Setting up your office to handling E-filing

1. Review your
   A. Tax Software E-File guide
   B. IRS e-file process – Managing Your Workflow
      http://www.irs.gov/pub/irs-pdf/p4176.pdf
   C. FTB incorporating e-file into your office FTB e-file Tutorial
   http://www.ftb.ca.gov/professionals/efile/tutorial/index.html

2. Review the attached Routing report and adjust it to the flow of your office.

3. Determine how you will handle the 8879/8453. Will you mail them or will you have your clients pick them up? Who will be responsible in your office for the follow-up calls to get the forms returned? If the taxpayer owes money they will generally wait till the very end to send you the forms. Beware of all the payment options – they can set up an electronic payment for April 15. Check your software.

4. Review the benefits of going paperless.

5. Review the section of Paperless

6. Develop your letter that you will send to your clients.

7. Sign up for QuickAlerts
   http://www.envoyprofiles.com/QuickAlerts/

8. Review IRS Business and Self-Employed Taxpayers e-file Program Overview (for practitioners who want to expand their e-file program to include business returns, etc.) –
   http://www.irs.gov/efile/article/0,,id=118507,00.html

IRS e-file Process

Managing Your Workflow

A suggested process ...*

1

Prepare electronic returns.

Prepare a client folder and list on the outside of the folder: Client's name, Social Security Number (SSN), refund or balance due, whether a state return is included, and the type of signature document enclosed.

Verify client tax information for accuracy by requesting photo identification for himself/herself and Social Security cards for all persons to be listed on the tax return, in addition to the documents needed to prepare the return.

Complete the tax return on your computer and **run the software diagnostics** to identify necessary corrections to the return and **create the e-file** according to your software instructions.

Sign electronic returns.

2

Provide a copy of the tax return for client's review. The client signs the return by either using a **five-digit Personal Identification Number (PIN)** consisting of any five numbers (except all zeros), and signs Form 8879[1], IRS e-file Signature Authorization, or you as the Electronic Return Originator (ERO) enter the PIN according to the client's instructions on Form 8879.

You as the ERO sign the electronic return by entering your chosen Practitioner PIN (your EFIN plus a five-digit self-select PIN) and signing Form 8879.

If the client prefers to sign by hand signature or the return is PIN-ineligible[2] then Form 8453[1], U.S. Individual Income Tax Declaration for an IRS e-file Return, must be used instead of Form 8879.

You must not transmit the tax return before obtaining the client's signature.

3

Submit electronic returns to IRS.

Repeat steps 1 & 2 for all returns prepared that day, and place in a section of your files marked "To Be Transmitted."

At the end of each day, **batch that day's returns**[3] by following your software instructions and print a transmission report. **Crosscheck the report** with the information shown on the outside of each client folder to ensure you have captured all returns, the amounts are correct, and that all applicable state returns are included.

Send the batch of returns to your transmitter (or to the IRS if filing directly), following your software's transmission instructions. Place the folders for transmitted returns in a section of your files marked "Awaiting Acknowledgment."

* These steps are merely suggested practice, and should not be construed as official guidance from the Internal Revenue Service. The process may vary. Any process that conforms to the requirements outlined in Revenue Procedure 2000-31, Publication 1345, Publication 1345A, IRS forms and instructions, and www.irs.gov is acceptable. Check with your software company for additional suggestions, based on their suite of services and product's ability to create client databases and reports. Many companies offer training, in addition to printed or electronic guidance, and ongoing customer support.

(Continued on page 2)

IRS e-file Process (page 2)

Managing Your Workflow

A suggested process* ...

4a

Receive acknowledgment.

The next morning, **request your acknowledgment files** from your transmitter and print the acknowledgment report, following your software instructions.

Place the folders for accepted returns with Forms 8879 in a section of your files marked "Send Client Acknowledgment," and those with Forms 8453 in a section of your files marked "Acknowledged, Form 8453."

4b

Correct rejected returns.

If a return is rejected, attach the client's error report[4] to the outside of the folder. Place these folders in a section of your files marked "Rejected Returns," and **work those first**.

Most problems can be easily corrected (e.g., input errors); a few may require additional client contact. Once the correction is made, and the e-file recreated, place the client's folder back in the section of your files marked "To Be Transmitted" and include it with that day's transmissions. If you need help resolving rejects, contact your software's customer support line, or for help with rejects, call the IRS e-file Help Desk[4].

5

Complete the e-file process.

Remove one signed copy of Form 8453 for each accepted return from its folder in the "Acknowledged, Form 8453" section of your files, place them in your pre-addressed mailing envelope, and **mail to the appropriate IRS Submission Processing Center**[4]. Move these folders from the "Acknowledged, Form 8453" section of your files to the "Send Client Acknowledgment" section of your files.

Mail acknowledgment letters for all accepted returns to your clients. Form 9325, Acknowledgement and General Information for Taxpayers Who File Returns Electronically, may be used for this purpose. File the client folders, separating those containing Forms 8453 and W-2 from those containing Forms 8879[5].

1 Provide one signed copy of Form 8879 to the client and maintain one in your files. If using Form 8453, provide one signed copy to the client; maintain one in your files with Forms W-2; mail one to the IRS.

2 Taxpayers who are ineligible to use the Practitioner PIN Program are those who are required to attach one or more of the following forms to their returns: Forms 3115, 3468, 8283-Section B, 8332, 5713, 8609. These taxpayers may use Form 8453. Taxpayers with irresolvable rejects (i.e., Social Security number already used on a tax return already filed) will be unable to e-file. You should notify them after receiving the rejection, and advise them to sign and mail the paper return you provided them at their appointment.

3 If using multiple non-networked computers, follow your software provider's instructions for transferring the e-files to one transmitting computer with your modem and/or Internet connection. All transmissions should be done using one computer.

4 IRS Publication 1345A, sent automatically to all active EROs annually, provides error codes and descriptions to aid in resolving rejects. The section containing filing season information provides contact information and mailing addresses to IRS Submission Processing Centers to send Forms 84535 Returns filed using Practitioner PIN signatures carry no requirement for mailing paper forms to the IRS.

5 Returns filed using Practitioner PIN signatures carry no requirement for mailing paper forms to the IRS.

IRS Department of Treasury
Internal Revenue Service
Publication 04176 (5-2003)
Catalog Number 36344B

2003 Return Routing Sheet

Client name: ____ Client #:______________

Date Data Rec'd: ___________ Interview time: ____________ Promise date: ___________

Form: _____________ Year/Period: _____________Electronic file: _______Yes _______No

Due date: ______________ Date Ext. #1: ______________ Date Ext. #2: ______________

Preparer: _____________________ Date: _________________ Time: ________________

Reviewed by: __________________ Date: _________________ Time: ________________

Assembled by: ________________ Date: __________________ Time: ________________

Attachments: W-2's: _____________ 1099R's: _____________ Other: _______________

Return client info: ______________________ Draft sent: ___________________________

Assembly instructions: ____

Pickup: _________________ Mail: __________________ Express:___________________

Notes for next year: ____

E-file: Date client sent copy of return: ____

Signed 8453 ret'd: ____________________ Transmitted: _____________________

IRS accepted: ______________ Rejected: ______________ Re-sent: ___________

FTB accepted: _____________ Rejected:_______________ Re-sent: ___________

Acknowledgement letter sent: ____

Comments: ____

April 26, 2003

Client name
Client address
San Mateo, CA 94404

Dear Client,

This is a reminder that while your 2003 tax return has been prepared, it has not yet been e-filed. The actual filing takes place AFTER you have returned to me the forms 8453 that were included in the tax package. Please refer to the yellow instruction sheet that is on top of your copy of the return for complete instructions.

Many thanks for your prompt attention to this matter.

Best regards,

Tax Professional

This is a reminder to Electronic Return Originators. Authorized e-file Providers for individual taxpayers must mail required Forms 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return, to Internal Revenue Service within three business days after receiving acknowledgement of return acceptance. An electronic tax return is not considered filed until a complete and signed Form 8453 or the electronic signature of each taxpayer is received by Internal Revenue Service. If the taxpayer signed the return with an electronic signature, a Form 8453 is not required.

See Form 8453 for additional information.

IMPORTANT ELECTRONIC FILING INSTRUCTIONS

Dear Client,

As we discussed, your tax returns will be electronically filed this year. Please follow the steps below:

STEP ONE: The enclosed green folder contains copies of your returns to keep for your records (I recommend keeping return copies indefinitely and backup data seven years). Also enclosed are Federal Form 8879 (IRS *e-file* Signature Authorization) and California Form 8453 (Declaration of Electronic Filing).

STEP TWO: Please sign the Form 8879 and Form 8453 where indicated. Return both forms to me in the enclosed envelope along with payment of my invoice. *If there is a tax owing on either Form 8879 or Form 8453, use the enclosed payment vouchers to mail the payments.* ***Do not mail the payments to me.*** Even if there is a balance owing the return can be e-filed well in advance of the April, 2004 deadline; as long as the payment is postmarked by April 15, 2004, it will be timely paid.

STEP THREE: When I receive the signed forms from you, I will e-file both Federal and California tax returns for you, from my computer. The original signature forms will remain in your file at my office for at least four years as prescribed by tax law. I will mail you a confirmation letter as soon as I receive notice that the returns have been accepted by the taxing agencies.

If you have any questions regarding this process please let me know your concerns.

Sincerely,