



FTA E-file Symposium
May 15-18, 2006

EMS CHANGES FOR TAX YEAR 2006/PROCESSING YEAR 2007, revised 5/30/06

Carolyn E. Davis
Internal Revenue Service
Carolyn.e.davis@irs.gov

1



FTA E-file Symposium
May 15-18, 2006

EMS Changes for Everyone

- **New EMS LoginID Created to Strengthen Authentication**
 - You will receive a new 8 byte alpha-numeric EMS LoginID in a letter in October 2006 for each ETIN
 - Use as login ID instead of ETIN in 2007 software
 - Enter it at the “login:” prompt
 - Enter your current password that is associated with ETIN and your new EMS LoginID
- **ETIN in TRANA or in XML header must equal ETIN associated with EMS LoginID**
 - ETIN will still be used for tracking purposes, to associate the returns, to authenticate calls to e-help, ² to re-hang ACK Files, etc.



FTA E-file Symposium
May 15-18, 2006

ETIN CLEANUP

- On one record, all ETINS are kept:
 - If one form was set to Production since 10/2004
 - If Software Developer is a provider option
 - If file a business return, State ACK,
- If any ETIN used since 10/2004 on application

3



FTA E-file Symposium
May 15-18, 2006

EFIN CLEANUP

- After ETIN Cleanup, only records with 1040 or ETD will be selected for cleanup
 - If no accepted returns filed since 1/2005 for an EFIN
 - EFIN will be inactivated
 - Letter generated to contact person
 - If remains inactive for 60 days
 - EFIN dropped, eventually recycled
 - If ETIN was retained in the ETIN cleanup or plan to file business or State ACK, or ISP, EFIN is retained

4



FTA E-file Symposium
May 15-18, 2006

XML Gateway

- XML Gateway to be installed
 - Looking for XML threat vulnerabilities
 - Will have data communication messages
 - Will not process the transmission

5



FTA E-file Symposium
May 15-18, 2006

940/941 Returns

- EMS will discontinue 940/941 EDI and Proprietary formats
 - Last quarterly filing 11/13/06
- EMS will only accept 940/941 XML
 - effective 11/14/06
 - 940 – Employer's Annual Federal Unemployment (FUTA) Tax Return
 - 941 – Employer's Quarterly Federal Tax Return

6



FTA E-file Symposium
May 15-18, 2006

944 NEW RETURN

- 944 – Employer’s Annual Federal Tax Return
 - Small businesses with \leq \$1,000 tax liability
 - XML

7



FTA E-file Symposium
May 15-18, 2006

Letters of Application (LOAs)

- LOAs for 940/941 Taxpayer PINS
 - Discontinuing Proprietary Format
 - Accepting only XML Format

8



FTA E-file Symposium
May 15-18, 2006

CHANGES FOR 1040

- MO and KS returns must be transmitted to Kansas City ("F") – efileB
- EFINS that begin with 43 & 48 will go to "F" – efileB
- SRS for MO, KS will be in Memphis – efileB
- New processing charts will be on irs.gov

9



FTA E-file Symposium
May 15-18, 2006

STATE MANDATE

- West Virginia has mandated individual e-file
 - Preparers of 100 returns or more

10



FTA E-file Symposium
May 15-18, 2006

Imperfect State Returns with 1040

- Transmitters currently may re-transmit Federal Returns that Failed SSN/Name Control Validations (ERC 0501/0504) as Imperfect
 - In 07 IRS will label accompanying state returns with “E” in State Return Generic Record Field 0015 (Imperfect Exception Processing Indicator)
- States **must** enter “E” in State ACK Key Record Field 0050

11



FTA E-file Symposium
May 15-18, 2006

State ACK Files

- **Inner TRANA – Field 0060**
 - **ETIN must equal Field 0030 of ACK Key Record**
 - “INVALID ETIN MISMATCH IN INNER TRANA RECORD AND ACK KEY RECORD AT RECORD <n>”
- **ACK Key Record – Field 0090**
 - **DCN must be present and begin with two zeroes**
 - “INVALID DCN VALUE DETECTED WITHIN ACK KEY RECORD AT RECORD <n>”

12



FTA E-file Symposium
May 15-18, 2006

1065 Returns

- **1065/1065B XML in EMS and MeF in 2007**
 - EMS will forward 1065/1065B XML to MeF
 - New XML messages and ACK Files from MeF back to EMS
- **1065/1065B Proprietary**
 - Will also be an option in EMS only

13



FTA E-file Symposium
May 15-18, 2006

INTERNATIONAL RETURNS

- **If you are a State Taxing Authority and don't accept returns that have an International aspect**
 - Foreign & U.S. possessions addresses
 - U.S. possessions forms
 - Forms 2555/8833, 8854, or 8891
- **Inform the software developers**
 - Provide criteria (foreign address, certain Federal forms attached, limitations, etc.)
 - Provide alternative instructions
- **What happens to those returns or taxpayers?**

14



FTA E-file Symposium
May 15-18, 2006

EMS Testing Cut-off Dates for Tax Year 2005/Processing Year 2006

<u>RETURNS/FORMS</u>	<u>DATE</u>
• 94x family	12/15/06
• 990 family	10/27/06
• 1040 family	10/20/06
• 1041	09/30/06
• 1065 family	09/30/06
• 1120 family	10/27/06
• ETD	10/20/06
• LOA	12/15/06

15



FTA E-file Symposium
May 15-18, 2006

EMS Production Cut-off Dates for Tax Year 2005/Processing Year 2006

<u>RETURNS/FORMS</u>	<u>DATE</u>
• 94x family	12/15/06
• 990 family	12/28/06
• 1040 family	10/20/06 (6 p.m. local time; States must pickup returns and submit State ACKS by 4 p.m. on 10/22; State ACKS P.U. by 6 p.m.10/22/06)
• 1041	10/20/06
• 1065 family	10/20/06
• 1120 family	12/28/06
• ETD	10/20/06
• LOA	12/15/06

16



FTA E-file Symposium
May 15-18, 2006

EMS Testing Start Dates for Tax Year 2006/Processing Year 2007

➤ HANDSHAKES 11/06/06

RETURNS/FORMS DATE

- 94x family 12/16/06
- 990 family 11/06/06
- 1040 family 11/09/06
- 1041 12/04/06
- 1065 family 12/04/06 (Legacy); 11/06/06 (XML)
- 1120 family 11/06/06
- ETD 11/09/06
- LOA 12/16/06

17



FTA E-file Symposium
May 15-18, 2006

EMS Production Start Dates for Tax Year 2006/Processing Year 2007

➤ URL CHARTS WILL BE UPDATED on irs.gov

RETURNS/FORMS DATE

- 94x family 01/09/07
- 990 family 01/08/07
- 1040 family 01/12/07
- 1041 01/22/07
- 1065 family 01/22/07 (Legacy); 01/08/07 (XML)
- 1120 family 01/08/07
- ETD 01/12/07
- LOA 12/16/06

18



FTA E-file Symposium
May 15-18, 2006

REMINDERS ABOUT ACK FILES

- Be sure your software looks for these types of acknowledgment files
 - .ACK files are acknowledgment files from the return processing system
 - .NAK files are for data communication errors, transmission rejects – be sure you look for them
 - .Sss files are your acknowledgment files from states
- Some transmitters are ignoring them.

19



FTA E-file Symposium
May 15-18, 2006

PREVENT LOCKOUTS

- Incorrect Logins
 - 3 tries disconnects
 - 6 tries disables the account
- Make sure scripts don't keep logging in – read your messages and .nak files
- Be careful with automated password changes for all sites – some of you locked yourselves or your clients out
- Inform your customers about your installation instructions and special features

20



FTA E-file Symposium
May 15-18, 2006

MANY CLIENTS WERE SHOCKED WHEN THEY FILED

- Many of your clients were shocked when it was time to file this year
- Most tried to dial the old dial-up IRS lines
- Most didn't sign up for Quick Alerts or visit irs.gov so they didn't receive the news
- Most didn't know about the encryption solutions
- Most didn't know how to obtain the documents

21



FTA E-file Symposium
May 15-18, 2006

KEEP YOUR CLIENTS INFORMED

- Inform clients
 - that dial-up was discontinued
 - about whether your software supports direct filing
 - whether you have the interface built in
 - whether they need to acquire their own terminal emulation software
 - how to contact IRS for the encryption documentation
 - or whether they have to use a third party

22



FTA E-file Symposium
May 15-18, 2006

ACQUIRE CORRECT TERMINAL EMULATION SOFTWARE

- Read Appendix C of the **Trading Partner Manual**
- Be sure terminal emulation software supports:
 - both SSL Version 3.0
 - and Telnet/S (RFC854)
- Works with your Operating System
- Remember to Notify your Network/Firewall staff
 - Open Port 992
 - Allow both outbound/inbound traffic
- Accept IRS Entrust Certificate

23



FTA E-file Symposium
May 15-18, 2006

SECURING TAXPAYER DATA

- It is everyone's responsibility to secure taxpayer data
- Tax return information includes notes, telephone conversations, not only the return
- Software can assist in keeping that data encrypted while stored
- Take care in how users search for taxpayer data
- Don't allow data to be searched by unauthorized users

24



FTA E-file Symposium
May 15-18, 2006

GUIDELINES FOR SECURING TAXPAYER DATA

- **ETA is preparing Guidelines for Tax Professionals**
 - includes software developers, transmitters, preparers (paid and unpaid)
 - Based on presentation for tax forums
 - Based on Federal Trade Commission information and guidelines about the Gramm Leach Bliley Act
 - Based on IRS requirements (Revenue Procedure 2005-60, IRS code, and other laws)
- **Stay tuned**

25