



# Modernized e-file and Mandates

## A Software Developer Perspective

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# Agenda

- Partnering
- e-file impact on Software Companies
- Business Return XML
- Mandates
- Summary
- Questions



*Partnering:*

# Who are the Partners?

- State and Local Jurisdictions
- IRS
- Software Vendors
- Practitioners
- Taxpayers



*Partnering:*

# Success Attributes

- Shared Vision
- Trust
- Communication
  - Formal and Informal channels
  - Open and Direct



*Partnering:*

# Existing Channels

- Many relationships already forged
  - NACTP (National Association of Computerized Tax Processors)
  - FTA (Federation of Tax Administrators)
  - CERCA (Council for Electronic Revenue Communication Advancement)
  - AICPA and State Societies
  - NAEA (National Association of Enrolled Agents)
  - Many others...



*e-file:*

## Impact on Software Vendors

- It's not that we don't want to...
  - Tax Law, Forms, Instructions are common and available to all
    - Software is differentiated by targeting market segments and meeting the needs of those practitioners and taxpayers
  - e-file adds Additional development
    - May or may not be desired by target market
    - First year effort - extensive
    - Maintenance years – still challenging!



*e-file:*

# Impact on Software Vendors

- The Process
  - Begins with Data Collection and continues through on-screen review
  - Return now ready for compliance: Print or e-file?
    - Printing? Great! Now add the layers:
      - Scan lines, scan bands, 1-D barcodes, 2-D barcodes, overall form print
    - e-file? Great!
      - Perform print for documentation, create e-file, review e-file return against print, send to transmitter, retrieve acknowledgement



*e-file:*

# Impact on Software Vendors

- e-file Review
  - Taxpayer/Practitioner tools
    - How do I review the file?
    - How do I transmit?
    - How do I know it is complete?
  - Difference between taxpayers
    - Individual vs. Business
  - Accuracy
    - Let's not dance around the issue – this is a concern for all of us



*e-file:*

# Impact on Software Vendors

- Overall
  - It takes time to implement
  - We must do it well
  - We must be able to charge for the cost of additional work to pay for development and maintenance
  - It is duplicate effort since taxpayers still want/need printed returns



*IRS Mandate:*

## Foray into Business Return XML

- Business Returns
  - Can be larger and more complex
  - XML was new ground for IRS but probably correct for this market
- Mandate
  - IRS position
    - Necessary to force taxpayers and software vendors to move in this direction
  - Timing was a concern < 12 months



*IRS Mandate:*

## Foray into Business Return XML

- Different Taxpayer/Different Expectations
  - Largest taxpayers in country
  - Failed filing could result in
    - Millions of dollars in penalties
    - Failure to timely file and perfect return elections
  - Taxpayer Needs Included
    - “Seeing” electronic return
    - Longer remediation period for bigger, more complex tax returns



*IRS Mandate:*

## **Foray into Business Return XML**

- Software Vendors
  - Stepped up to challenge
  - Partnered with IRS
  - Partnered with
    - Taxpayers
    - TEI (Tax Executives Institute)
    - AICPA
  - Addressed a Huge Challenge:  
Understanding Taxpayer Process



*IRS Mandate:*

## Foray into Business Return XML

- Taxpayer Education
  - Biggest challenge aside from software changes and process
  - Hundreds of hours spent on
    - Web-based Seminars
    - Written communications
    - Web Postings and Updates
    - Solicited IRS for assistance
    - Participated in bi-partisan education with other vendors (ex: RIA and CORPTAX co-presented at one TEI meeting)



*Mandates:*

## Are Mandates bad?

- Not in and of themselves
- However, partners should know
  - Why would we mandate?
  - Who would we mandate?
  - What is the timing?
  - How will it be achieved?
  - Has a communication strategy been devised?



*Mandates:*

## Authority versus Implementation

- Authority
  - Legislation is in place for many jurisdictions
  - Decisions rest with Commissioner
- Implementation
  - Risk area for Software Vendors
  - If e-file program already exists, client base will likely drive support



# Summary

- It is exciting to see partnering at this level
- Software vendors need time to move on e-file strategies
- Mandates aren't bad but...
  - Timing of announcements should include minimum notice
    - Minimum of 12 to 18 months notice
  - Communication of mandate should be cast wide and far
  - Know that Vendors will adopt but at different intervals and based on client base
  - Mandates should be a last resort so...
    - Consider mandating only after assessing success with
      - The build-out of an e-file infrastructure
      - Live return processing on voluntary basis



**Questions?**