

Electronic Tax Administration

Federation of Tax Administrators

June 3, 2002

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- 46.7 million 1040's (19 mil. FedState)
- 28 million alternative signatures
- 485,000 TeleFile extensions
- 700,000 alternative payments
- 3 billion website hits
- 19,000 1065's (through 5/1)

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- Clearly have continuing momentum in 1040 e-file
- On-line continues to appear to be where the greatest percentage growth will continue to occur
- Still, there are an estimated 30 professionally prepared returns being filed on paper
- Still not to a point where can see a clear momentum in e-file for business

Practitioner Adoption

- Mass market firms
 - 80%+ 1040 e-file rate
- Regional/small practices
 - Mixed bag
- Large firms (the "Big 5")
 - Minimal participation
- When self-prepared e-filers (TeleFile and On-Line) move to practitioner, many become paper filers

Practitioner Adoption(Cont.)

- All return types is critical issue
- All services must become electronic
 - Error resolution
 - Powers of Attorney
 - Communication with customer service, agents
 - Notices
- Must address more effectively taxpayer not in office and eliminate follow up visits for rejected returns

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Taxpayers

- Must find appealing message beyond faster refund
- Must make experience closer to what they expect of on-line transactions and include all transactions
- Must solve signature problem
- Must create an "anything less and I didn't get my money's worth" mindset for practitioner client
- Must focus on security and privacy messages

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Business Returns

- Don't duplicate 1040 e-file system/XML
- 1120 in 2004 – 5
- 990 in 2004
- 94x beginning in 2003/first XML application
- 1041/1065 will transition to new platform
- 720 and 2290 in discussion stage

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Information Returns

- 450+ million this year
- Add ftp filing option by 2004
 - will enable elimination of mag tape
 - 1.3 billion electronic
- Precursor to IRP modernization project

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Services

- irs.gov modernization
- Internet fact of filing/refund
- ERO/PTIN applications
- Electronic transcripts
- Secure e-mail
- More than 70 others of the list

1040 Modernization

- Scheduled for 2004 project initiation
- XML
- Process single returns and as received
- Near real time acknowledgement/rejection
- Accept and process rejected returns with electronic notice

Change in Due Date

- To April 30 for electronically filed and paid returns
- Have worked to consider state impact as analysis was completed
- Still anticipating passage this year to be effective for 2003 filing season
- Marketing strategy under development
- Anticipate over 4.5 million additional return year one

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EZ Tax Filing

- A partnership with industry to offer free internet filing to an expanded set of taxpayers
 - Currently available to approximately 50%
- Expect concurrence on term sheet within next week
- Probably will see Federal Register publication for public comment and final agreement in August
- Has language specifying that industry will work with states on terms for including state returns

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Expanding Electronic Tax Products for Business

- Includes components of STAWRS
 - Harmonized Wage Code/single EIN
 - FedState W-2
 - 8850
- 1120
- Internet EIN
- 94X modernization

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- State only for 2003
- FedState returns with foreign addresses in 2003
- 94X FedState
- 1120 capability

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Strategic Direction for FedState



- Continued recognition of value of FedState to the IRS, States and taxpayers
- Marketing FedState nationally while states are not consistent
- Establish a FedState Steering Group for e-initiatives
 - FedState operational model for the future
 - No more one state only initiatives
 - Can't operate differently for each program
 - Priority setting
 - Potentially involves more than Revenue Agencies