R.

An ERO must ensure that stockpiling of returns does not occur at its offices.

Stockpiling is

- collecting returns from taxpayers or from another Authorized IRS *e-file* Provider prior to official acceptance in IRS *e-file*; or
- after official acceptance to participate in IRS *e-file*, stockpiling refers to waiting more than three calendar days to submit the return to the IRS once the ERO has all necessary information for origination.

The IRS does not consider returns held prior to the date that it accepts transmission of electronic returns stockpiled. EROs must advise taxpayers that it cannot transmit returns to the IRS until the date the IRS accepts transmission of electronic returns.

Submission of Paper Documents to the IRS

IRS *e-file* returns must contain all the same information as returns filed completely on paper. EROs are responsible for ensuring that they submit to the IRS all paper documents required to complete the filing of returns. Attach all appropriate supporting documents that the IRS requires to the Form 8453 and send them to the IRS. Refer to page 2 of Form 8453 for the current mailing address. Below is a list of these supporting documents:

- Form 1098-C, *Contributions of Motor Vehicles, Boats, and Airplanes* (or equivalent contemporaneous written acknowledgement);
- Form 2848, *Power of Attorney and Declaration of Representative* (only for an electronic return signed by an agent);
- Form 3115, *Application for Change in Accounting Method*;

CHAPTER 3

Electronic Return Origination

State income tax returns in the Federal/State Program often require that paper documents be prepared and forwarded to state tax administration agencies. Be sure to follow each state's rules when state income tax returns are prepared.

- Form 3468—attach a copy of the first page of NPS Form 10-168a, *Historic Preservation Certification Application* (Part 2—Description of Rehabilitation), with an indication that it was received by the Department of the Interior or the State Historic Preservation Officer, together with proof that the building is a certified historic structure (or that such status has been requested);
- Form 4136—attach the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller or a certificate from the provider identifying the product as renewable diesel and, if applicable, a statement from the reseller;
- Form 5713, *International Boycott Report*;
- Form 8283, *Noncash Charitable Contributions*, Section A, (if any statement or qualified appraisal is required) or Section B, *Donated Property*, and any related attachments (including any qualified appraisal or partnership Form 8283);
- Form 8332, *Release of Claim to Exemption for Child of Divorced or Separated Parents* (or certain pages from a post-1984 decree or agreement, see instructions);
- Form 8858, *Information Return of U.S. Persons With Respect to Foreign Disregarded Entities*;
- Form 8864—attach the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller or a certificate from the provider identifying the product as renewable diesel and, if applicable, a statement from the reseller;
- Form 8885, *Health Coverage Tax Credit*, and all required attachments;
- Schedule D-1, *Continuation Sheet for Schedule D* (Form 1040) (or a statement with the same information), if you elect not to include your transactions on the electronic short-term capital gain (loss) or long-term capital gain (loss) records; and,
- Worksheets 1 through 4 from Pub. 517, *Social Security and Other Information for Members of the Clergy and Religious Workers* (or other statement showing the required information and computations)

State income tax returns in the Federal/State Program often require that paper documents be prepared and forwarded to state tax administration agencies. Be sure to follow each state's rules when state income tax returns are prepared.

ERO Duties after Submitting the Return to the IRS

Record Keeping and Documentation Requirements

EROs must retain the following material until the end of the calendar year at the business address from which it originated the return or at a location that allows the ERO to readily access the material as it must be available at the time of IRS request. An ERO may retain the required records at the business address of the Responsible Official or at a location that allows the Responsible Official to readily access the material during any period of time the office is closed, as it must be available at the time of IRS request through the end of the calendar year.

- A copy of Form 8453, *U.S. Individual Income Tax Transmittal for an IRS e-file Return*, and supporting documents that are not included in the electronic records submitted to the IRS;
- Copies of Forms W-2, W-2G and 1099-R;
- A copy of signed IRS *e-file* consent to disclosure forms;
- A complete copy of the electronic portion of the return that can be readily and accurately converted into an electronic transmission that the IRS can process; and
- The acknowledgement file for IRS accepted returns.

Forms 8879 and 8878 must be available to the IRS in the same manner described above for three years from the due date of the return or the IRS received date, whichever is later.

EROs may electronically image and store all paper records they are required to retain for IRS *e-file*. This includes Forms 8453 and paper copies of Forms W-2, W-2G and 1099-R as well as any supporting documents not included in the electronic record and Forms 8879 and 8878. The storage system must satisfy the requirements of Revenue Procedure 97-22, 1997-1 C.C. 652, *Retention of Books and Records*. In brief, the electronic storage system must ensure an accurate and complete transfer of the hard copy to the electronic storage media. The ERO must be able to reproduce all records with a high degree of legibility and readability (including the taxpayers' signatures) when displayed on a video terminal and when reproduced in hard copy.

EROs may electronically image and store all paper records they are required to retain for IRS *e-file*.



Providing Information to the Taxpayer

The ERO must provide a complete copy of the return to the taxpayer. EROs may provide this copy in any media, including electronic, that is acceptable to both the taxpayer and the ERO. The copy need not contain the social security number of the paid preparer. A complete copy of a taxpayer's return includes Form 8453 and other documents that the ERO cannot electronically transmit, when applicable, as well as the electronic portion of the return. The electronic portion of the return can be contained on a replica of an official form or on an unofficial form. However, on an unofficial form, the ERO must reference data entries to the line numbers or descriptions on an official form. If the taxpayer provided a completed paper return for electronic filing and the information on the electronic portion of the return is identical to the information provided by the taxpayer, the ERO does not have to provide a printout of the electronic portion of the return to the taxpayer. The ERO should advise the taxpayer to retain a complete copy of the return and any supporting material. The ERO should also advise taxpayers that, if needed, they must file an amended return as a paper return and mail it to the submission processing center that would handle the taxpayer's paper return. Refer to the current year's tax package for addresses.

Acknowledgments of Transmitted Return Data

The IRS electronically acknowledges the receipt of all transmissions. Returns in each transmission are either accepted or rejected for specific reasons. Accepted returns meet the processing criteria and IRS considers them "filed" as soon as the return is signed electronically or through the receipt by the IRS of a paper signature. Rejected returns fail to meet processing criteria and the IRS considers them "not filed." The acknowledgment identifies the source of the problem using a system of error reject codes and form field numbers (sequence numbers). The error reject codes tell why the return rejected and the form field numbers tell which fields of the electronic return data are involved. Information regarding reject codes and correcting common errors is available at IRS.gov.

The acknowledgement record of an accepted individual income tax return contains other information that is useful to the originator. The record confirms if the IRS accepted a PIN, applied the taxpayer's refund to a debt and if an elected EFW paid a balance due. The ERO should check acknowledgement records regularly to identify returns requiring follow up action and should take reasonable steps to address issues identified on acknowledgement records.

1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return
For the year Jan. 1–Dec. 31, 2008, or other tax year

Label
See instructions (7339-14).
Use the IRS label.
Otherwise, please print or type.

Filing Status
Check only one box.

Exemptions
If more than four dependents, see page 17.

Income
Attach Forms W-2 here. Also attach Forms W-2G and 599-R if tax was withheld.

Labels
L
A
B
E
L
H
E
R
E

1 Single
2 Married filing jointly (even if only one has income)
3 Married filing separately. Enter and file name here. ▶
4 Head of household
5 Qualifying widow(er) with dependent child

6a Yourself. If someone can't be reached, check this box.
b Spouse
c Dependents:
d Total number of exemptions claimed

7 Wages, salaries, tips, etc. Attach Form W-2.
8 Taxable interest. Attach Schedule B.
9 Tax-exempt interest. Do not include.
10 Ordinary dividends. Attach Schedule B.
11 Qualified dividends (see page 20).
12 Taxable refunds, credits, or other offset payments. Attach Schedule 1099-R.
13 Alimony received.
14 Business income or loss. Attach Schedule C.
15 Capital gain or loss. Attach Schedule D.
16 Other gains or losses. Attach Schedule E.
17 IRA distributions. 15a
18 Pensions and annuities. 16a
19 Rental real estate, royalties, partnerships, trusts, etc. Attach Schedule E.
20 Other income or loss. Attach Schedule E.
21 Unemployment compensation.
22 Social security benefits. 20a
23 Other income. List type and amount.

The ERO must, at the request of the taxpayer, provide the Declaration Control Number (DCN) and the date the IRS accepted the electronic individual income tax return data. The ERO may use *Form 9325, Acknowledgment and General Information for Taxpayers Who File Returns Electronically* for this purpose. The ERO must also, if requested, supply the electronic postmark if the Transmitter provided one for the return.

Rejected electronic individual income tax return data can be corrected and retransmitted without new signatures or authorizations if changes do not differ from the amount on the original electronic return by more than \$50 to "Total income" or "AGI", or more than \$14 to "Total tax," "Federal income tax withheld," "Refund" or "Amount you owe." The ERO must give taxpayers copies of the new electronic return data.

In the Federal/State e-file Program, if federal electronic return data rejects due to errors, the state electronic return data also rejects. The converse is also true. That is, if the IRS rejected state electronic return data because of error, the IRS also rejects the federal electronic return data. Once the IRS accepts both the federal and state electronic return data, the subsequent rejection of state electronic return data by a state tax administration agency does not impact federal electronic return data accepted by the IRS. States determine when they accept as filed state electronic return data received from the Federal/State e-file. Contact the state tax administration agency when problems or questions arise.

If the IRS rejects the electronic portion of a taxpayer's individual income tax return for processing, and the ERO cannot rectify the reason for the rejection, the ERO must take reasonable steps to inform the taxpayer of the rejection within 24 hours.

Resubmission of Rejected Tax Returns

If the IRS rejects the electronic portion of a taxpayer's individual income tax return for processing, and the ERO cannot rectify the reason for the rejection, the ERO must take reasonable steps to inform the taxpayer of the rejection within 24 hours. When the ERO advises the taxpayer that it has not filed the return, the ERO must provide the taxpayer with the reject code(s) accompanied by an explanation. If the taxpayer chooses not to have the electronic portion of the return corrected and transmitted to the IRS, or if the IRS cannot accept the return for processing, the taxpayer must file a paper return. In order to timely file the return, the taxpayer must file the paper return by the later of the due date of the return or ten calendar days after the date the IRS gives notification that it rejected the electronic portion of the return or that the return cannot be accepted for processing. Taxpayers should include an explanation in the paper return as to why they are filing the return after the due date.

Advising Taxpayers about Refund Inquiries

EROs should tell taxpayers how to follow up on returns and refunds by pointing out the Where's My Refund feature on [IRS.gov](https://www.irs.gov). If taxpayers do not have access to the Internet, the ERO should provide taxpayers with the IRS Tele-Tax return information number, (800) 829-4477. Either of these options gives the date of depositing or mailing of their refund.

Before checking on refunds, taxpayers should wait at least three weeks from the time the IRS acknowledges acceptance of the return data. Because the IRS updates refund information each weekend, EROs should advise taxpayers not to check more than once a week to avoid checking with no possibility of success.

To check on refunds, taxpayers need to enter the first Social Security Number shown on their tax return, the filing status and the exact amount of the refund in whole dollars.

If taxpayers do not receive their direct deposit within one week or (refund check within 30 days) of the date given, they may call the Refund Hotline number at (800) 829-1954 which has information about taxpayers' refunds (when it becomes available).

Refund Delays

Taxpayers often ask EROs to help them when refunds take longer than expected. The IRS may delay refunds for a number of reasons, including the following:

- Errors in Direct Deposit information (refunds then sent by check);
- Financial institution refusals of Direct Deposits (refunds then sent by check) or delays in crediting the Direct Deposit to the taxpayer's account;
- Estimated tax payments differ from amount reported on tax return (for example, fourth quarter payments not yet on file when return data is transmitted);
- Bankruptcy;
- Inappropriate claims for the Earned Income Tax Credit; or
- Recertifications to claim the Earned Income Tax Credit.

The IRS sends a letter or notice explaining the issue(s) and how to resolve the issue(s) to the taxpayer when it delays a refund. The letter or notice contains the contact telephone number and address for the taxpayer to use for further assistance.

If taxpayers' refunds are lost or misapplied, taxpayers do not receive notices or letters or there is no information on Where's My Refund or the Refund Hotline (see Advising Taxpayers about Refund Inquiries, above), EROs should advise taxpayers to call the IRS Tax Help number listed in tax packages.

Refund Offsets

The IRS offsets as much of a refund as is needed to pay off overdue taxes owed by taxpayers and notifies them when this occurs. The Financial Management Service (FMS) offsets taxpayers' refunds through the Treasury Offset Program (TOP) to pay off past-due child support, federal agency non-tax debts such as student loans and state income tax obligations. Offsets to non-tax debts occur after the IRS has certified the refunds to FMS for payment but before FMS makes the Direct Deposits or issues the paper checks. Refund offsets reduce the amount of the expected Direct Deposit or paper check but they do not delay the issuance of the remaining refund (if any) after offset. If taxpayers owe non-tax debts they may contact the agency they owe, prior to filing their returns, to determine if the agency submitted their debts for refund offset. If the IRS determines at time the taxpayer files the return it will offset the refund, it provides a Debt Indicator on the Acknowledgement File. FMS sends taxpayers offset notices if it applies any part of their refund to non-tax debts. Taxpayers should contact the agencies identified in the FMS offset notice when offsets occur if they dispute the non-tax debts or have questions about the offsets. If taxpayers need further clarification, they may call the Treasury Offset Program Call Center at (800) 304-3107. If a refund is in a joint name but only one spouse owed the debt, the "injured spouse" should file Form 8379, *Injured Spouse Allocation*.

Other EROs

IRS Sponsored Programs

Often individuals or organizations serve as unpaid preparers in IRS sponsored programs including Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), Outreach and Taxpayer Assistance Centers in IRS offices. For IRS sponsored programs, unless otherwise noted, all requirements of a Provider apply. A manual or electronic quality review system is required to review each electronically filed return. The IRS may designate an individual for this purpose. The IRS advises the VITA or TCE sponsor how to submit or transmit returns. Some options available to the IRS include:

- Submission of returns by VITA or TCE sponsors on paper, magnetic disk or in an electronic transmission to a designated IRS office;
- Submission of returns by VITA or TCE sponsors via direct transmission to the IRS; or
- Submission of returns by VITA or TCE sponsors through a third party Transmitter.

A VITA or TCE sponsor can only accept a return for electronic filing that meets the criteria for VITA or TCE assistance. A VITA or TCE sponsor may accept for electronic filing only the returns and accompanying forms and schedules included in a VITA or TCE training course. A VITA or TCE sponsor may collect a fee only if it directly relates to defraying the actual cost of electronically transmitting a tax return. A VITA or TCE sponsor may also collect this fee on behalf of a third party Transmitter that electronically transmits a VITA or TCE return. Before a VITA or TCE sponsor may collect a fee, the sponsor must advise the taxpayer that the fee is not for preparation of the return, and it offers the VITA or TCE service without regard to either the electronic filing or the collection of a fee.

A VITA or TCE sponsor and the IRS may enter into an agreement that provides for the retention of copies of tax returns, Forms 8453 and IRS *e-file* Signature Authorizations by the IRS. The VITA or TCE sponsor, or the IRS, must retain this information. The VITA or TCE sponsor must not give this information to a third party, including a third party Transmitter. The IRS is responsible for ensuring that the taxpayer sends Form 8453 to the appropriate IRS office or submission processing center. However, the IRS may delegate to the VITA or TCE sponsor the responsibility for mailing Form 8453 to the appropriate local office or submission processing center.

Employers Offering IRS *e-file* as an Employee Benefit

The following procedures apply to employers who choose to offer electronic filing as an employee benefit to business owners and spouses, employees and spouses and/or dependents of business owners and employees. These rules do not apply if an employer contracts with an ERO to originate the electronic submission of the tax return.

- An employer may offer electronic filing as an employee benefit whether the employer chooses to transmit tax returns or contracts with a third party to transmit the tax returns. If an employer contracts with a third party to transmit tax returns, the employer may collect from participating employees a fee that directly relates to defraying the actual cost of transmitting the electronic portion of the tax return.
- An employer and the IRS may enter into an agreement that provides for the retention of copies of tax returns, including Forms 8453 and IRS *e-file* Signature Authorizations. In the absence of such an agreement, the employer must retain this information. It must not give this information to a third party, including a third party Transmitter.



Chapter 4

Transmission

Requirements

In fulfilling the requirements of an Authorized IRS e-file Provider (Provider) participating in IRS e-file, Transmitters must:

- 1.** Transmit all electronic portions of returns to the appropriate IRS center within three calendar days of receipt;
- 2.** Retrieve the acknowledgment file within two work days of transmission;
- 3.** Match the acknowledgment file to the original transmission file and send the acknowledgment file containing all conditions on accepted returns, including debt indicator, non-receipt of Personal Identification Number (PIN), etc. to the Electronic Return Originator (ERO) or Intermediate Service Provider within two work days of retrieving the acknowledgment file;
- 4.** Retain an acknowledgment file received from the IRS until the end of the calendar year in which the electronic return was filed;
- 5.** Immediately contact the IRS at its e-Help number, 866-255-0654, for further instructions if an acknowledgment of acceptance for processing has not been received within two work days of transmission or if an acknowledgment for a return that was not transmitted on the designated transmission is received;
- 6.** Promptly correct any transmission error that causes an electronic transmission to be rejected;
- 7.** Contact the IRS at its e-Help number, 866-255-0654, for assistance if the electronic portion of the return has been rejected after three transmission attempts;
- 8.** Ensure the security of all transmitted data;
- 9.** Ensure against the unauthorized use of its Electronic Filing Identification Number (EFIN) or Electronic Transmitter Identification Number (ETIN). A Transmitter must not transfer its EFIN or ETIN by sale, merger, loan, gift or otherwise to another entity; and
- 10.** Use only software that does not have an IRS assigned production password built into the software.

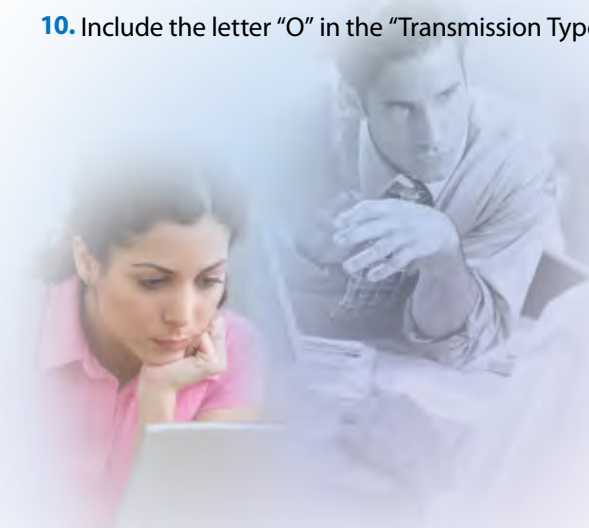
Additional Requirements for Transmitters Participating in Online Filing

In addition to requirements of all Transmitters in the IRS *e-file* Program, a Transmitter that participates in Online Filing has some additional responsibilities.

When participating in Online Filing, the Transmitter must:

1. Ensure that it includes their assigned Online Filing EFIN, which begins with 10, 21, 32, 44, or 53, in the appropriate field in the electronic return data;
2. Ensure that the Intermediate Service Provider's EFIN is included in the electronic return data, when applicable;
3. Transmit, in separate batches, returns filed via Online Filing and returns filed using an ERO;
4. Assign a Declaration Control Number (DCN) to the electronic portion of each return received from a taxpayer;
5. Include the assigned DCN in the transmission of the electronic return data to the IRS;
6. Notify the taxpayer of the status of a return by sending an electronic transmission to the taxpayer or the Intermediate Service Provider, when applicable, within two work days of retrieving the acknowledgment file from the IRS or by mailing a written notification to the taxpayer within one work day of retrieving the acknowledgment file;
7. Ensure that it does not transmit or accept for transmission more than five electronic returns originating from one software package or from one e-mail address;
8. Provide the Internet Protocol (IP) information (IP Address, IP Date, IP Time and IP Time Zone of the computer the taxpayer uses to submit the return);
9. Enter into agreements with companies to allow access to Online Filing only if companies correctly capture the IP Address of the computer submitting the return and the date, time and time zone of the computer receiving it;
10. Include the letter "O" in the "Transmission Type Code" field of the Trans Record "A."

Stay informed and check the IRS Web site at *IRS.gov*.



The Transmitter must notify the taxpayer of the following if the IRS accepts the electronic portion of a taxpayer's return:

- The date the transmission was accepted;
- The DCN;
- Where to put the DCN on Form 8453, if required;
- The requirement to properly complete and timely submit a Form 8453, if required, with accompanying paper documents;
- The appropriate submission processing center's address to which Form 8453 with accompanying paper documents, if required, must be sent;
- That the IRS must receive a Form 8453, if required, before an Online filed return is complete.

The Transmitter must notify the taxpayer of the following if the IRS rejects the electronic portion of a taxpayer's return:

- That the IRS rejected the electronic portion of the taxpayer's return:
- The date of the rejection;
- What the reject code(s) means;
- What steps the taxpayer needs to take to correct the errors that caused the rejection; and
- That if the taxpayer chooses not to have the electronic portion of the return corrected and transmitted to the IRS, or, if the IRS cannot accept the electronic portion of the return for processing by the IRS, the taxpayer must file a paper return. In order to timely file a paper return, the taxpayer must file it by the later of the due date of the return or ten calendar days after the date the IRS gives notification that it has rejected the electronic portion of the return or that it cannot accept the return for processing. Taxpayers should include an explanation as to why they are filing the paper return after the due date.

A Transmitter that receives returns from an Intermediate Service Provider for Online Filing must adhere to the same requirements as a Transmitter that transmits ERO returns received from Intermediate Service Providers.

Electronic Postmark

A Transmitter may provide an electronic postmark to taxpayers that file Individual Income Tax Returns and Extensions of Time to File Individual Income Tax Returns, through an ERO or through Online Filing. The Transmitter creates the electronic postmark bearing the date and time (in the Transmitter's time zone) that the return is received at the Transmitter's host computer. The taxpayer must adjust the electronic postmark to the time zone where the taxpayer resides to determine the postmark's actual time. For example, if the Transmitter provides an electronic postmark with a time in the Pacific Time Zone but the taxpayer resides in the Eastern Time Zone, the taxpayer must add three hours to the postmark time to determine the actual postmark time (Eastern Time Zone).

If the electronic postmark is on or before the prescribed deadline for filing but the IRS receives the return after the prescribed deadline for filing, the IRS treats the return as timely filed. In order for the IRS to treat a return as timely filed, based on the electronic postmark's date, the taxpayer must meet all requirements for signing the return and when applicable, mailing Form 8453 with supporting documents not included in the electronic record. If the electronic postmark is after the prescribed deadline for filing, the IRS actual receipt date, not the date of the electronic postmark is the filing date. If the IRS rejects a return, the taxpayer must file a corrected return in accordance with the rules for timely filing corrected returns after rejection of an electronic return.

The IRS authorizes a Transmitter to provide an electronic postmark if the Transmitter:

- a)** Creates an electronic postmark bearing the date and time (in the Transmitter's time zone) the return was received by the Transmitter's host system;
- b)** Provides the electronic postmark to the taxpayer or the ERO no later than when the acknowledgment is made available to the taxpayer in a format that precludes alteration and manipulation of the electronic postmark information;
- c)** Provides the same electronic postmark data to the IRS in the electronic record of the return;
- d)** Provides taxpayers with an explanation of the electronic postmark and when the IRS treats the electronic postmark as the filing date;
- e)** Refrains from using terms that currently have specific meaning in the postal industry such as "certified" or "registered" and similar terms, and from using

If the electronic postmark is on or before the prescribed deadline for filing but the IRS receives the return after the prescribed deadline for filing, the IRS treats the return as timely filed.

“Internal Revenue Service”, “IRS” or “Federal” as a definer of the electronic postmark when discussing the electronic postmark, including in all advertising, product packaging, articles, press releases and other presentations;

f) Retains a record of each electronic postmark until the end of the calendar year and provides the record to the IRS upon request;

g) Transmits all tax returns and extensions of time to file that received an electronic postmark to the IRS within two days of receipt from the ERO or from the taxpayer in the case of Online Filing; and

h) Retains the original electronic postmark of the rejected return for a corrected return that the Transmitter received through the last date for retransmitting rejected returns and creates a new postmark for all returns, including corrected returns received after the last date for retransmitting returns. All corrected returns retaining an electronic postmark of a date through the prescribed last day of filing must be transmitted to the IRS within two days of the date the return was received by the Transmitter or the twenty second day of the respective month of the prescribed due date, whichever is earlier.

Transmitting for Federal/State e-file

If Providers participate in Federal/State e-file, software should meet both IRS and state specifications. However, before electronic return data can be transmitted (both federal and state electronic return data is transmitted to the IRS), all requirements for transmitting electronic data in IRS *e-file* must be met. Contact the appropriate state coordinator for additional requirements specific to that state.



Chapter 5

Other Authorized IRS *e-file* Provider Activities

In addition to Electronic Return Origination and Transmission previously discussed, there are other activities performed by Authorized IRS *e-file* Providers (Providers), including intermediate service and software development.

Intermediate Service Providers

An Intermediate Service Provider receives tax information from an Electronic Return Originator (ERO) (or from a taxpayer who files electronically using a personal computer and commercial tax preparation software), processes the tax return information and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer (for Online Filing).

A Provider participating as an Intermediate Service Provider must meet the following responsibilities to participate in IRS *e-file*. The Intermediate Service Provider must:

1. Deliver all electronic returns to a Transmitter or the ERO who gave the electronic returns to the Intermediate Service Provider within three calendar days of receipt;
2. Retrieve the acknowledgment file from the Transmitter within one calendar day of receipt by the Transmitter and send the acknowledgment file to the ERO (whether related or not) within one work day of retrieving it;
3. Retain each acknowledgment file received from a Transmitter until the end of the calendar year in which the electronic return was filed;
4. Input the addresses on a Form W-2, W-2G, 1099-R or Schedule C when they differ from the taxpayer's address on the electronic individual income tax return if inputting the electronic data; and
5. Send any return needing changes as described in Chapter 3 back to the ERO for correction.

When the taxpayer files a return using Online Filing, the Intermediate Service Provider processes information for a taxpayer so that a Transmitter can send the electronic return(s) to the IRS.

Additional Requirements for Intermediate Service Providers Participating in Online Filing

When the taxpayer files a return using Online Filing, the Intermediate Service Provider processes information for a taxpayer so that a Transmitter can send the electronic return(s) to the IRS. In so doing, the Intermediate Service Provider must:

1. Ensure that it uses an Online Filing EFIN which begins with 10, 21, 32, 44 and 53;
2. Ensure that its Online Filing EFIN is included in the appropriate field in the electronic return data;
3. Assign a Declaration Control Number (DCN) to the electronic portion of each return received from a taxpayer;
4. Send the transmission to the Transmitter within 24 hours of the receipt of the return from the taxpayer;
5. Ensure that no more than five tax returns are filed electronically by one software package or from one e-mail address;
6. Ensure that software used by the taxpayer does not have an IRS-assigned production password built into the software; and
7. Immediately forward to the taxpayer information received from the Transmitter as required for Online Filing. For example, a Transmitter receives information from the IRS regarding the status of the electronic portion of a taxpayer's return. See page 37, [*Additional Responsibilities for Participants in Online Filing*](#).

Software Developers

A Software Developer develops software for the purposes of formatting electronic return information according to IRS e-file specifications and/or transmitting electronic return information directly to the IRS. Software Developers may find IRS e-file specifications in [*Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*](#). Software Developers must pass Participants Acceptance Testing (PATs) as prescribed in [*Publication 1436, Test Package for Electronic Filers of Individual Income Tax Returns*](#).



Chapter 6

IRS e-file Rules and Requirements

All Authorized IRS *e-file* Providers (Providers) must adhere to IRS *e-file* rules and requirements to continue participation in IRS *e-file*. Requirements are included in Revenue Procedure 2007-40, throughout this publication and in other publications and notices that govern IRS *e-file* (See [Publication 3112](#), *IRS e-file Application and Participation*). All Providers must adhere to all rules and requirements, regardless of where published. Some rules and requirements are specific to the activities performed by the Provider and are included in appropriate chapters of this publication. The following list, while not all-inclusive, applies to all Providers of Individual Income Tax Returns, except Software Developers that do not engage in any other IRS *e-file* activity other than software development. A Provider must:

1. Maintain an acceptable cumulative error or reject rate;
2. Adhere to the requirements for ensuring that tax returns are properly signed;
3. Properly use the standard/non-standard Form W-2 indicator;
4. Properly use the Refund Anticipation Loan (RAL) indicator;
5. Include the Electronic Return Originator's (ERO's) Electronic Filing Identification Number (EFIN) as the return EFIN for returns the ERO submits to an Intermediate Service Provider or Transmitter;
6. Include the Intermediate Service Provider's EFIN in the designated Intermediate Service Provider field in the electronic return record;
7. Submit an electronic return to the IRS with information that is identical to the information provided to the taxpayer on the copy of the return.

Ensure that no more than five electronic returns are filed from one software package or one e-mail address.

Additional Requirements for Participants in Online Filing

In addition to the above, participants in Online Filing must adhere to the following:

1. Ensure that no more than five electronic returns are filed from one software package or one e-mail address;
2. Supply a taxpayer with an accurate DCN;
3. Provide effective instructions to a taxpayer concerning the entry of the DCN on Form 8453, if required; and

4. Submit any changes to the following information to:

IRS Headquarters Online Filing Analyst

SE:W:CAS:SP:ES:I

5000 Ellin Road

Lanham, MD 20706

by the 31st day of December preceding the filing season;

- The brand name of the software the Provider will be using, has developed or will use for transmission. Required information about the software includes its Software Developer, Transmitter, retail cost and any additional costs for transmitting the electronic portion of the taxpayer's return. Additionally, software changes involving its use to file Federal/State returns, Internet availability (including the Internet address), successful completion of Participants Acceptance Testing (PATs) and the Professional Package name under which the software was tested must be reported;
- The Provider's point of contact for matters relating to Online Filing and the telephone number for the point of contact;
- The applicant's customer service number; and
- The procedures the applicant will use to ensure that one software package or one e-mail address transmits no more than five returns.



Financial Products

RALs and Other Financial Products

A Refund Anticipation Loan (RAL) is money borrowed by a taxpayer from a lender based on the taxpayer's anticipated income tax refund. Financial institutions also offer a variety of other financial products to taxpayers based on their refunds. The IRS is in no way involved in or responsible for RALs or the other financial products. Providers that assist taxpayers in applying for a RAL or other financial product have additional responsibilities and may be sanctioned by the IRS if they fail to adhere to the requirements below.

The Provider must:

- Ensure taxpayers understand that by agreeing to a RAL or other financial product they will not receive their refund from the IRS as the IRS will send their refund to the financial institution;
- Advise taxpayers that RALs are interest bearing loans and not a quicker way of receiving their refunds from the IRS;
- Advise taxpayers that if a Direct Deposit is not received within the expected time frame for whatever reason, the taxpayers may be liable to the lender for additional interest and other fees, as applicable for the RAL or other financial product (see [explanation](#), page 47);
- Advise taxpayers of all fees and other known deductions to be paid from their refund and the remaining amount the taxpayers will actually receive;
- Secure the taxpayer's written consent as specified in Treas. Reg. § 301.7216-3(a) to disclose tax information to the lending financial institution in connection with an application for a RAL or other financial product;
- Ensure that if it is also the return preparer that it is not a related taxpayer (within the meaning of §267 or §707A) to the financial institution or other lender that makes a RAL agreement; and
- Adhere to fee restrictions and advertising standards below.

The IRS is in no way involved in or responsible for RALs or the other financial products.



CHAPTER 6

IRS e-file Rules and Requirements

There are no guarantees that the Department of the Treasury deposits refunds within a specified time or in their entirety. For example, it may delay a refund due to processing problems or, it may offset some or all of the refund. The Department of the Treasury is not liable for any loss suffered by taxpayers, Providers or financial institutions resulting from reduced refunds or not honored Direct Deposits, causing it to issue refunds by check.

Fee Restrictions

Providers may not base their fees on a percentage of the refund amount or compute their fees using any figure from tax returns.

When assisting a taxpayer in applying for a RAL or other financial product, the Provider may charge a flat fee for that assistance. The fee must be identical for all customers and must not relate to the amount of the refund or the financial product. The Provider must not accept a fee that is contingent upon the amount of the refund or a RAL or other financial product from a financial institution for any service connected with a financial product.

The IRS has no responsibility for the payment of any fees associated with the preparation of a return, the transmission of the electronic portion of a return or a RAL or other financial product.

Advertising Standards

In addition to the advertising standards in Publication 3112, *IRS e-file Applications and Participation*, there are additional responsibilities for Providers of Individual Income Tax Returns.

Providers must not use improper or misleading advertising in relation to *IRS e-file*, including the time frames for refunds and RALs or other financial products. Any claims by Providers concerning faster refunds by virtue of electronic filing must be consistent with the language in official IRS publications. If Providers advertise the availability of a RAL or financial product, the Provider and financial institution must clearly refer to or describe the funds they advance as a loan or other financial product, not as a refund. The advertisement on a RAL or other financial product must be easy to identify and in readable print. That is, it must make clear in the advertising that the taxpayer is borrowing against the anticipated refund or receiving another financial product and is not obtaining the refund itself from the financial institution.

A Provider must not advertise that individual income tax returns may be electronically filed prior to the Provider's receipt of Forms W-2, W-2G and 1099-R, as the Provider is generally prohibited from electronically filing returns prior to receipt of Forms W-2, W-2G, and 1099-R. Advertisements must not imply that the Provider does not need Forms W-2, W-2G and 1099-R, or that it can use pay stubs or other documentation of earnings to e-file individual income tax returns.

In using the Direct Deposit name and logo in advertisement, the Provider must use the name "Direct Deposit" with initial capital letters or all capital letters, use the logo/graphic for Direct Deposit whenever feasible and may change the color or size of the Direct Deposit logo/graphic when it uses it in advertising pieces.

Disclosure of Tax Return Information

Under Treas. Reg. §301.7216-d(1), disclosure of tax return information among Providers for the purpose of preparing a tax return is permissible. For example, an ERO may pass on tax return information to an Intermediate Service Provider and/or a Transmitter for the purpose of having an electronic return formatted and transmitted to the IRS. However, if the tax return information is disclosed or used in any other way without the consent of the taxpayer, an Intermediate Service Provider and/or a Transmitter may be subject to the penalties described in Treas. Reg. §301.7216-1(a) and/or the civil penalties in I.R.C. §6713 for unauthorized disclosure or use of tax return information.

Preparer Penalties

Preparer penalties may be asserted against an individual or firm meeting the definition of a tax preparer under I.R.C. §7701(a)(36) and Treas. Reg. §301.7701-15. Preparer penalties that may be asserted under appropriate circumstances include, but are not limited to, those set forth in I.R.C. §§6694, 6695, 6701 and 6713.

Under §301.7701-15(c), Providers are not tax return preparers for the purpose of assessing most preparer penalties as long as their services are limited to "typing, reproduction or other mechanical assistance in the preparation of a return or claim for refund." If an ERO, Intermediate Service Provider, Transmitter or the product of a Software Developer alters the return information in a non-substantive way, this alteration is considered to come under the "mechanical assistance" exception described in §301.7701-15(c). A non-substantive change is a correction or change limited to a transposition error, misplaced entry, spelling error or arithmetic correction.

CHAPTER 6

IRS e-file Rules and Requirements

If an ERO, Intermediate Service Provider, Transmitter or the product of a Software Developer alters the return in a way that does not come under the “mechanical assistance” exception, the IRS may hold the Provider liable for income tax return preparer penalties. See Treas. Reg. §301.7701-15(c); Rev. Rul. 85-189, 1985-2 C.B. 341 (which describes a situation where the Software Developer was determined to be an tax return preparer and subject to certain preparer penalties).

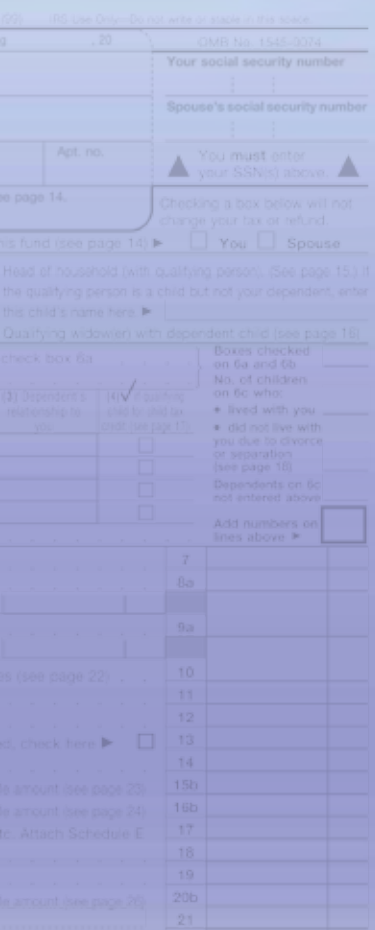
A \$500 penalty may be imposed, per I.R.C. §6695(f), on a return preparer who endorses or negotiates a refund check issued to any taxpayer other than the return preparer. The prohibition on return preparers negotiating a refund check is limited to a refund check for returns they prepared.

A preparer that is also a financial institution, but has not made a loan to the taxpayer on the basis of the taxpayer's anticipated refund, may

- cash a refund check and remit all of the cash to the taxpayer
- accept a refund check for deposit in full to a taxpayer’s account provided the bank does not initially endorse or negotiate the check, or
- endorse a refund check for deposit in full to a taxpayer’s account pursuant to a written authorization of the taxpayer.

A preparer bank may also subsequently endorse or negotiate a refund check as part of the check-clearing process through the financial system after initial endorsement. Under Treas. Reg. 1.6695-1(f), a tax preparer, however, may affix the taxpayer’s name to a check for the purpose of depositing the check into the account in the name of the taxpayer or in joint names of the taxpayer and one or more persons (excluding the tax return preparer) if authorized by the taxpayer or the taxpayer’s recognized representative. The IRS may sanction any income tax return preparer that violates this provision.

In addition to the above-specified provisions, the IRS reserves the right to assert all appropriate preparer and non-preparer penalties against a Provider as warranted.



Notice

Paperwork Reduction Act

The collections of information contained in this publication have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1708.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number. It must maintain books or records relating to a collection of information as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. § 6103.

The collections of information in this publication are in Chapters 3, 4 and 5. This information is required to implement IRS *e-file* and to enable taxpayers to file their individual income tax returns electronically. The IRS uses this information to ensure that taxpayers receive accurate and essential information regarding the filing of their electronic returns and to identify the persons involved in the filing of electronic returns. The collections of information are required to retain the benefit of participating in IRS *e-file*. The likely respondents are business or other for-profit institutions.

The estimated total annual reporting and recordkeeping burden is 6,023,762 hours.



Glossary

Acceptance Letter Correspondence issued by the IRS to applicants confirming they may participate in IRS *e-file*. See also [Credentials](#).

Acknowledgment (ACK) A report generated by the IRS to a Transmitter that indicates receipt of all transmissions. An ACK Report identifies the returns in each transmission that are accepted or rejected for specific reasons.

Acceptance or Assurance Testing (ATS) Required testing for Software Developers that participate in IRS *e-file* to assess their software and transmission capability with the IRS, prior to live processing. PATS, BATS and CATS are acceptance or assurance testing specific to certain form types.

Administrative Review Process The process by which a denied applicant or sanctioned Authorized IRS *e-file* Provider may appeal the IRS' denial or sanction.

Adoption Taxpayer Identification Number (ATIN) A tax processing number issued by the IRS as a temporary taxpayer identification number for a child in the domestic adoption process who is not yet eligible for a Social Security Number (SSN). An ATIN is not a permanent identification number and is only intended for temporary use. To obtain an ATIN, complete IRS Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions*.

Authorized IRS *e-file* Provider (Provider) A firm accepted to participate in IRS *e-file*.

Automated Clearing House (ACH) A system that administers electronic funds transfers (EFTs) among participating financial institutions. An example of such a transfer is Direct Deposit of a tax refund from IRS into a taxpayer's account at a financial institution.

Batch A single transmission consisting of the electronic data from single or multiple tax returns.

Communications Testing Required test for all Transmitters using accepted IRS *e-file* software to assess their transmission capability with the IRS prior to live processing.

Credentials Documentation issued by the IRS which indicates qualification of an Authorized IRS *e-file* Provider to participate in the IRS *e-file* Program. The documentation consists of identification numbers and acceptance letters.

Debt Indicator (DI) The Debt Indicator is a field on an ACK Report. It only indicates whether a debt offset of a taxpayer's refund occurs. It does not indicate how much the offset is. Offsets taken by IRS may be for current and prior year tax obligations. Offsets taken by the Financial Management Service (FMS) are for past due student loans, child support, federal taxes, state taxes, or other governmental agency debts.

Declaration Control Number (DCN) A unique 14-digit number assigned by the ERO (or Transmitter, in the case of Online Filing), to each electronically filed tax return.

Denied Applicant An applicant that the IRS does not accept to participate in IRS *e-file*. An applicant that the IRS denies from participation in IRS *e-file* has the right to an administrative review.

Depositor Account Number (DAN) The financial institution account to which a Direct Deposit refund is to be routed.

Direct Deposit An electronic transfer of a refund into a taxpayer's financial institution account.

Direct Filer *see* [Transmitter](#).

Drain The IRS scheduled time for processing electronically filed return data.

Drop or Dropped An EFIN that is no longer valid due to inactivity or other administrative action.

Due Diligence Due Diligence, when used in context with the Earned Income Tax Credit (EITC), refers to requirements that income tax return preparers must follow when preparing returns or refund claims that involve EITC.

Earned Income Tax Credit (EITC) The Earned Income Tax Credit is a refundable individual income tax credit for certain persons who work.

EITC Recertification A requirement for a taxpayer previously denied EITC to provide additional information on Form 8862, *Information to Claim Earned Income Tax Credit After Disallowance*, when they file a similar EITC claim on a subsequent return.

Electronic Federal Tax Payment System (EFTPS) A free service from the U.S. Treasury through which federal taxes may be paid. The taxpayer can pay taxes via the Internet, by phone or through a service provider. After authorization, EFTPS electronically transfers payments from the authorized bank account to the Treasury's general account.

Electronic Filing Identification Number (EFIN) An identification number assigned by the IRS to accepted applicants for participation in IRS *e-file*.

Electronic Funds Transfer (EFT) The process through which Department of the Treasury transmits Direct Deposit refunds from the government to the taxpayer's account at a financial institution.

Electronic Funds Withdrawal (EFW) A payment method which allows the taxpayer to authorize the U.S. Treasury to electronically withdraw funds from their checking or savings account.

Electronic Postmark The Electronic Postmark is the date and time the Transmitter first receives the electronic return on its host computer in the Transmitter's time zone. The taxpayer adjusts the time to their time zone to determine timeliness.

Electronic Return Originator (ERO) An Authorized IRS *e-file* Provider that originates the electronic submission of returns to the IRS.

Electronic Signature Method of signing a return electronically through use of a Personal Identification Number (PIN). *See also [Self-Select PIN Method](#) and [Practitioner PIN Method](#).*

Electronic Tax Administration and Refundable Credits (ETARC) ETARC is the office within IRS with management oversight of the IRS' electronic commerce initiatives. The mission of ETARC is to revolutionize how taxpayers transact and communicate with the IRS.

Electronic Tax Administration Advisory Committee (ETAAC) An advisory group established by the IRS Restructuring and Reform Act of 1998 to provide an organized public forum for discussion of ETARC issues in support of the overriding goal that paperless filing should be the preferred and most convenient method of filing tax and information returns.

Electronic Transmitter Identification Number (ETIN) An identification number assigned by the IRS to a participant in IRS *e-file* that performs activity of transmission and/or software development.

Electronically Transmitted Documents (ETD) A system created to process electronic documents that a Provider does not attach to a tax return and the taxpayer files separately from the tax return.

Error Reject Code (ERC) Codes included on an Acknowledgment (ACK) Report for returns that the IRS rejected. The IRS publishes explanations prior to the filing season on IRS.gov. Providers can locate these on the e-file for Tax Professionals page titled "2007 (or current year) Tax Year IRS *e-file* for Individual Income Tax Returns." In addition, the IRS also provides these in Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*.

Federal/State e-file The Federal/State e-file option allows taxpayers to file federal and state income tax returns electronically in a single transmission to the IRS.

Financial Institution For the purpose of Direct Deposit of tax refunds, the IRS defines a financial institution as a state or national bank, savings and loan association, mutual savings bank or credit union. Only certain financial institutions and certain kinds of accounts are eligible to receive Direct Deposits of tax refunds.

Financial Management Service (FMS) The agency of the Department of the Treasury through which payments to and from the government, such as Direct Deposits of refunds, are processed.

Form Field Number or Form Sequence (SEQ) Number The identifier of specific data on an electronic tax return record layout as defined in Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*.

Fraudulent Return A "fraudulent return" is a return in which the individual is attempting to file using someone else's name or SSN on the return or where the taxpayer is presenting documents or information that have no basis in fact.

Note: Taxpayers should not file fraudulent returns with the IRS.

Indirect Filer An Authorized IRS *e-file* Provider who submits returns to IRS via the services of a Transmitter.

Individual Taxpayer Identification Number (ITIN) A tax processing number that became available on July 1, 1996, for certain nonresident and resident aliens, their spouses and dependents. The ITIN is only available from IRS for those individuals who cannot obtain a Social Security Number (SSN). To obtain an ITIN, complete IRS Form W-7, *Application for IRS Individual Identification Number*.

Intermediate Service Provider An Authorized IRS *e-file* Provider that receives electronic tax return information from an ERO or a taxpayer who files electronically using a personal computer and commercial tax preparation software, that processes the electronic tax return information and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer.

Internet Protocol (IP) Information The IP address, date, time and time zone of the origination of a tax return filed through Online Filing via the Internet. IRS requires Transmitters that provide Online Services via the Internet to capture the Internet Protocol Information of Online returns. By capturing this information, it transmits the location of the return's originator with the individual's electronic return. See Publication 1346 for additional Information.

IRS *e-file* The brand name of the electronic filing method established by the IRS.

IRS *e-file* Marketing Tool Kit A specially designed kit containing professionally developed material that EROs may customize for use in advertising campaigns and promotional efforts.

IRS Master File A centralized IRS database containing taxpayers' personal return information.

Levels of Infractions (LOI) Categories of infractions of IRS *e-file* rules based on the seriousness of the infraction with specified sanctions associated with each level. Level One is the least serious, Level Two is moderately serious and Level Three is the most serious.

Memorandum of Agreement (MOA) & Memorandum of Understanding (MOU) The implementing document containing the set of rules established by the IRS for participating in IRS pilot programs.

Monitoring Activities the IRS performs in order to ensure that Authorized IRS *e-file* Providers are in compliance with the IRS *e-file* requirements. Monitoring may include, but is not limited to, reviewing IRS *e-file* submissions, investigating complaints, scrutinizing advertising material, checking signature form submissions and/or recordkeeping, examining records, observing office procedures and conducting periodic suitability checks. IRS personnel perform these activities at IRS offices and at the offices of Providers.

Name Control The first four significant letters of a taxpayer's last name that the IRS uses in connection with the taxpayer SSN to identify the taxpayer, spouse and dependents.

Non-substantive Change A correction or change limited to a transposition error, misplaced entry, spelling error or arithmetic correction which does not require new signatures or authorizations to be transmitted or retransmitted.

Originate or Origination Origination of an electronic tax return submission occurs when an ERO either: (1) directly transmits electronic returns to the IRS, (2) sends electronic returns to a Transmitter or (3) provides tax return data to an Intermediate Service Provider.

Participants Acceptance Testing (PATS) Required testing for all Software Developers that participate in IRS *e-file* of individual income tax returns to assess their software and transmission capability with the IRS prior to live processing. *See also* Acceptance or Assurance Testing.

PATS Communications Test Required for all Transmitters using accepted IRS *e-file* software for individual income tax returns to assess their transmission capability with the IRS prior to live processing.

Pilot Programs An approach that the IRS uses to improve and simplify IRS *e-file*. The IRS usually conducts pilot programs within a limited geographic area or within a limited taxpayer or practitioner community. The IRS embodies rules for participating in pilot programs in an implementing document typically referred to as a "Memorandum of Understanding" (MOU) or "Memorandum of Agreement" (MOA). Pilot participants must agree to the provisions of the implementing document in order to participate in the pilot program.

Potentially Abusive Return A “potentially abusive return” is a return (1) that is not a fraudulent return; (2) that the taxpayer is required to file; or (3) that may contain inaccurate information that may lead to an understatement of a liability or an overstatement of a credit resulting in production of a refund to which the taxpayer may not be entitled. *Note:* The decision not to provide a RAL or other bank product does not necessarily make it an abusive return.

Practitioner PIN Method An electronic signature option for taxpayers who use an ERO to e-file. This method requires the taxpayer to create a five-digit Personal Identification Number (PIN) to use as the signature on the e-filed return.

Note: Requires Form 8879 to be completed.

Preparer’s Tax Identification Number (PTIN) An identification number issued by the IRS which paid tax return preparers may use in lieu of disclosing their Social Security Number (SSN) on returns that they prepared. A PTIN meets the requirements under section 6109(a)(4) of furnishing a paid tax return preparer’s identifying number on returns that he or she prepares. To obtain a PTIN, go to IRS.gov.

Refund Anticipation Loan (RAL) A Refund Anticipation Loan is money borrowed by a taxpayer that lender bases on a taxpayer’s anticipated income tax refund. The IRS has no involvement in RALs. A RAL is a contract between the taxpayer and the lender. A lender may market a RAL under various commercial or financial product names.

Refund Cycle The anticipated date that the IRS would issue a refund either by Direct Deposit or by mail to a taxpayer for a return included within a specific “drain.” However, neither the IRS nor FMS guarantees the specific date that Department of the Treasury mails a refund or deposits it into a taxpayer’s financial institution account.

Request for Agreement (RFA) A solicitation, normally a written document, used in establishing non-monetary memoranda of agreement. RFAs are not “acquisitions” as defined by the Federal Acquisition Regulations (FAR).

Request for Procurement (RFP) A solicitation, normally a written document, used in negotiated acquisitions estimated over \$100,000 (as opposed to sealed bids) to communicate government requirements to prospective contractors and to solicit proposals to perform contracts.

Responsible Official An individual with authority over the IRS *e-file* operation of the office(s) of an Authorized IRS *e-file* Provider, who is the first point of contact with the IRS and has authority to sign revised IRS *e-file* applications. A Responsible Official is responsible for ensuring that the Authorized IRS *e-file* Provider adheres to the provisions of the Revenue Procedure and the publications and notices governing IRS *e-file*.

Revenue Protection A series of compliance programs designed to ensure that the revenue the government collects and/or disburses in the form of refunds is accurate and timely, and that it issues disbursement of revenue only to entitled taxpayers.

Routing Transit Number (RTN) A number assigned by the Federal Reserve to each financial institution.

Sanction An action taken by the IRS to reprimand, suspend or expel from participation in IRS *e-file*, an Authorized IRS *e-file* Provider based on the level of infraction. *See also* [Level of Infraction](#).

Self-Select PIN Method An electronic signature option for taxpayers who e-file using either a personal computer or an ERO. This method requires the taxpayer to create a five-digit Personal Identification Number (PIN) to use as the signature on the e-file return and to submit authentication information to the IRS with the e-file return.

Software Developer An Authorized IRS *e-file* Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to Publication 1346 and/or (b) transmitting the electronic portion of returns directly to the IRS. A Software Developer may also sell its software.

Stockpiling Stockpiling is waiting more than three calendar days to submit returns to the IRS after the Provider has all necessary information for origination of the electronic return or collecting e-file returns prior to official acceptance for participation in IRS *e-file*. The IRS does not consider collecting tax returns for IRS *e-file* prior to the startup of IRS *e-file* as stockpiling. However, Providers must advise taxpayers that it cannot transmit the returns to the IRS prior to the startup date.

Suitability A check conducted on all firms and the Principals and Responsible Officials of firms when an application is initially processed, and on a regular basis thereafter. The suitability check includes a background check conducted by the IRS to ensure the firm and individuals are eligible for participation in IRS *e-file*.

Suspension A sanction revoking an Authorized IRS *e-file* Provider's privilege to participate in IRS *e-file*.

Transmitter An Authorized IRS *e-file* Provider that transmits the electronic portion of a return directly to the IRS. An entity that provides a “bump-up” service is also a Transmitter. A bump-up service provider increases the transmission rate or line speed of formatted or reformatted information that it is sending to the IRS via a public switched telephone network.

Treasury Offset Program (TOP) Public Law that established the Tax Refund Offset Program which permits the government to offset overpayments against delinquent child support obligations as well as debts owed to participating federal and state agencies. Treasury’s Financial Management System (FMS) office assumes responsibility and oversight for TOP.

Warning Written notice given by the IRS to an Authorized IRS *e-file* Provider requesting specific corrective action be taken to avoid future sanctioning.

Written Reprimand A sanction for a level one infraction of the IRS *e-file* rules. It reprimands a Provider for an infraction but does not restrict or revoke participation in IRS *e-file*.



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