

2008



Modernized e-File (MeF) Form 1040 Update

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MeF Today

- Currently provides electronic filing and payment options for businesses
- Receives and processes returns in an internet environment
- Provides real-time processing of acknowledgements, streamlined error-detection, and standardization of business rules
- Capability to attach PDF files

MeF Forms	
Corporations	1120, 1120S, 1120-F (Jan. 2008)
Exempt Organizations	990, 990EZ, 990PF, 1120POL, 990-N (Jan. 2008) 990 Redesign (Jan. 2009)
Partnerships	1065, 1065-B
Excise Tax	2290, 720, 8849
Extensions	7004, 8868



MeF Filing Season Statistics

As of May 10, 2008

Form Type	Accepted Returns	2007 vs 2008
1120	150,174	137%
1120S	637,313	146%
1120-F	14	New
990	13,964	202%
990-EZ	3,035	201%
990-PF	2,044	194%
990-N	84,608	New
1120-POL	2	N/A
1065/1065-B	491,584	162%
2290	2,719	New
720	5	New
7004	1,089,426	136%
8868	16,209	129%

MeF Form 1040 'Overview'

Benefits of MeF

- **MeF 1040 will deliver significant value and benefits to its taxpayers and stakeholders beyond the capabilities of the legacy system**
 - Will deliver a customer experience that meets their expectations
 - Faster Acknowledgments – 5 minutes or less
 - **Customer Service Enhancements**
 - Amended Returns
 - Prior Year Returns
 - Year-Round Processing
 - **Improved Processing**
 - PDF Attachments – Accommodates late-legislation and form changes
 - XML Standards - Allows more effective use of data for compliance purposes
- **Stakeholder Benefits**
 - States: Supports electronic filing initiatives; enhances e-filing mandates for individuals; and promotes e-filing adoption
 - Tax Professionals: Transforms business model; enhances customer service by allowing preparers to fix return issues "real time" and avoid repeat visits to tax preparer office
 - Software Developers: Increases profit potential by reducing development costs through reuse and sharing of XML standards across tax return form families



MeF 1040 Deployment Strategy

- Initial Release
 - Two Deployments
 - August 2009 (TY 2008)
 - January 2010 (TY 2008 & TY 2009)
 - Forms: Base Form 1040 and subset of commonly-attached forms/schedules
 - New Capabilities
 - Prior Year Returns
 - Amended Returns
 - Year-round Processing
 - PDF Attachments
 - Form 1040 represents the most complex MeF release to date
 - New system interfaces
 - Infrastructure enhancements



MeF 1040: Timeline

Tentative Dates		
May/June 2009	ATS for Phase I	Tax Year 2008 Includes Fed/State Functionality
August 2009	Production Phase I	Tax Year 2008
November 2009	ATS for Phase I	Tax Year 2009
January 2010	Production Phase 1	Tax Year 2009 Includes Tax Year 2008

- Working with the States and FTA on a schedule for state migration
- In order to forecast projections, IRS will need to confirm the dates that software developers will be migrating to the MeF platform



Current e-File vs. MeF

Current 1040 e-File	Modernized e-File 1040
Drains – batch processing	Transaction-based
Dedicated Lines / Internet	Internet: Application-to-Application or Internet Filing Application
Single data format	Multiple formats – Tax returns and PDF
Variations in record layout format	Universal description of common forms
Form-specific/unstructured reject codes and validations vary by return type	Redesigned and standardized reject codes and validations Reject codes with broad categories and specific error messages in English; Atomic error messages
Acknowledgements: 8 hours on average	Acknowledgements: Significantly faster than 8 hours



MeF Fed/State Filing Model

- MeF acts as single point of transmission and acknowledgement for state returns
- Federal and state returns are separate submissions
- State returns may be:
 - linked to federal return by including the Submission ID of the federal return in the state manifest (federal return must be accepted before state return is passed to the state)
 - unlinked (state stand-alone)

MeF Form 1040 'Key Updates'

MeF 1040: Partnership Efforts

- **MeF 1040 Executive Council**
 - Representation from Software Industry, Tax Professionals, States and IRS
- **1040 Industry Working Group**
 - Software Developers; includes 15 vendors
- **State Working Group**
 - Meet with state and vendor representatives at FTA's TIGERS
 - Meetings held six times a year
- **1040 AICPA Technical Working Group**
 - Representation from AICPA, Tax Practitioners, and IRS





MeF 1040: Communications

- **Establishing new website for MeF 1040**
 - Project status/updates
 - Guidance for Software Developers/Transmitters, States, and Tax Professionals
- **New Mailbox: 1040 MeF@irs.gov**

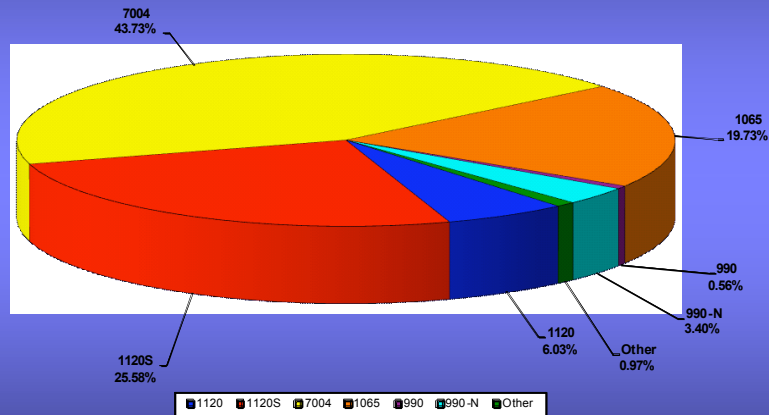
MeF Submission Metrics Comparison

File Characteristics	2006	2007	2008 ^A
• Returns Received	982,399	2,511,312	2,829,831
• Returns Accepted	935,316	2,232,697	2,492,559
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• Form 1120 / 1120S / 1120F	423,989	965,525	787,501
• Form 7004	482,033	933,608	1,089,426
• Forms 990/990-EZ/990-PF/1120-POL / 8868	8,208	85,065	119,862
• Federal-State / State Submissions	11,088	57,095	123,523
• Mandated Returns	-14,000	67,929	21,093
• Form 2290 / 8849 / 720	---	3,223	2,724
• Forms 1065 / 1065B	---	470,570	491,584

^A 2008 Data as of May 10, 2008

MeF Return By Form Type

(January 1, 2008 – May 10, 2008)

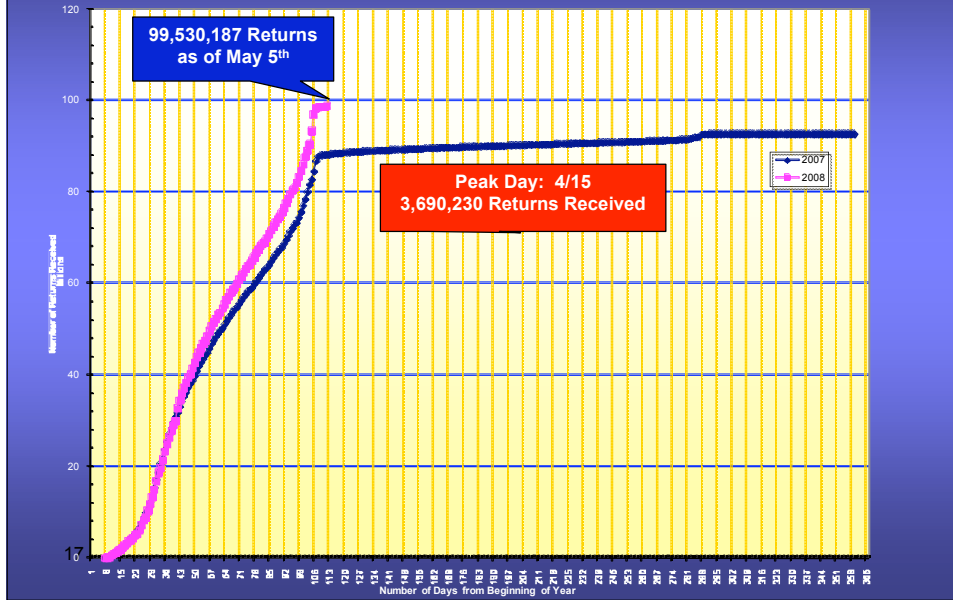


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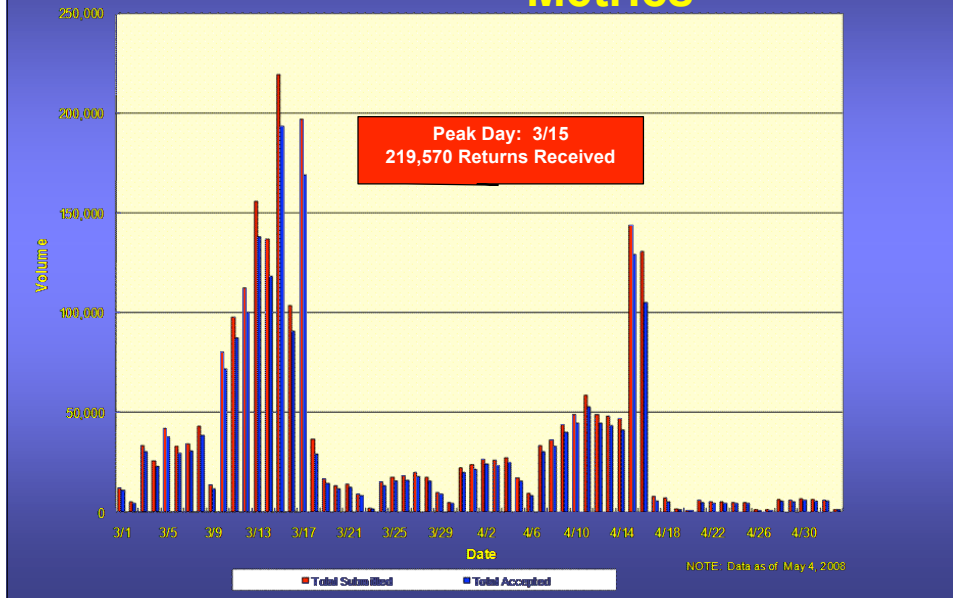
BMF / IMF Comparison

Category	BMF	IMF
Forms	114 Forms and 844 Schedules, Attachments, Elections, Payments and Statements	150 Forms and Schedules
Volume	~2.5 Million e-File Returns (2007)	~90+ Million e-File Returns
Return Size	100 KB to 1.8 gigabytes	Less than 100 KB on average
External Partners	19	1,000+

Legacy e-File 2008



MeF March – April 2008 Metrics



Questions

