

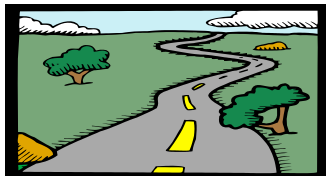
## Fed/State 1120 Status Update

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August, 2004

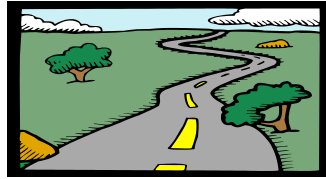
“We’ve still got a long way to go...”

### Background: What is MeF?



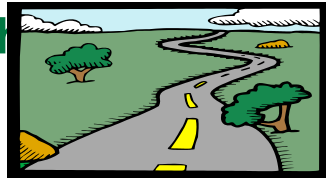
- Modernized e-File (MeF) is a new e-file system which processes Forms 1120, 1120S, 990, 990EZ, 1120POL & 8868
  - In near future, IRS plans to move existing e-file programs to MeF
-

## Successful Launch of MeF



- After three years of design and development, MeF was successfully launched in multiple releases.
  - Release 1 – February 23, 2004
    - 53 Forms and Schedules
  - Release 2 – August 6, 2004
    - 43 Forms and Schedules

## MeF Statistics through July 18, 2004



	Accepted Returns	Projected Returns	% Projection
1120	8,332	9,400	88%
1120S	28,894	14,200	203%
990/990EZ	314	400	78%
8868	268	400	67%

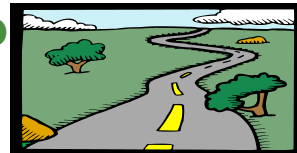
## IRS MeF Receives “Best of the Best” Award

Modernized e-File was voted “Best of the Best” at the annual Government Solutions Forum on June 2-3. 160 nominations resulted in 15 award winners with MeF at the top. Rob Ragano, the Business Systems Modernization (BSM) Project Director for MeF says, “For MeF to take an honor like this means a great deal to Modernization and to MITS. What’s really impressive is that we were recognized by our Government counterparts, our peers, in the voting.”



Chuck Piekarski, Rob Ragano, Darius Taylor, Karen Evans, Fred Forman, Steve Peck and Ron Rosh

## Stakeholder Participatio Then & Now



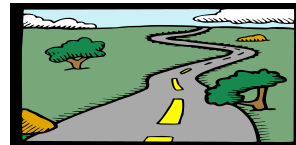
- **Many software developers and EROs were involved in design of MeF since October 2000**
- **Five software developers participated in 1120/1120S e-file program for TY 2003**
- **2,546 EROs filed 1120 and 1120S returns**
  - 54 EROs filed over 100 returns

## Did MeF Achieve Goals?



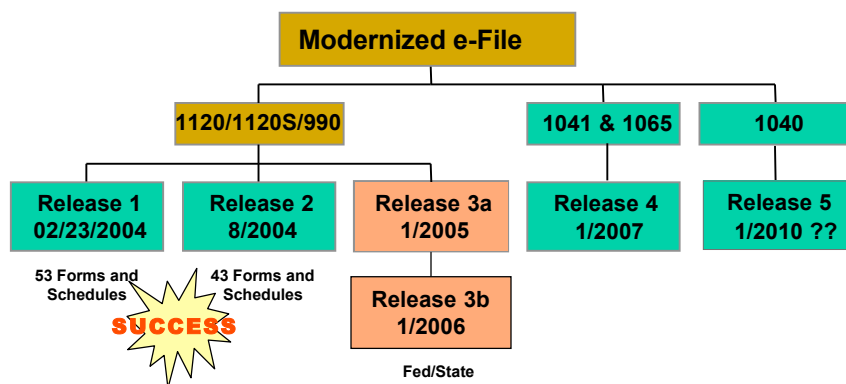
Proprietary e-file	Modernized e-file	Success
Single data format	Multiple formats-tax return and PDF attachments	✓
Single data stream	Multiple files	✓
Record layouts-paper/Word document	XML schema and style sheets – usable code	✓
TRANA, TRANB, recap and transmission protocol	SOAP (Simple Object Access Protocol) – industry standard XML Transmissions	✓

## Did Mef Achieve Goals?

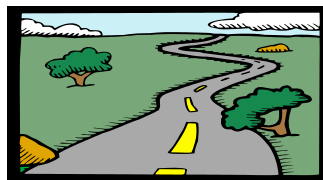


Proprietary e-file	Modernized e-File	Success
T-lines/modem	Internet filing/T-1 lines/modem	✓
Drains – batch processing	Transaction based	✓
Form-specific/unstructured reject codes	Redesigned and standardized reject codes and validations – reject codes with broad categories and specific error messages in English	✓

## Schedule



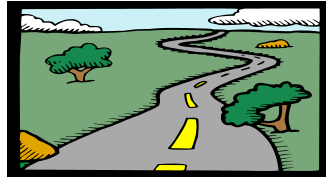
## Background: It's Been A Busy Year



### Partnership with States

- May 2003 – States invited to help IRS develop new modernized Fed/State system
- Participation from California, Illinois, Maryland, Michigan, New York, South Carolina, Virginia
- August-September 2003 – TAG & States agreed to high-level system requirements

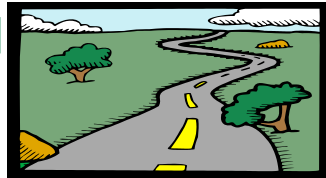
## Background: High Level Requirements



### ■ Seven major issues identified

- Acknowledgments (“single point system”)
  - Authentication (FEIN/Signatures)
  - Disclosure (“common data”)
  - Due Dates (Fed/State and/or Stand Alone)
  - Payments (joint or separate)
  - Validations (FEIN & name control)
  - Transmissions (EMS, Internet, SOAP, XML)
- 

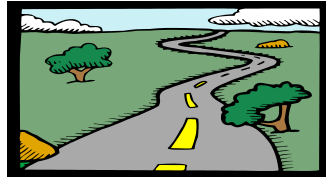
## Background: Detailed Requirements



### ■ October 2003 – TAG established Sub-teams to further define requirements

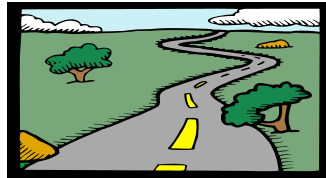
- Deployment Team to provide business perspective or the “what”
    - Originally 11 states, now grown to 26 and over 60 participants
  - TIGERS to provide technical perspective or the “how”
-

## IRS 1120 Program and Budget Status



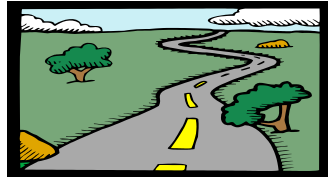
- Estimate for 2004 funds to cover Release 3 requirements (including Fed/State) were submitted prior to decision to use new IRS Enterprise Architecture
- Prior to decision, assumption was to use interface to existing State Retrieval System
- Release 3 funds approved but not authorized for PRIME to estimate requirements developed by TAG sub-group until after Release 1

## IRS 1120 Program and Budget Status



- MeF Executive Steering Committee committed to provide final budget approval by June 2004
- Due to proposed new infrastructure, cost estimate for Fed/State rose to over \$16M
- June 2004, IRS notified FTA that budget cuts may effect Fed/State development
- TAG and FTA mobilized to express concern at the highest level
- July 2004, budget issues resolved
- July 15, 2004 IRS notified FTA and states to proceed with plans for January 2006 implementation

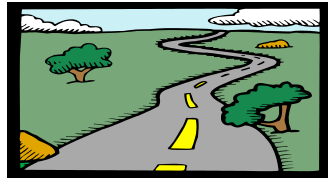
## IRS 1120 Program and Budget Status



- Bottom Line: We are now funded
- Lots of work ahead

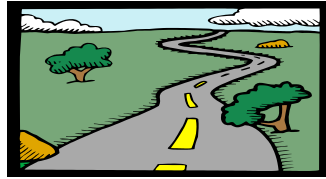


## TIGERS Team Activities



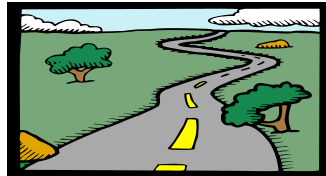
- Meeting every other month since December 2003
- IRS and over a dozen states participated in each meeting
- Work in two critical areas:
  - Development of transmission architecture
  - Development of state content XML schemas

## Fed/State Transmission Architecture – Breaking New Ground



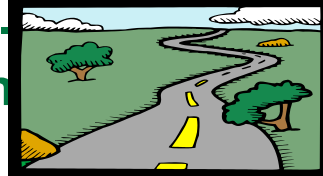
- **Challenge: a Fed/State 1120 return may include**
    - **Federal return with both XML and multiple PDF attachments**
    - **One or many state returns, EACH with XML and multiple PDF attachments**
    - **Copy of federal return, with all its parts, packaged with EACH state return**
  - **Returns may be sent batched or singly as they are created**
- 

## Fed/State Transmission Architecture – Breaking New Ground



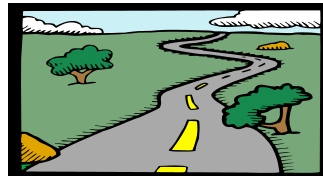
- **MIME Multipart used by 94x and 1120 is cumbersome and not standardized**
  - **Instead, Fed/State 1120 will use Zip Archive containing standard file folder structures**
  - **Transmission Header and Transmission level Manifest will be contained in the SOAP body**
  - **Zippered Package will be transmitted as a single MIME part – no need to chase content locations**
  - **Each folder level will contain a Manifest of its contents**
-

## State Schema Development a Time Consuming Manual Process



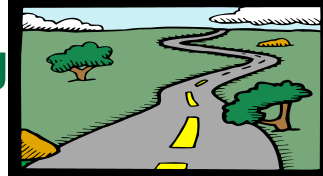
- Most state Corporate returns start with Federal AGI
- TIGERS approach is category based: additions to income, credits, etc.
- Need to decompose forms from 20+ states into these categories to build schemas
- This means that the state schemas cannot borrow from the 1120 schema set, which is forms based
  - Must be developed from scratch

## Still Analyzing State Data Elements



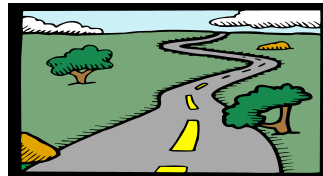
- Each participating state has built a spreadsheet of all Corporate filing data elements by category
- Several rounds of cleaning up and standardizing this data and agreeing on the categories
- Volunteer states have taken each category to “boil down” data elements across multiple states
- “Boiled down” spreadsheets must be signed off by all participating states
- Categories will be converted to XML schemas

## Actual Schema Coding Has Not Begun



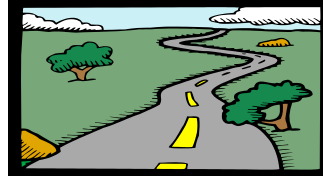
- Once spreadsheets are finalized, we hope that most of the Category schemas can be generated from them and then simply fine-tuned
- Assistance to be provided by IRS/Contractor for Transmission level and Manifest schemas
- Draft schemas will be published for state and software provider review and comment
- Once schemas coded, need to map 100's of state forms to validate

## Additional Considerations



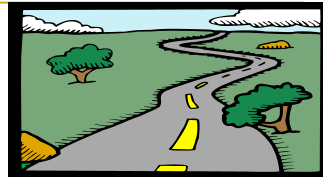
- **States must each define Business Rules**
  - Shared Business Rules coded into Master Schema
  - State Business Rules may or may not be coded into state schemas derived from the Master Schema
  - Need to publish State Business Rules for the software developers
  - Common format, location for all State Business Rules is desirable

## Best Case Timeline



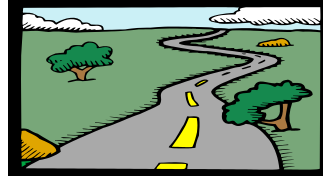
- **June 2004**
  - Analysis of impact of zip architecture
  - Continue analysis of state data elements
- **June – August 2004**
  - “Boil down” completed across states
  - State final review and sign off
- **August 2004**
  - TIGERS review of data and packaging
- **September 2004**
  - Create XML schemas from Categories

## Best Case Timeline

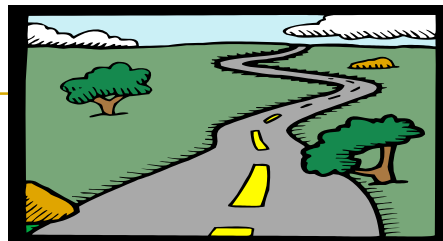


- **October 2004**
  - Intensive review of schemas and architecture
- **December 2004**
  - Final schema set and architecture review
- **January – October 2005**
  - IRS, State, and Partner development
- **October 2005**
  - Pre-ATS Transmission Testing (acceptance testing system) with states
- **November 2005**
  - ATS Testing for January live date

## Going Forward



- Rumors of our death were definitely premature!
- Need intense commitment from states planning to implement January 2006
  - Each state **MUST** map their Corporate return into the XML schema set
- Opportunity for additional states to join in 2007
- It will take a solid, unified effort to make 2006!



## DISCUSSION....