

IRS Bar Code and OCR Plans

FTA August, 2004

Schedule K-1 2-D/OCR Project

- Observation trip to Indiana DOR (02/2002)
- Design, coding, testing, funding
- Piloted K-1 application in Cincinnati on April 12, 2004
- Rolled-out to Ogden on May 17th
- Suffered some start-up issues

Schedule K-1 2-D/OCR Project

- Using three tier approach
 1. Read Bar Code if present
 2. OCR when B/C not present
 3. Transcribe from image for data repair when OCR not possible

- Participation from 4 vendors to provide 2-D bar codes

2-D K-1 Results

- Percent with bar codes = 8%
- OCR read rates = *83%
- Data repair rate = 50%

* Transcription rates (docs per hour) on remaining 17% are higher than on older strictly transcription-based system

K-1 Redesign

- Two of the three K-1's have been redesigned for Tax Year 2004/PY05
 - 1065 redesigned for TY04
 - 1120S redesigned for TY04
 - 1041 will be redesigned or TY05
- Redesigned forms will have space for a bar code
 - This year using a semi-official substitute form with bar code space and official version without bar code space
- Draft forms available at:
<http://www.irs.gov/taxpros/lists/0,,id=97782,00.html>

Adobe Partnership

- Worked with Adobe to make IRS fillable forms (Sch. K-1's) 2-D enabled
- Combination of the Adobe Reader and server side software produce fillable forms with 2-D bar code
 - Bar code contains user-entered data
- Jan. 2004—Enabled the K-1's available on the IRS Tax Products CD-Rom
 - Mailed to more than 60,000 practitioner
- Will soon change the K-1's available on the IRS web site to be bar code generating
 - Waited for Adobe to publicly support the latest version of the Adobe Reader

Compliance

- Compliance functions within IRS have renewed interest in K-1 data
- New tool for Compliance programs
- Attempting to determine Tiering effect (follow the money)
- Underreporter
- Non-Filer

941 Scanning Project

- Goal--Begin scanning Forms 941 by July 2005
- Outgoing, Entity-only, IRS-generated bar code
 - Bottom of page two
- May ask software vendors for incoming bar code in following year

941 Scanning (cont.)

- Annual volume = 19,000,000
 - Received quarterly
- Processed at two sites
- Will use same 3 tier approach we used with K-1's

941 Redesign

- Effective tax year 2005 (1st quarter due April 30, 2005)
- Primary reason for redesign was for taxpayer burden reduction
 - Also sought to make it “scanner friendly”
- New form available at:
<http://www.irs.gov/taxpros/lists/0,,id=97782,00.html>

Future Scanning Projects?

- Will begin scanning Form 940/940EZ in 2007
 - Will probably use incoming bar codes from preparers
 - Will redesign form(s)
- May attempt to scan 1040A and 1040EZ beginning Jan. 2007
 - May or may not supplement with bar code technology
- Form 1040S???

Image Repository

- Current repository (optical platters) is not connected to most end users
 - Compliance
 - Telephone assisters
 - Still rely on paper returns from Files
- Future Repository
 - Universal access
 - Will contain and deliver image and data
 - Deliver returns in “per request mode” and in large data dump mode

[Future of Paper Processing]

- Original concept was to design, build, and install a large scale image/scanning based solution from scratch and port over as many applications as quickly as possible
- May take a slower more incremental approach by building on current system capabilities