

Federation of Tax Administrators

**New on the Horizon for Modernized
e-file (MeF)**

Update to include Form 1040

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Agenda Items

- **MeF Statistics for 2007**
 - Corporate Filers
 - Partnership Filers
 - Exempt Filers
 - Required Filers
 - Fed/State Participants
- **What's New for the rest of 2007**
 - Automated Enrollment Functionality
- **What's Upcoming for MeF – 2008 and Beyond**
 - Additional forms for Corporate and Partnership filers
 - TEGE's ePostcard (990-N)
 - 1040 Update
- **Lessons Learned**
- **Questions**

MeF Processing Year Statistics as of May 9, 2007

	Accepted Returns	2007 Projected Returns	% Projection
1120	108,821	366,500	29.7%
1120S	443,4619	900,900	48.2%
7004	800,441	1,085,600	73.7%
1065/B	302,126	250,000	120.9%
990/990EZ/PF	8,060	33,501	24.1%
8868/7004	8,784	18,100	48.5%

MeF May 9, 2006 Comparison To May 9, 2007

	2006 Accepted Returns	2007 Accepted Returns	% of 2006 volume
1120	68,015	108,281	159.2
1120S	278,200	434,619	156.2
7004	374,458	800,441	213.8
990/990EZ/PF	3,474	8,060	232.0
8868	2898	8,784	303.1

MeF Status – Required Corporate Taxpayers (Form 1120) as of May 9, 2007

- 13,993 with assets of \$10 million or more
- 5,446 returns with assets of \$50 million or more
- Breakdown of \$50 million or more
 - 2,153 returns had assets over \$50 million and less than \$100 million
 - 2,706 returns had assets between \$100 million and \$500 million
 - 329 returns had assets between \$500 million and \$1 billion
 - 258 returns had assets over \$1 billion

MeF Status – Amended Returns as of May 9, 2007

- MeF has received 661 amended returns –Many amended or superseded returns are claiming TETR credits
 - 206 Form 1065 amended returns
 - 48 Form 1120 amended returns
 - 407 Form 1120S amended returns
- 17 Superseded 1120/1120 S returns

Fed/State Returns as of May 9, 2007

- The IRS has made available 31,168 State submissions for six states.
 - Corporate state returns – 29,712
 - Partnership state returns – 1,456
- **1120 Fed/State Program**
 - Currently participating: GA, KS, MD, MI, NY WI, and PA (joined this year)
 - Plan to implement later in 2007: AL, CO, DE, FL, ID, MO, OR, SC and UT
 - Plan to participate in 2008: AZ, CT, IL, NC, NJ and NY City
- **1065 Fed/State Program**
 - Currently participating: KS, MD and MI
 - Plan to participate later in 2007: AL, GA, NC, UT and WI
- **990 Fed/State Program**
 - Plan to participate later in 2007: CA, CO, MA, NY and PA

MeF Vendors and Portal Usage

- We have 19 vendors that currently support MeF. All have transmitted tax returns in 2007.
- 11 of the 19 have transmitted mandated returns (\$10M and greater in assets).

<u>Portal Usage</u>	<u>2007</u>	<u>2006</u>
• Electronic Management System (EMS)	3.8%	62.4%
• Application-to Application (A2A)	96.2%	37.3%
• Internet Filing Application (IFA)	--	.3%

In 2008 MeF will no longer support EMS – Must transmit through A2A or IFA.

Processing Year 2007 additions

- Automated Enrollment without the ability to load certificates for Strong Authentication is being implemented June 2007
- Plans are to train states and software at the TIGERS meeting.
- The functionality with the certificates is tentatively scheduled for August 2007.

2008 Filing Season

New Forms (available in XML):

- 1120F (Foreign Corporations) will be implemented.
- Schedule B-1 (Form 1065 & 1120)
- Schedule B-2 (Form 1065 & 1120)
- Schedule A (Form 1065 only)
- Form 8923, Mine Rescue Team Training Credit (1120 & 1065)
- Form 5735, American Samoa Economic Development Credit (1120 only)
- 1120X

2008 Filing Season (con't)

- Will include **Tax Year 2007 changes** for the current MeF form types (990, 1065 and 1120)
- **ePostcard (990-N)** – annual notification for exempt organizations with gross receipts less than \$25K
- **Form 1065 Legacy will retire.** Currently 97% of the 2007 receipts have been processed through MeF

MeF Form 1040

- Scheduled for Summer 2009 – Requires a 24 month development cycle
- First Phase includes the base Form 1040 and 11 commonly used attachments
- Release will include Fed/State and Amended Return functionality
- This release will represent the most complex release to date – includes capacity enhancements and numerous system interfaces
- Currently Scheduled for three releases (2009-2011)

MeF Form 1040

Form Composition – Phase I

- **Form 1040**, U.S. Individual Income Tax Return
- **Form 1040 Schedule D**, Capital Gains and Losses
- **Form 1040 Schedule A**, Itemized Deductions
- **Form 1040 Schedule B**, Fiscal Year Supplemental Schedule of Income and Retirement Income Credit
- **Form 1040 Schedule EIC**, Earned Income Credit
- **Form 1099-R**, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA, Insurance Contracts, etc.
- **Form 2441**, Child and Dependent Care Expenses
- **Form 4868**, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return
- **Form 8812**, Additional Child Tax Credit
- **Form 8863**, Education Credits
- **Form 9465**, Installment Agreement Request
- **Form W-2**, Wage and Tax Statement

MeF Form 1040 - Schedule

Planned Dates

May/June 2009	Testing Phase I – Tax Year 2008.	Includes the Fed/State functionality.
August 2009	Production Phase I	Processing TY 2008 Returns
November 2009	ATS Phase I – Tax Year 2009	Includes TY 2008 changes
January 2010	Production for Tax Year 2009	Includes Phase I Tax Year 2008
In order to forecast projections, IRS will need to confirm the dates States and S/W developers will be migrating to the MeF platform		

MeF Form 1040 - Stakeholder Outreach

Business Requirements Gathering

- 1040 Industry Working Group established. Includes 15 vendors.
- State Considerations – State and vendor representatives at FTA's TIGER Meetings – held six times a year.
- Software Developer's Conference – 3 Interactive MeF technical sessions are scheduled.
- Attend other various outreach sessions, i.e., FTA's e-file Symposium, FTA Technology Conference, AICPA's quarterly MeF working sessions, etc.

MeF Lessons Learned

- Improve coordination with industry on the XML schema versions – major vs. minor
- Provide the received date in the acknowledgements back to transmitter/taxpayer
- Improve XML reject definition. Continue to provide vendors with reject report cards. Expected to be delivered later this year.
- Improve Communications on MeF system outages. Established a MeF status page on irs.gov. – Software Developers and Transmitters page

Questions

