

Questions and Answers for Tax Professionals

1. What's new for the IRS e-file Program in Tax Year 2008?

A. Elimination of Form 8453-OL

Beginning in January 2009, Form 8453-OL, U.S. Individual Income Tax Declaration for an IRS e-file Online Return, will be obsolete and can no longer be used as an IRS e-file signature document. Taxpayers choosing to electronically prepare and file their return using an online software package will be required to use the Self-Select PIN method as their signature.

The Self-Select PIN method is a fast and secure way to complete the electronic filing process. It allows taxpayers to sign their returns using a five-digit PIN and the prior year Adjusted Gross Income or the prior year PIN.

Taxpayers must use Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, to send supporting documents that are required to be submitted to the IRS.

B. Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return Tax Year 2008

Forms 8453 will only be processed by the Austin Submission Processing Center. Transmittal Form 8453 is used to transmit supporting documents that are required to be submitted to the IRS with e-filed returns.

2. How can clients check their refund status on e-filed returns?

Your clients have online access to their refund information — in English or Spanish — 72 hours after receiving an e-file acknowledgement. Encourage your clients to visit www.irs.gov and click on *Where's My Refund?* It's fast, easy and safe. They must provide three pieces of information from their returns, including their:

- Social Security Number (or IRS Individual Taxpayer Identification Number)
- Filing status
- Exact whole dollar refund amount.

Clients without internet access can get refund information by calling 1-800-829-1954 or 1-800-829-4477.

3. Did you know the "QuickAlerts" Messaging System is FREE?

This online messaging system disseminates mass e-file messages, within seconds, to all **subscribed** Authorized IRS e-file Providers (Software Developers and Transmitters). See the enclosed Publication 4003, *QuickAlerts* brochure, for detailed information, and sign up today!

4. Is the IRS e-file logo available on the Internet for download?

Yes. The IRS e-file logo is available for download at the IRS Web site, www.irs.gov/image/eflpc.gif.

5. What software should I use to prepare individual tax returns for my clients?

The IRS does not provide software but does issue specifications that commercial software developers use to write software packages that are available for purchase. Generally, there are tax preparation software and transmission software. Talk with

Tax Year 2008 Important Dates

Begin transmitting
live IRS e-file returns
January 16, 2009

Last date for transmitting
timely filed returns
April 15, 2009

Last date for transmitting
timely filed Forms 4868
April 15, 2009

Last date for retransmitting
rejected timely filed returns
April 20, 2009

Last date for retransmitting
rejected timely filed Forms 4868
April 20, 2009

Last date IRS will accept
test transmissions
No cut-off date

Last date to submit
new IRS e-file Applications
No cut-off date

Transmitting timely filed
Forms 4868 or 2350 to meet
overseas exception
June 15, 2009

Retransmitting rejected timely
filed Forms 4868 or 2350 to
meet overseas exception
June 20, 2009

Last date for transmitting
returns on extension from
Form 4868
October 15, 2009

Last date for retransmitting
rejected late or returns on
extension from Form 4868
October 20, 2009



vendors, resellers and software company representatives to find the best solution for your business. Shop around or ask other Authorized IRS *e-file* Providers what software they use to e-file. The software is developed specifically for tax preparers. The software that is developed for individuals to use is limited to a specific number of e-filed returns.

6. What is a Preparer Taxpayer Identification Number (PTIN)? How do I get a PTIN?

The PTIN is an identification number assigned by the IRS for use as an alternative to using a Social Security Number on the tax returns prepared by tax preparers. The PTIN applies to all individual forms that have paid preparer information on them. The PTIN Internet application enables a paid preparer to request a PTIN electronically, request a new PTIN card, update their PTIN records or look up a forgotten PTIN. Access through www.irs.gov and click on e-services.

7. What do I do if my client's return was filed April 15th, but it rejected because of an error with the date of birth the IRS received from the Social Security Administration?

You can file for an extension, have your client correct their records with the Social Security Administration (SSA), and resubmit the return electronically. It may take a few weeks before the SSA records are updated. If you don't want to wait for the SSA corrections, the return can be mailed.

8. Can a nonresident alien e-file Form 1040 NR-EZ?

No. A paper return must be filed.

9. Can I e-file a prior year return?

The IRS *e-file* 1040 and 1041 e-file Programs only accept current year returns. The IRS MeF 1065/1065-B and 1120/1120-S Programs process the current year and 2 prior year returns.

10. Why should I encourage my clients to e-file when they are not getting a refund?

It's convenient! Your client's return can be e-filed any time during the filing season. Taxpayers can e-file early and schedule their payment to be debited on or before the return due date. Additionally, individual filers may delay out-of-pocket expenses by e-filing and electronically paying the balance due with a credit or debit card. When a balance due return is filed late in the filing season, there may be more chance of errors in the rush to file before the deadline. Errors cost money, and in some cases additional penalties and interest. Errors can also cause lost time for you and your clients.

Another good reason to e-file is that it's good for the environment! Today, almost all forms associated with a tax or information return for individuals, businesses and tax-exempt organizations can be filed and paid electronically, thereby eliminating the need to send paper copies to the IRS. This reduction in paper adds up and helps the environment by saving trees and reducing waste and energy usage.

11. For a few clients, I prepare their taxes using tax preparation software. Then I print the forms and mail them to the IRS. Do those clients get the same benefits as my other clients who have me submit their returns electronically?

Forms that are electronically prepared, but then printed and mailed, are treated the same as forms prepared by hand. The IRS must re-key the information, which may increase the chance for transcription errors. Also, it takes weeks longer for the IRS to contact paper filers about errors.

As an Authorized IRS *e-file* Provider, by transmitting tax returns directly to the IRS or through a third-party transmitter, you offer your clients a valuable service and reduce their

likelihood of an IRS follow-up query. In addition to the accuracy checks performed by your preparation software, the e-file transmission process does even more checks for even greater accuracy. It's the most accurate way to file returns, reducing the error rate from 20 percent with paper returns to approximately 1 percent with e-filed returns.

12. What are the benefits of paying electronically?

E-filing a balance due return with an electronic payment is a safe, secure and convenient way to be assured of on-time receipt of both the return and payment. This reduces the chance of errors. When you file and pay electronically, you eliminate the need to mail a paper voucher. You receive an electronic acknowledgement once the return is accepted. Integrated e-file and e-pay options are available throughout the e-file season. Many options are available year round.

13. What types of individual taxes can be paid by an electronic funds withdrawal, and when can payments be made?

Payments can be made for (1) current year Individual Income Tax Returns (1040 series); (2) Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*; (3) Form 2350, *Application for Extension of Time to File U.S. Individual Income Tax Return*; and (4) Tax Year 2009 Form 1040-ES, *Estimated Tax for Individuals*. (**Note:** up to four estimated payments can be scheduled for the following due dates (as long as the due dates have not passed): April 15, 2009, June 15, 2009, September 15, 2009 and January 15, 2010.)

A payment can be scheduled to be withdrawn in the future beginning January 16, 2009. Payments scheduled for withdrawal on or before the return due date will be considered timely. After the return due date, the payment

date will be the same as the date the return or form is filed. If necessary, scheduled payments can be cancelled by calling the U.S. Treasury Financial Agent at 1-888-353-4537, by 8 p.m. Eastern Time, at least 2 business days before the scheduled payment date.

14. What types of business taxes can be paid by an electronic funds withdrawal and when can payments be made?

Payments can be made for:

- Form 720, *Quarterly Federal Excise Tax Return*
- Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*
- Forms 940, 941 series and 944 Employment tax forms
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- Form 1065 and Form 1065B, Partnership returns. (this includes amended returns for prior years)
- Form 1120, Form 1120S and Form 1120POL, *U.S. Corporation Income Tax Return and Schedule K-1* (this includes amended returns for prior years)
- Form 2290, *Heavy Highway Vehicle Use Tax Return*
- Form 7004, *Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns*
- Form 8868, *Application for Extension of Time to File an Exempt Organization Return*

Payments may be scheduled in advance, on or before the return due date. Form(s) 940, 941 and 944 payments, as well as Form(s) 720 and 2290 excise taxes, *cannot* be scheduled in advance. The payment date for these forms will be equal to the date the return is electronically filed.

Businesses can e-file and pay at the same time as new e-file options become available. Electronic funds withdrawal payments must be initiated at the time the return or form is e-filed.

15. What's new for credit or debit card payments?

Several business payments have been added:

- (1) current and past due Form 943 series balances;
- (2) current and past due Form 945 series balances;
- (3) past due Form 944 series balances; and
- (4) amended or adjusted return payments for Form(s) 941, 943, 944 and 945 (including new Form(s) 941X, 943X, 944X and 945X).

16. What types of payments can taxpayers make by credit or debit card?

Payments can be made for (1) current year and past due Form 1040 series returns; (2) Form 4868; (3) TY 2009 Form 1040-ES; (4) TY 2006 – 2008 Form 1040 advanced payment of a determined deficiency; (5) Trust Fund Recovery Penalty; (6) current and past due Form 940 series balances; (7) current and past due Form 941 series balances; and (8) current year Form 944 series balances.

Note: Federal Tax Deposits cannot be made with a credit or debit card.

Past due taxes include transactions related to balance due notices, Installment Agreements and other prior tax year payments that are up to 10 years past due.

Check with your software provider regarding the availability of an integrated e-file and pay by credit card option.

Your clients can pay the above-named tax types by phone or Internet through two service providers. Both service providers accept American Express® Cards, Discover® Cards, MasterCard® cards and Visa® cards. The service providers charge a convenience fee. A confirmation number is provided at the end of the transaction.

Effective January 1, 2009, taxpayers can begin making credit or debit card payments by phone or Internet. Integrated e-file and e-pay options begin January 16, 2009.

Note: The IRS does not receive or store credit or debit card numbers.

17. Is there a fee charged for using credit or debit cards?

The company that processes the credit card payments charges a convenience fee. Convenience fees may vary between service providers. The fee is a non-deductible personal expense; however, it is a deductible business expense.

Taxpayers are informed of all charges and fees before card payments are authorized. This fee is in addition to any charges, such as interest, that may be assessed by a card issuer.

18. How can I get more information on electronic payment options?

More information is available on electronic payment options, the types of taxes that can be paid electronically and important dates at www.irs.gov (keyword: e-pay). Start by visiting the Electronic Payment Options Home Page for details. Also, you may refer to Publication 3611, *Electronic Payments* brochure.

19. Which electronic payment option is best for my clients?

There are three electronic payment methods available:

- Electronic Funds Withdrawal
- Credit or Debit Card
- EFTPS (Electronic Federal Tax Payment System)

Each method offers distinct benefits depending upon the taxpayer and their payment situation.

A. What types of federal individual taxes can be paid by EFTPS? All individual federal tax payments for any year can be paid using EFTPS. This includes the 1040 series, extensions, estimated payments, past due payments, penalties, and installment agreement payments. EFTPS is ideal for those individual taxpayers who make multiple payments throughout the year. In addition, all federal business taxes can be paid using EFTPS.

B. What are the benefits of becoming an EFTPS Batch Provider? The program allows tax professionals to make up to 1,000 enrollments and 5,000 payments in one transaction for both business and individual clients, with payments

made from their bank accounts or a Master Account that you maintain. You can easily maintain control over your clients' federal tax payments so you know exactly what has been paid and when. In addition, you receive an immediate acknowledgement of each payment; you can schedule payments in advance to avoid missing deadlines, and access clients' payment history in real-time. Become a Batch Provider and offer your clients another service that is secure, fast and above all...FREE. If you have any questions, please call EFTPS Batch Provider Customer Service at 1-800-945-0966, Monday – Friday, 8:30 a.m. – 8:00 p.m. ET.

C. What are the benefits of recommending EFTPS to my clients? If you choose not to become an EFTPS Batch Provider, you should recommend EFTPS to your clients for their use. Taxpayers can make secure payments by Internet or phone 24 hours a day, 7 days a week. For each payment, they receive an immediate acknowledgement number that is their receipt; they have access to 16 months of their payment history online or by phone, and they can safely schedule payments in advance to avoid missing deadlines. A live Customer Service representative is available 24/7 for any questions or assistance. Taxpayers can enroll online at www.eftps.gov, or call EFTPS Customer Service at 1-800-555-4477.

D. What do I do if I'm making payments for my clients but they receive the FTD Coupon booklet? Many times clients forget to send the booklet to their provider or they need to retain it to make other form type tax payments. When it is time to make the payment, the party without the FTD Coupon Booklet has to call or visit IRS to get additional coupons. This adds additional time to the payment process and could cause a penalty to be incurred. If you and your client were both using EFTPS to make payments, you wouldn't have to worry about who has the coupons.

20. How can I use IRS e-file to file my client's Tax Year 2008 Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return?

Form 4868 may be e-filed through tax preparation software by the original due date of the return, April 15, 2009. This form is an extension of time to file a tax return, not an extension of time to pay a balance due. Check with your software provider regarding the availability of this e-file option.

Filing an extension electronically is advantageous because you get a confirmation of receipt of the electronic form. You can begin e-filing TY 2008 Form 4868 for your clients on January 16, 2009. If there is a balance due, an electronic funds withdrawal payment can be authorized. Credit or debit card payments can be made by phone or Internet beginning January 1, 2009. If there is a payment due, authorizing an electronic payment while e-filing or paying by credit or debit card eliminates the need to mail Form 4868 or a paper payment to the IRS.

21. What are my client's options if the total tax cannot be paid by the return due date?

Taxpayers are responsible for paying the tax due by April 15, 2009 or they will be subject to penalties and interest. If your client is unable to pay the total tax owed by April 15, 2009, you can request an Online Payment Agreement (Installment Agreement) for your client by going to www.irs.gov and typing "OPA" in the search box. For those who cannot resolve their tax debt immediately, an approved installment agreement allows your client to fully pay their tax debt in smaller, more manageable amounts.

22. Did you know IRS has two electronic signature methods available for taxpayers to sign their e-filed tax returns?

The Self-Select PIN method and the Practitioner PIN method are the two types of electronic signature methods. Both allow taxpayers to

use a Personal Identification Number (PIN) to sign the return and the Declaration of Taxpayer. The Self-Select PIN method requires taxpayers to provide their Date of Birth and prior year original Adjusted Gross Income (AGI) amount or prior year PIN for use by the IRS to authenticate the taxpayer. However, the Practitioner PIN method does not require the taxpayer to provide their Date of Birth, prior year AGI amount or prior year PIN. A signature authorization form must be completed when using the Practitioner PIN method.

Regardless of the method of electronic signature used, taxpayers may enter their PIN in the electronic return; however, the ERO may select the PIN, or the software may generate the taxpayer's PIN, if the taxpayer agrees by signing an IRS e-file signature authorization containing the PIN.

23. How do I know if the taxpayer's PIN was accepted by the IRS?

Refer to the "PIN Presence Indicator" field (SEQ 0065) in the Acknowledgement Key (ACK File) Record to confirm that IRS received a taxpayer PIN with the return. The ACK File, which is sent to transmitters, also includes other essential information such as the "Date of Birth Validity Code" (SEQ 0117) and "Debt Code" (SEQ 0120). It identifies which returns have been accepted, rejected or identified as duplicates. Corrective action may be required to satisfy the condition identified. See Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns, Section 3* for additional information.

24. Who can use the Self-Select PIN method?

The Self-Select PIN method is available for most taxpayers who file electronically using tax preparation software either by filing through an on-line filing company or through a tax professional. It allows taxpayers to electronically sign their e-filed return by selecting a five-digit Personal Identification Number (PIN).

The following taxpayers are eligible to use the Self-Select PIN method:

- Taxpayers who are eligible to file Form 1040, 1040A, 1040EZ, or 1040SS for Tax Year 2008.
- Taxpayers who filed Form 1040 PR for TY 2007, who are eligible to file Form 1040, 1040A, or 1040EZ for Tax Year 2008.
- Taxpayers who did not file for Tax Year 2007, but have filed previously.
- First-time filers who were 16 or older on or before December 31, 2008.
- Primary taxpayers under age 16 who filed previously.
- Secondary Taxpayers under age 16 who have filed in the immediate prior year.
- Military personnel residing overseas with APO/FPO addresses.
- Taxpayers residing in the American possessions (Virgin Islands, Puerto Rico, American Samoa, Guam and Northern Marianas) or with foreign country addresses.
- Taxpayers filing a Form 4868 (extension of time to file) or Form 2350 (extension of time to file for certain U.S. citizens living abroad).
- Those who are filing on behalf of deceased taxpayers.

Taxpayers who file online must use the Self-Select PIN Method to sign their electronically filed returns. Form 8453-OL is obsolete.

Your client must furnish the following information to validate their identity when using the Self-Select PIN method:

- Name
- Social Security Number
- Date of Birth (D.O.B.) and
- Adjusted Gross Income (AGI) from the **originally** filed Tax Year 2007 return or the Prior Year PIN from the Tax Year 2007 return if signed electronically. The AGI amount is not the amount from an amended tax return (Form 1040X), or math error correction made by IRS.

Note: If your client did not file a tax return in Tax Year 2007, the taxpayer must enter **zero** for the AGI. If taxpayer filed married filing joint for Tax Year 2007, they should both enter the same amount for AGI.

For more detailed information on qualifications and required taxpayer information for using the Self-Select PIN method, refer to www.irs.gov, keyword PIN, and your software package.

25. Who cannot use the Self-Select PIN method?

The following taxpayers are not eligible to use the Self-Select PIN method:

- Primary taxpayers under age 16 who have never filed.
- Secondary taxpayers (spouse) under age 16 who did not file in the immediate prior year.
- Taxpayers who filed Forms 1040-NR

26. What should I do if my client is unable to return to my office to input his/her Self-Select PIN?

A client who uses the Self-Select PIN method may authorize you to input his/her PIN by completing Form 8879, *IRS e-file Signature Authorization*. Provide this form to the taxpayer along with a copy of the completed tax return, either personally, by U.S. mail,

private delivery service, email or Internet website. Instruct clients to review their tax return for accuracy and to complete Part II of Form 8879. Clients may return the signed form to your office by U.S. mail, private delivery service, or fax. When filing a joint tax return, it is acceptable for one taxpayer to personally input their own PIN and for the spouse to complete Form 8879 to authorize the ERO to input their PIN.

Do not submit Form 8879 to IRS or use this form to transmit payments to IRS. EROs must retain Form 8879 in their file for three years from the return due date, or IRS received date, whichever is later. Electronic storage in accordance with Revenue Procedure, 97-22, Retention of Books and Records, is acceptable.

27. Did you know that the Practitioner PIN method is available to all Authorized IRS e-file Providers?

The Practitioner PIN method is an *additional* electronic signature option for taxpayers who use an Authorized IRS e-file Provider (ERO) to e-file. Taxpayers either sign their own return electronically using a five-digit PIN, or authorize the ERO to sign the return with their (taxpayer's) five-digit PIN. The PIN can be any five numbers except ALL zeros. Here are some frequently asked questions:

A. Do I need any specific forms to use the Practitioner PIN method?

Taxpayers must complete Form 8879, *IRS e-file Signature Authorization*, for returns using the Practitioner PIN method. Taxpayers can either enter their own PIN or authorize the ERO to enter their (taxpayer's) PIN for them when completing Form 8879.

B. Who is eligible to use the Practitioner PIN method?

Taxpayers who are eligible to file Forms 1040, 1040A, or 1040EZ are eligible to use the Practitioner PIN method. There is no age limit on who can use the Practitioner PIN method.

C. Who is ineligible to use the Practitioner PIN method?

Everyone is eligible to use the Practitioner PIN method.

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D. How does the Practitioner PIN method

benefit the ERO? The Practitioner PIN method offers an additional signature option for EROs to use in preparing and transmitting Forms 1040/A/EZ/SS to IRS. The Date of Birth and Adjusted Gross Income amount or prior year PIN are not needed for the Practitioner PIN method.

E. What is my responsibility as an ERO using the Practitioner PIN method?

EROs are required to sign Form 8879, Part III, and input their ERO EFIN/PIN for all returns using the Practitioner PIN method. The ERO EFIN/PIN consists of eleven digits (the first six positions are the EFIN and the last five are any five numbers except ALL zeros).

EROs should confirm the identity of taxpayers per Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, when completing Form 8879, prior to transmitting returns to IRS.

F. Do I mail Form 8879, IRS e-file Signature Authorization, to the IRS?

No. Do not mail Form 8879 to IRS. EROs using the Practitioner PIN method must retain Forms 8879 for three years from the return due date or IRS received date, whichever is later. Electronic storage in accordance with Revenue Procedure, 97-22, Retention of Books and Records, is acceptable.

G. Can an ERO use Form 8879 to submit a check or money order payment to IRS for an electronically filed return?

No. Form 8879 should **not** be used to transmit check or money order payments to IRS. We encourage use of our electronic payment options, such as electronic funds withdrawal or paying by credit or debit card. See additional information in this publication regarding these options. For those who prefer to send check and money order payments for electronically filed returns, they should be sent with Form 1040-V, *Payment Voucher*, to the applicable address on that form.

H. Will I receive an Acknowledgment that the Practitioner PIN method was used?

Yes. A PIN Presence Indicator of "1" will be present in the Acknowledgment File Record of a return when the Practitioner PIN method is used.

Please be sure to check the Acknowledgment File for the PIN Presence Indicator on all returns transmitted using a PIN signature.

I. Where can I find the Error Reject Codes for the Practitioner PIN method?

The Error Reject Codes can be found in the Publication 1346, *Electronic Return File Specification and Record Layouts for Individual Income Tax Returns for TY 2008*, Part I, Section 13. They can also be accessed at the IRS e-file Technical Publications website.

J. Where can I find the file specifications for the Practitioner PIN method?

The file specifications can be found in Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns for TY 2008*.

28. Who else can use the Practitioner PIN Method?

Taxpayers who are eligible to file Forms 1041, 1065, 1065-B, 1120, 1120-F, 1120-S, 720, 2290, 8849 and Exempt Organization returns can use the Practitioner PIN. The taxpayer must use the applicable Form 8879 as follows:

- Form 8879-F for Form 1041 return
- Form 8879-PE for Form 1065 return
- Form 8879-B for Form 1065-B return
- Form 8879-C for Form 1120 return
- Form 8879-I for Form 1120-F return
- Form 8879-S for Form 1120-S return
- Form 8879-PE for Exempt Organization returns
- Form 8879-EX for Forms 720, 2290 and 8849 returns.

29. How does e-filing my clients' Federal and state returns benefit me?

Filing your clients' Federal and state returns simultaneously reduces processing time and costs, expands your business opportunities, and strengthens client relationships. At the same time, your clients receive more efficient service that includes a faster refund, an accurate return and taxpayer confidentiality.

30. Where can I find more information on e-filing my business return?

Visit the IRS Web site at <http://www.irs.gov/efile/article/0,,id=118519,00.html> and access technical publications and much more.

31. Where can I find more information on EITC and Due Diligence?

www.irs.gov/eitc is your one-stop resource for EITC interactive tools, guidelines, forms, publications, toolkits and information about your due diligence responsibilities. Due diligence is more than checking off questions in your tax preparation software. It includes knowledge of EITC tax law and probing more deeply when the information clients provide appears incorrect, inconsistent or incomplete. Use the EITC Assistant, an interactive tool that lets you show your clients whether or not they qualify, and why. It's available in English and Spanish.

Note: The information contained in this publication is subject to change.