

# **Preparing Your Corporate, Partnership, and Individual Income Tax Modernized E-File (MeF) Programs**

**76<sup>th</sup> Annual FTA Meeting  
June 8-11, 2008  
Cindy Lillge, Wisconsin Dept of Revenue**

## **How did WI become involved?**

- **IRS proposed FedState 1120 (May, 2003)**
- **Involved w/FTA, TAG & TIGERS**
- **WI and KS first states (Aug, 2006)**

## **How did WI succeed?**

- **Part of TIGERS MeF development team**
- **Committed resources**
- **Good working relationships w/CPAs and tax preparation firms**
- **Good working relationships w/software vendors**

## **Unique Challenges**

- **Hired new ITS vendor**
- **Legislature 110 days late with budget**

## Recommendations

- **Go live mid-year rather than peak season**
- **Good, dedicated resources from all areas**
- **Contact TIGERS/other states for help**
- **Allow enough time for review of plan from TIGERS**

## Current Numbers

- **Corporation**
  - 17% for 2007
  - WI represents approx 40% of returns coming through Corporation MeF
  - implemented August 2005
- **Partnership**
  - 27% for 2007
  - implemented 2007 tax year

## **Resources Used**

- **One full time IT person for last 3 years**
- **One 1/2 time business user, concentrated mainly from May – December**
- **Technical development from new ITS vendor**

## **What's Next**

- **New, annual tax year changes**
- **Add more corporation and partnership forms and schedules**
- **Work w/business users to improve business rules and develop reject rules**
- **Enable more software vendors**
- **Promote e-filing to practitioners and software vendors**
- **Establish e-file mandates**

## **Reactions**

- **CPAs and tax practitioners and preparation firms are THRILLED!**
- **Spawned additional CPA requests**
  - **Estimated tax balances**
  - **E-filing of required attachments**

## **MeF-What States Need To Do**

- **Register with FTA and Pay Fees**
- **-Underwrite development/continuing technical maintenance FedState program**

## Build Communications Gateway

- to/from IRS
  - real-time, transactional
  - receive returns
  - provide acknowledgments
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- 1-2 months of effort
  - One time effort and same communication gateway will work for all tax types

## Build State Schema

- What is a “schema”?
- TIGERS Standards for MeF
- TIGERS Best Practices
- [www.statemef.com](http://www.statemef.com)
- How much time?
  - ½ day for simple form/schedule
  - 3 or more days for complex form/schedule

## **Define Business Rules**

- **Business Rule Document**
- **Binary Attachments**
- **Federal Return Data**
- **Payment Instructions**
- **Industry/ERO Manual**
- **Error Codes**

## **Developing Backend System**

- **Need to process returns**
- **Need to send acknowledgements**
- **Four – six months development time.**

## **Develop Viewing System**

- **IRS provides a federal viewer “as is”**
- **States needs to develop their own viewing system for state data and attachments**
- **Readable Format**
  - **XML Data**
  - **PDF**
  - **PDF Attachments**

## **Administrative Matters**

- **MOU**
- **ETIN**
- **System ID**
- **Security Certificate**
- **Delegates**

## **Deadlines**

- **MeF available now for corporation and partnership**
- **Individual Income Tax**
  - **States have to convert by January 2011!!!**
  - **Need to run old system and MeF concurrent from August 2009 – December 2010**

## **How to Succeed**

- **Start NOW**
- **Commitment from ALL areas – IT, Processing, Audit, Collections, Fraud**
- **Provide enough resources from ALL areas**
- **Get ALL areas involved right away**
- **Get schemas done asap – remember TIGERS needs to review and approve**
- **Get help from other implemented states**

## **Communicate**

- **IRS**
- **Tax Practitioners & Tax Preparation Firms**
- **Individuals**
- **Software Vendors**
- **DOR IT Staff**

## **Benefits of MeF**

- **Real time**
- **Transaction based**
- **Flexible**

- **More forms/schedules (Amended, Current year + 3 or 4 years)**
- **PDF Attachments**
- **Less down time at IRS**

## **WI Plan for 1040 MeF**

- **Schemas submitted to TIGERS for approval (every form is converted to MeF, plus additional forms/schedules)**
- **Publish schemas after approval (update when budget is final) and notify vendors.**
- **Test scenarios for old and new system.**

- **Work w/users to develop business rules and reject rules**
- **Map for back end processing**
- **Develop viewing system**
- **Communicate to IRS, practitioners, vendors, internal**

**QUESTIONS?**