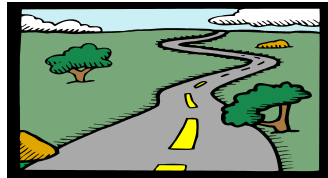


Modernized eFile State Development

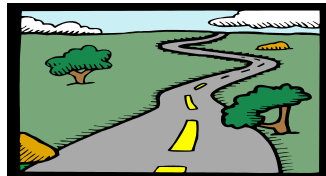
Terry Garber
South Carolina DOR
Chair, TIGERS

The Urgency:



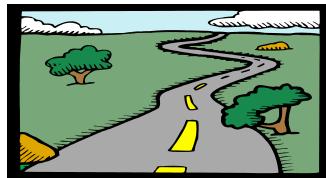
- Fed/State 1040 is not that far away!
- Work on Fed/State 1040 has already begun, based on Fed/State 1120 development
- TIGERS has technology savvy team that has braved the new MeF frontier
- TIGERS needs 1040 business experts who know Individual Income Tax data
- Here's the process that we will follow

The First Steps:



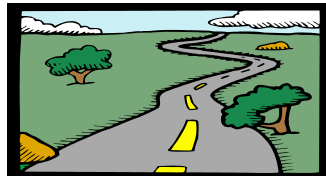
- Define Business Rules
 - Fed/State 1120 project created eight basic Business rules, covering such areas as
 - Authentication of the taxpayer
 - Pass-through payments
 - Accommodating different due dates
 - Testing with IRS and Transmitters
 - 1065 added rule to pull down returns by tax
 - New rules may be needed for Fed/State 1040
-

The Technology:



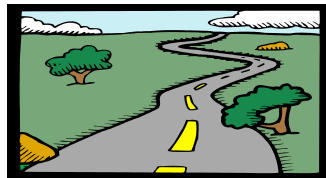
- Application-to-application resolves many of the issues of today's batch drains
 - Web services technology is new to most states and many industry partners
 - Learning curve complicated by differences between Microsoft and Java shops
 - Still working out minor issues between IRS and the states
-

The Major Goal:



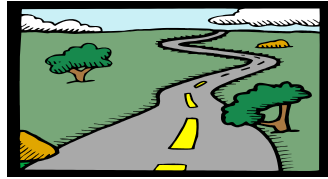
- Build data formats for state data for Modernized Fed/State eFile
- Utilize XML schemas for data formatting
- No generic or unformatted record
- Accommodate all data elements for all states in a standardized format
- Each state uses the data elements it needs from the master schema.

The Challenge:



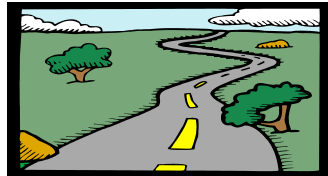
- Forms and tax law differ by state
- No one-to-one correspondence between state forms
- Each state has a different assortment of data elements
- Bottom line: there is no way to build a data format (XML schema) based on state tax forms that can handle all states.

The Solution:



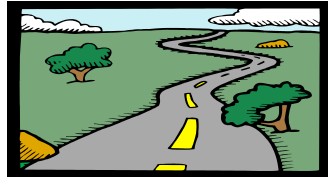
- Utilize TIGERS process first used for Fed/State Employment Tax
- Collect data elements from all participating states
- Analyze data for common groupings
- Build schemas from consolidated data
- Establish process for adding new data and new states

The Process:



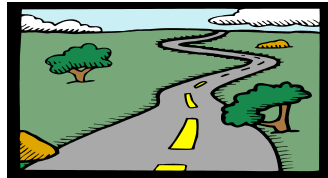
- “Categories,” or major groupings, of data are defined, such as
 - Income
 - Additions to Income
 - Deductions
- States list data elements on Excel sheets
- Data is “boiled down” by volunteer group
- Schema created for each Category

The Rules:



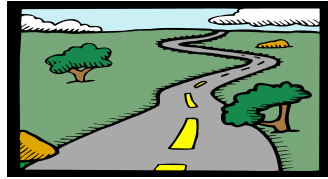
- States can only add elements through the TIGERS process
- States cannot alter the structure of the schema set
- States must use agreed-upon data names
- State schemas must be fully compatible with the master schema
- States can restrict data values

The Reality:



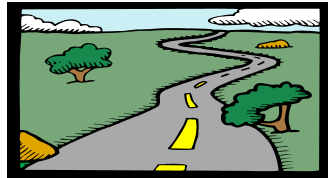
- It's a lot of hard, boring, painstaking work!!
- State forms must be mapped, line by line, to the Excel spreadsheets
- "Boiling down" by category takes analysis of tax forms and code across multiple states
- First cut tax year 2005 schemas for 1120 ran out of time to boil down completely
- Tax year 2006 for 1120/1065 in progress

The State's Part:



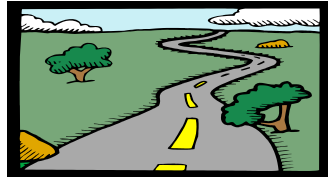
- Build web services gateway
- Build process for taking input XML through input edits to back end processing system
- Define state-specific business rules, create state-specific derived XML from master schema, and request any new elements
- Build system for viewing electronic returns
- Sign MOU and obtain new ETIN(s)

The Cost:



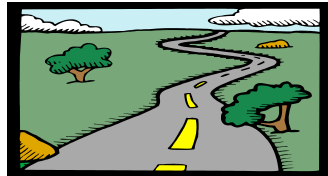
- Paid developer maintains spreadsheets, coordinates boil down, generates schemas
- Costs spread across participating states
 - 1120 one-time year of entry \$1500 - \$2500
 - 1120 annual maintenance \$500 - \$900
 - 1065 one-time year of entry \$1000 - \$2000
 - 1065 annual maintenance \$500 - \$900
 - 1040 costs to be determined

The Meetings:



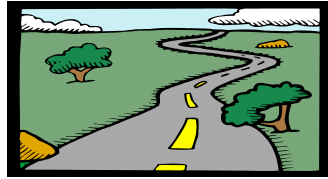
- TIGERS meets 6 times/yr
- Three meetings with ANSI X12
 - Cost roughly \$1000 - \$1875 per meeting + travel
 - No registration fee (\$875) for members
 - Membership \$1500 for states, or sliding scale
 - Membership benefits include free XML tools
- Three meetings sponsored by FTA
 - Cost roughly \$650 per meeting + travel
- Regular Deployment team conference calls

The Benefits:



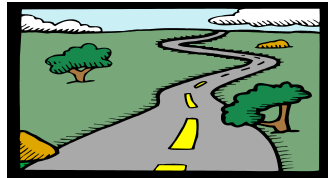
- One standard communications channel for 1120/1065/1040 saves effort and dollars
- XML data is flexible, can be worked with available low-cost tools
- Data standardization across states reduces time and effort for software developers
- States have requested that IRS extend this solution to the Employment taxes

The Plan:



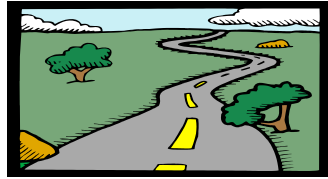
- Firm up tax year 2005 program for Fed/State 1120 in time for September filing peak
- Publish improved tax year 2006 XML schema set for Fed/State 1120/1065 by August
- Publish first draft of state 1040 schema set for development use by June 2007
- Provide guidelines and coaching sessions for new state and industry participants

The Invitation:



- State Deployment Team will be formed to identify Business Rules for Fed/State 1040
- Data “Categories” have been drafted for 1040
- As many participating states as possible needed for initial 1040 data gathering
- State 1040 experts needed for “boil down”
- Industry participants needed for input into analysis and design work

Questions???



- Terry Garber, TIGERS Chair, SC DOR
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 - Jonathan Lyon, FTA,
Jonathan.Lyon@taxadmin.org
 - Stephen Bouchard, Chair X12 Government Subcommittee, MD Comptroller ITD
SBouchard@comp.state.md.us
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