



E-Filing: Looking Back and Planning for the Future



Introductions





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- Senior Product Manager
- 17 yrs. industry experience
 - Financial accounting
 - Corporate tax
- 11 yrs. tax technology
- BA Business Management & Accounting

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Agenda

- ▼ Review TY2005 e-file processes
- ▼ Breakdown key compliance Issues
- ▼ Developing an action plan
- ▼ Pinpoint solutions for future improvement
- ▼ Review future mandates
- ▼ Q&A

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Session Objectives

▼ **Upon completion of this session you will be able to:**

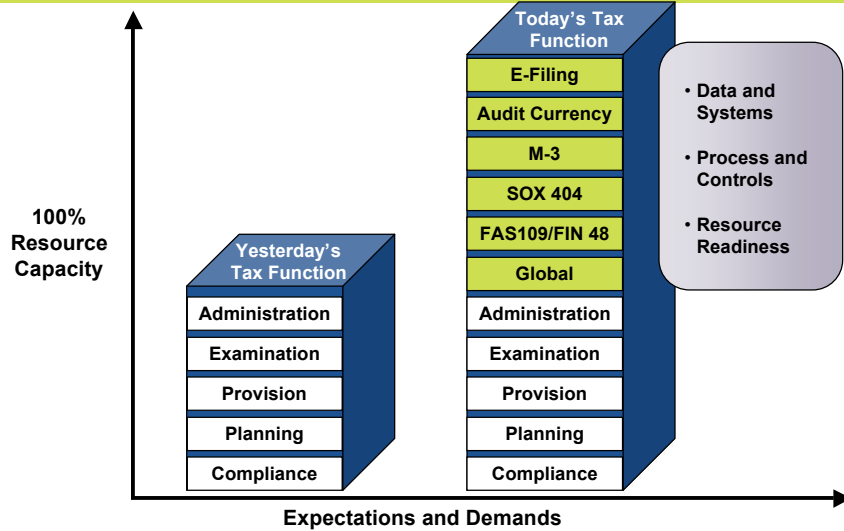
- Understand the requirements of e-filing
- Identify steps taken to comply
- Create an action plan to improve and implement new processes in your tax department
- Recognize effects on your compliance & audit process
- Understand how technology can assist tax departments to comply and improve their processes

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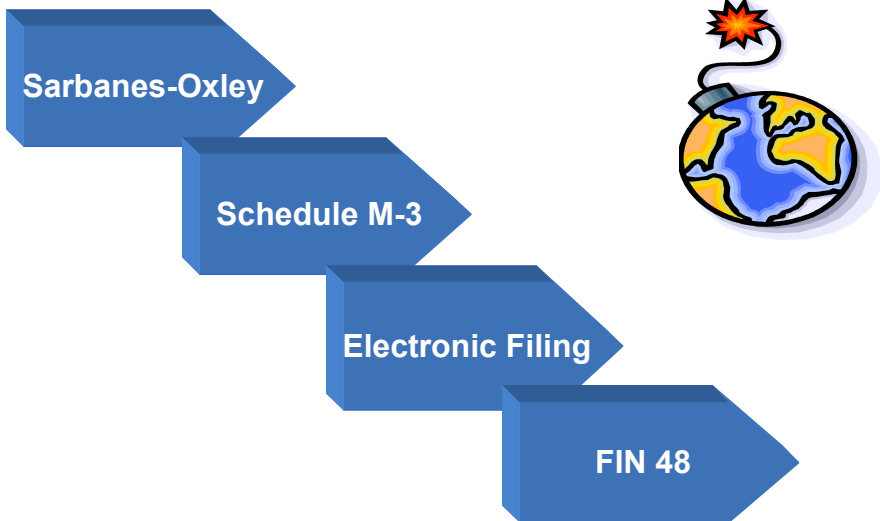
Changing World of Corporate Income Tax



The Widening Gap of Expectations



A Whole New World





E-File Benefits

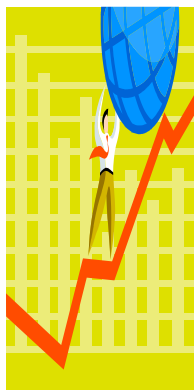


- ▼ Modernize the process
- ▼ Improve data quality
- ▼ Automate analysis
- ▼ Identify trends
- ▼ Track commonalities
- ▼ Streamline compliance efforts

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E-Filing Process Steps




- ▼ Prepare return
- ▼ Prepare elections/attachments
- ▼ Aggregate data electronically
- ▼ Validate
- ▼ Generate
- ▼ Review
- ▼ Transmit

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E-Filing: Key Compliance Issues



E-File Challenges

- ▼ Shifted significant commitment of time and effort to the front end of the return process
- ▼ Learning new rules
- ▼ Validating the data
- ▼ Receiving an acceptance or acknowledgement from the IRS

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Key Compliance Issues

- ▼ Learning new processes and terminology
 - Business rule validations
 - Format validations
- ▼ Changing established industry practices
- ▼ Multiple data sources
- ▼ Multiple service providers

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XML Format

▼ Example of Business Rule Validations

<u>Business Rule</u>	<u>Description</u>
VT1.02	If the signature option Binary Attachment 8453 Signature Document is selected, then a binary attachment with Description 8453 Signature Document must be present
BR1.465	If Form 1120, Line 9, contains a non-zero value and the dotted line does not contain FORM 4684 (form4684indicator does not contain FORM 4684) then Form 4797 must be attached.
BR1.1154	If Form 1120, Line 9 contains a non-zero value and the dotted line does not contain FORM 4684 (form4684indicator does not contain FORM 4684) then Form 1120, Line 9 must equal Form 4797, Line 17.
BR1.1215	If Form 1120, Line 20a has a non-zero value, then one or more Forms 4562 must be attached.

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XML Format

▼ Example of Format Validations

Note: e-file format validation errors occur when the format of the e-file return does not conform to the format specifications provided by the taxing authority. These errors will cause the return to be rejected by the taxing authority. To help diagnose validation errors, drill from the error message to the related Vantage Tax document or open the e-file return in the e-file Viewer and use the "Go to line" feature to locate the line of XML reporting the error.

Error Description

e-file Information - The element 'Originator' has invalid child element 'Type'. Expected 'EFIN'. An error occurred at Line 11 of the e-file return XML <00000020070661424510.XML> . Data Value <ERO> . Base Data Type Description <The type of originator>

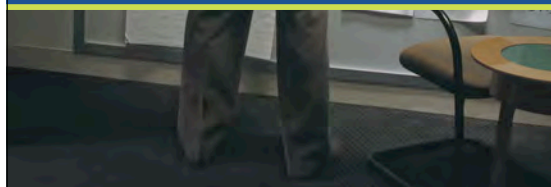
e-file Information - The element 'ReturnHeader' has invalid child element 'TaxYear'. Expected '0101'. An error occurred at Line 30 of the e-file return XML <00000020070661424510.XML> . Data Value <2005> . Base Data Type Description <Base type for a 4-digit year>

Form 1120 - Page 3 - Schedule K Line 13 - The element 'IRS1120ScheduleK' has invalid child element 'IsTotalReceiptsLessThan250000'. Expected 'BusinessActivityCode'. An error occurred at Line 126 of the e-file return XML <00000020070661424510.XML> . Data Value <false> . Base Data Type Description <Base type for a boolean. Typically used on a Yes or No field >

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Developing an Action Plan





Methodology – Tasks



▼Assessment

- Assess data and tools needed
- Inventory forms, schedules, and attachments to be filed
- Review compliance software methodology
- Review project plans and process
- Discuss understanding of compliance needs
- Discuss areas that may be of significance due to industry, company structure, filings, etc.

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Methodology – Tasks



▼Education

- Obtain IRS publications, forms and instructions
- Obtain compliance software documentation
- Present requirements to tax department
- Discuss changing requirements for next tax year
- Train resources on business rules and format validations
- Train resources on software processes

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Methodology – Tasks



▼Preparation

- Establish project team – ownership and responsibilities
- Identify primary contacts for IRS and vendor updates
- Set project schedule/project plan (and budget if applicable)
- Obtain a description of what will and will not be “automated” in current compliance system to assist with compliance this year – and/or timing of releases
- Establish methodology to prepare gap analysis

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Methodology – Tasks



▼Gap Analysis

- Map current processes
- Identify missing data
- Identify risk areas
- Identify any necessary tools to complete tasks
- Identify any data and/or processes that could be unreliable, etc.
- Identify data elements to be obtained from other sources
- Propose changes and establish action plan

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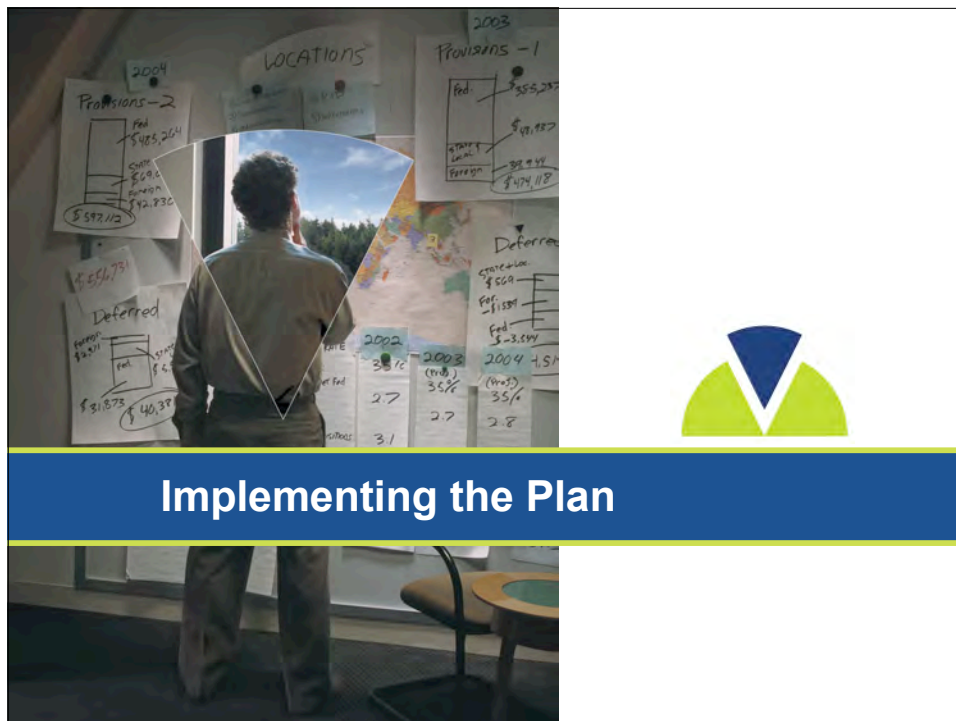
Methodology – Tasks



▼ Implement, Test, and Recommend Change

- Explore methods for helping to prepare for e-filing
- Improve data collection processes
- Move from manual to automated procedures
- Standardize return attachment formats
- Test
- Utilize tax software diagnostics
- Identify ways to streamline, control data feeds from GL, etc.

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How to Capitalize on the Momentum

- ▼ **A lot of the leg work is already complete**
 - Gap vs. desired state
- ▼ **Documentation is complete**
- ▼ **An opportunity to rethink the processes**
 - Can it be done a better way?
 - It's fresh in everyone's mind
 - There is something tangible there

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Technology and Process Improvements



- ▼ **Eliminating manual tax processes**
 - Data collection and gathering
 - Manual manipulation
 - Heavy spreadsheet usage
- ▼ **Improving the processes and complying with 404**
 - Leverage the technology investment

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Major Changes for 2006

- ▼ **Fewer documents allowed in PDF**
 - Form 851 - All parts will be required to be in XML
- ▼ **Compensation of Officers – More detail required**
- ▼ **All International forms will be required in XML - there will be NO PDF and NO PAPER options**
- ▼ **Beginning with 2006 returns - both amended and superseding returns will be required to be e-filed**

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Future Mandates

- ▼ **Tax Year 2007**
 - Florida Corporate Income Tax
- ▼ **Tax Year 2008**
 - 1120F (supported in TY07)

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E-Filing: Planning for the Future



▼ It's a Whole New World

- Analyze
- Plan
- Document
- Automate
- Implement

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E-File: Looking Back and Planning for the Future

Questions?

Comments?

Thank you.

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