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**Starting in 2011, Many Paid Preparers Must e-File Federal Income Tax Returns for Individuals, Estates and Trusts**

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WASHINGTON — The Internal Revenue Service today detailed how, starting Jan. 1, 2011, paid tax return preparers can comply with a new law that requires paid tax return preparers who meet the definition of “specified tax return preparer” under the new law to electronically file (*e-file*) federal income tax returns that they prepare and file for individuals, trusts and estates.

The *e-file* requirement will be phased in over two years.

Starting Jan. 1, 2011, paid preparers who prepare income tax returns for individuals, trusts and estates, such as Forms 1040, 1040A, 1040EZ, and Forms 1041, and who reasonably expect to file 100 or more of these income tax returns in 2011 are specified tax return preparers required to file these returns electronically.

Tax return preparers who are members of a firm are specified tax return preparers and must electronically file the income tax returns they prepare and file if the firm’s preparers, in the aggregate, expect to file 100 or more of these income tax returns in 2011.

Starting Jan. 1, 2012, the 100-return threshold will be reduced to 11 or more income tax returns that the preparer, or the preparer’s firm in the aggregate, expect to file in 2012 for individuals, trusts and estates.

"Electronic filing is the safest, fastest and easiest way for taxpayers to file their tax returns.  E-filing is good for the tax system, good for taxpayers and good for the tax preparation industry," said IRS Commissioner Doug Shulman.  "This requirement reflects the realities of the modern world where technology has evolved to the point that everyone should be filing their tax returns electronically."

To comply with the new law, a tax return preparer who is subject to the electronic filing requirement and does not already provide *e-file* for clients must become an Authorized IRS *e-file* Provider, which means he, she, or the firm, if the preparer is a member of a firm, must obtain an Electronic Filing Identification Number (EFIN). It takes up to 45 days to obtain an EFIN so return preparers who have not started the process should start immediately.

Proposed regulations issued today detail the two-year phase-in plan and provide exclusions from the *e-file* requirement for undue hardship waivers approved by the IRS and for certain administrative exemptions. In addition, under the proposed regulations, the *e-file* requirement does not apply to an individual income tax return when a tax return preparer’s taxpayer-client chooses to have the return completed in paper format and the taxpayer-client, and not the preparer, will file the paper return with the IRS. A notice issued with the proposed regulations contains a proposed revenue procedure on undue hardship waivers and taxpayer choice statements to file in paper format.

Tax professionals and other interested parties have until Jan. 3, 2011 to submit comments regarding the proposed regulations and the notice of proposed revenue procedure. Final regulations will be published in early 2011, but will be retroactively effective as of Jan. 1, 2011, as described in the proposed regulations.

**Advantages of IRS *e-file***

The *e-file* requirement for paid tax return preparers was approved by Congress in 2009, based on recommendations from the IRS, the Treasury Inspector General for Tax Administration and the Electronic Tax Administration Advisory Council. Numerous states already have a similar electronic filing requirement.

In 1998, Congress set a goal of having 80 percent of tax returns electronically filed. Last year, two of every three individual tax returns were transmitted through IRS *e-file*.

IRS *e-file* benefits taxpayers and tax return preparers. For the tax return preparer, it can mean a more efficient, productive business and fewer errors on the tax return. It is safe and secure. For taxpayers, it can mean faster refunds, the ability to file now and pay later and peace of mind that comes with a receipt acknowledgement.

This year marks the 20th anniversary of IRS *e-file* as a national program. And in those 20 years, IRS *e-file* has transmitted more than 800 million tax returns safely and securely.

**How to Learn More**

View a [video](http://www.youtube.com/irsvideos#p/a/06C745F6D4E2EDAD/2/MnZgjpVGZDw) on How to Become an Authorized IRS *e-file* Provider and refer to the [frequently asked questions](http://www.ofr.gov/inspection.aspx#reg_I) on IRS.gov.

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