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Questions and Answers for

Tax Professionals

Q 1. What is new for the IRS e-file Program?

A • The debt indicator (DI) will be available on the acknowledgement file for all e-file returns. The DI indicates that a debt may be owed to the IRS, Financial Management Services (FMS) or both. Any available refund may be offset in whole or in part to the debt owed.

Watch the IRS Web site, www.irs.gov, for additional "What's New" items.

- Twenty-nine additional forms will be accepted for e-filing beginning 2002, enabling you to e-file 99.1% of your clients' tax returns. Offer the service that taxpayers are clearly looking for — IRS e-file.
- TY 2002 estimated tax payments may be authorized and transmitted concurrently with TY 2001 Form 1040 e-file returns; electronic funds withdrawal — one transaction (1040-ES).
- We have increased the number of occurrences for certain forms and schedules that can be filed electronically.
 - Schedule C – from 5 to 8 (Profit or Loss from Business)
 - Form 1116 – from 8 to 20 (Foreign Tax Credit)
 - Form 8814 – from 3 to 10 (Parents' Election to Report Child's Interest and Dividends)
 - Form 8829 – from 5 to 8 (Expenses for Business Use of Your Home)

• Additional tax types are payable by credit card. Installment payments and delinquent taxes may be paid using Pay-by-phone and Pay-by-Internet using most major credit cards either dialing a toll-free number (1-800-2PAY-TAX) or accessing the Internet (www.officialpayments.com) A convenience fee is charged.

Q 2. What are the important dates for Tax Year 2001 IRS e-file?

A The Tax Year 2001 IRS e-file Calendar for tax period January 1-December 31, 2002 is listed at the top of the next column, and shows all critical dates.

Q 3. Where do I call if I need assistance with my application or have questions about the suitability process?

A You should call 1-800-691-1894 or visit the IRS web site at www.irs.gov.

Q 4. Is the IRS e-file logo available on the Internet for download?

A Yes. The IRS e-file logo is available for download at the IRS web site, www.irs.gov.

Tax Year 2001 Important Dates

Begin transmitting live IRS e-file returns	Jan. 11, 2002
Last date for transmitting timely filed returns	April 15, 2002
Last date for transmitting timely filed Forms 4868	April 15, 2002
Last date for retransmitting rejected timely filed returns	April 20, 2002
Last date for retransmitting rejected timely filed Forms 4868	April 20, 2002
Last date IRS will accept test transmissions	April 30, 2002
Last date for submitting new application Forms 8633	May 31, 2002
Last date for transmitting returns on extension from Form 4868	Aug. 15, 2002
Last date for transmitting timely filed Form 2688	Aug. 15, 2002
Last date for retransmitting rejected returns on extension from Form 4868	Aug. 20, 2002
Last date for retransmitting rejected timely filed Forms 2688	Aug. 20, 2002
Last date for transmitting late or returns on extension from Form 2688	Oct. 15, 2002
Last date for retransmitting rejected late or returns on extension from Form 2688	Oct. 20, 2002

Q 5. What software should I use to prepare individual tax returns for my clients?

A The IRS does not provide software but does issue specifications that commercial software developers use to write software packages that are available for purchase. Generally, there is tax preparation software and transmission software. Talk with vendors, resellers and software company representatives to find the best solution for your business. Shop around or ask other Authorized IRS *e-file* Providers what software they use to *e-file*. The software is developed specifically for tax preparers. The software that is developed for individuals to use is limited to a specific number of *e-filed* returns, generally five returns.

Q 6. What is a Preparer Taxpayer Identification Number (PTIN)? How do I get a PTIN?

A The PTIN is an identification number assigned by the IRS for use as an alternative to using a Social Security Number on the tax returns prepared by tax preparers. The PTIN applies to all individual forms that have paid preparer information on them. Form W-7P is used to apply for the PTIN and can be found at www.irs.gov—click on forms and publications.

Q 7. What do I do if my client's return was filed April 16th, but it rejected because of an error with the date of birth the IRS received from the Social Security Administration?

A You can file for an extension, have your client correct their records with the Social Security

Administration (SSA), and resubmit the return electronically. It may take a few weeks before the SSA records are updated. If you don't want to wait for the SSA corrections, the return can be mailed.

Q 8. Can a nonresident alien e-file Form 1040 NR-EZ?

A No. A paper return must be filed.

Q 9. Can I e-file a prior year return?

A No. The IRS *e-file* Program only accepts current year returns.

Q 10. Why should I encourage my clients to e-file when they are not getting a refund?

A Your client's return can be *e-filed* any time during the filing season. If your client authorizes an electronic funds withdrawal (direct debit) payment, he/she can schedule the payment for withdrawal on a future date up to (and including) April 15th. Your client may also delay out-of-pocket expenses by *e-filing* and *e-paying* the balance due with a credit card. When a balance due return is filed late in the filing season, there may be more chance of errors in the rush to file before the deadline. Errors cost money, and in some cases additional penalties and interest. Errors can also cause lost time for you and your clients.

Q 11. Who can file extensions?

A Anyone can file Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, toll-free at 1-888-796-1074. The telephone system will accept extensions between March 1

and April 15, 2002. Filing an extension by telephone or the *e-file* method is advantageous because you get automatic confirmation of receipt. When you file an extension by telephone, be sure to have a copy of last year's tax return. You will be asked to verify information from that return. If you plan to make a payment, you may do so by electronic funds withdrawal (direct debit) or by mailing a paper check to the appropriate address listed in the instructions for Paper Form 4868.

Form 2688, *Application for Additional Extension of Time to File U.S. Individual Income Tax Return* can also be filed electronically. It is advantageous to file Form 2688 electronically and receive automatic confirmation of receipt. Check with your software provider for availability.

Q 12. What types of federal income taxes can be paid electronically?

A Payment can be made for: (1) Tax Year 2001 Individual Income Tax Returns (1040 series), (2) Tax Year 2001 Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, and (3) Tax Year 2002 Form 1040 ES, *Estimated Tax for Individuals*.

Electronic payment eliminates the need to send a paper Form 4868, Form 1040-ES, or Form 1040 V, *Payment Voucher*. Electronic acceptance of a return with an e-payment is a safe, secure, and convenient way to be assured of on-time receipt of both the return and payment. This reduces the chance of errors.

Q 13. How can I use IRS e-file to file my client's Tax Year 2001 Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, and pay the balance due electronically?

A Form 4868 may be *e-filed* through tax preparation software or through TeleFile by the original return due date (April 15, 2002). This form is an extension of time **to file a tax return**, not an extension of time **to pay a balance due**. Beginning Jan. 11, 2002, Form 4868 payments can be made by an electronic funds withdrawal (if filed electronically) or by credit card via the phone or Internet. TeleFile will accept Form 4868 beginning April 1, 2002. The phone number for TeleFile is 1-888-796-1074.

If there is a payment due and your client pays electronically, this eliminates the need to send in the paper Form 4868. Note that credit card payments can only be made for Part III of Form 4868 (individual income taxes).

If your client is unable to pay the total tax owed by April 15, 2002, you can electronically file Form 9465, *Installment Agreement Request*. An approved installment agreement allows your client to make a predetermined series of partial payments after April 15, 2002. Regardless of how they pay, they are responsible for paying the tax due by April 15, 2002 or they will be subject to penalties and interest.

Q 14. When can electronic funds withdrawal payments be made?

A Beginning January 11, 2002, your client can authorize an electronic funds withdrawal from a

checking or savings account for the balance due on an individual return and/or make an estimated tax payment. The payment must be authorized at the time the return is *e-filed*. Payments, except for Form 1040 ES, can be scheduled for an effective date up to and including April 15, 2002. The 1040 payment option is available through October 15, 2002. An estimated payment can be scheduled for an effective date of April 15, June 17, or Sept. 16, 2002. More information is available on the types of taxes that can be paid electronically at www.irs.gov.

Note: Only authorized withdrawals can be made. No other funds can legally be withdrawn.

Q 15. Is there a fee charged for electronic funds withdrawal transactions?

A There are no additional charges for tax payment transactions.

Q 16. How can credit card payments be made after a return is e-filed?

A Two service providers (Official Payments Corporation and PhoneCharge, Inc.) offer pay-by-phone and Internet services this year.

The payment and return are reconciled based on the Taxpayer Identification Number and Tax Year.

Q 17. When can credit card payments be made?

A Payments can be made for the balance due on Tax Year 2001 tax returns from January 11, 2002 through December 14, 2002. Payments can be made for the amount due on Tax Year 2001 Form 4868 (in Part III only) from January 11, 2002 through April 15, 2002.

Payments can be made for the amount due on Tax Year 2002 Form 1040-ES beginning March 1, 2002.

Note: The IRS does not receive or store credit card numbers.

Q 18. Is there a fee charged for using credit cards?

A The company that processes the credit card payments charges a convenience fee. Convenience fees may vary between service providers. Taxpayers making payments directly through service providers are informed of all charges and fees before credit card payments are authorized. This fee is in addition to any charges, such as interest, that may be assessed by the credit card issuer.

Q 19. What is the Self-Select PIN for e-file?

A The Self-Select PIN for *e-file* is an opportunity that began in filing season 2001. For the 2002 Filing Season, the Self-Select PIN will continue. The Self-Select PIN will be available for most taxpayers who file electronically using tax preparation software either by filing through an on-line filing company or through a tax professional. It allows taxpayers to electronically sign their *e-filed* return by selecting a five-digit Personal Identification Number (PIN). It eliminates the requirement for Form 8453 in most cases, making *e-filing* returns TRULY PAPERLESS for most taxpayers.

In addition, the Acknowledgment (ACK) File Record Layout is **important** for you to review. The ACK File consists of the Acknowledgment Key

Record, Acknowledgment Error Record and Acknowledgment Recap Record. The ACK File should be reviewed because it identifies which returns have been accepted, rejected or identified as duplications and is sent to the transmitters. The ACK File also contains other pertinent information on the returns, "PIN Presence Indicator" (SEQ 0065), "Date of Birth Validity Code" (SEQ 0117), "Debt Code" (SEQ 0120) and much more! For instance, the PIN Presence Indicator should be used to confirm the IRS received a PIN with the return. The Acknowledgment File is in Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*.

Q 20. Who can use the Self-Select PIN?

A Self-Select PIN for *e-file* is available for most taxpayers.

The following taxpayers are eligible to participate:

- Taxpayers who filed Form 1040, 1040A, or 1040EZ for Tax Year 2000.
- Taxpayers who did not file for Tax Year 2000, but have filed previously.
- First-time filers who were 16 or older on or before December 31, 2001.
- Military personnel residing overseas with APO/FPO addresses.
- Taxpayers residing in the American possessions of the Virgin Islands, Puerto Rico, American Samoa, Guam and Northern Marianas, or with foreign country addresses.

- Taxpayers filing a Form 2688 (additional extension of time to file) or Form 2350 (certain U.S. citizens living abroad).

Your client must furnish the following information to validate their identity when using the Self-Select PIN:

- Name
- Social Security Number
- Date of Birth (D.O.B.) and
- Adjusted Gross Income (AGI) – from the originally filed Tax Year 2000 return.

Note: If your client did not file a tax return in Tax Year 2000, the taxpayer must enter **zero** for the AGI. If taxpayer filed married filing joint for Tax Year 2000, they should both enter the same amount for AGI.

For more detailed information on qualifications and required taxpayer information, refer to the IRS web site and your software package.

Q 21. Are there any new changes for the Self-Select PIN being implemented for Filing Season 2002?

A Citizenship Codes C and D (Legal or illegal aliens with Social Security Numbers not valid for work) will no longer be a factor for determining eligibility for participation in the Self-Select PIN program.

Total tax is no longer required.

The Date of Birth will be validated; however, if there is not an exact match, the return will not be rejected. The transmitter will receive a validity code indicating if the Date of Birth is correct or not. All practitioners notified by the transmitter that their client's Date of Birth is incorrect should inform their client and instruct them to take corrective actions with Social Security Administration to update their records.

Q 22. What should I do if my client is unable to return to my office to input his/her Self-Select PIN?

A Your client may authorize you to input his/her Self-Select PIN by completing Form 8879, *IRS e-file Signature Authorization*. Provide this document to the taxpayer along with a copy of the completed tax return, either personally or by mail. Instruct your client to review the tax return for accuracy and complete the signature authorization by providing the requested information (a self-selected five-digit PIN, pen and ink signature, and date). If your client is unable to return the signed document to your office, he/she may return it by mail or FAX. It is not necessary for both taxpayers *e-filing* a joint return to select this option.

Q 23. How does Federal/State e-file work?

A Federal/State *e-file* allows *e-filing* of both Federal and state income tax returns at the same time. The *e-file* software places your client's Federal and state return data in separate packets. These packets are transmitted to the IRS all at once. The IRS functions as an electronic post office for the participating state, which receives and processes the state electronic return.

Q 24. What are the benefits for e-filing my clients' Federal and State tax returns together?

A Federal/State *e-file* allows you to reduce processing costs, provide a more efficient service to your clients, increase your business opportunities and keep current on industry trends.

Q 25. What are the sources of information I can choose from to find answers to additional questions?

A The IRS web site is your best source of electronic tax information provided by the IRS. It is located at www.irs.gov. Information is also available in Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*; Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Provider*, which will be issued in December 2001, and *Revenue Procedure 2000-31*.



Q 26. What types of business tax returns can be filed electronically?

A The **IRS e-file for Business** program offers several electronic filing options for Employment Tax Returns (Forms 940 & 941). Form 941 can be filed by computer using a modem connection through an approved *e-file* for Business Provider, via the Internet through an approved IRS *e-file* partner or directly by touchtone phone through the IRS 941 TeleFile Program.

Certain information returns can be filed electronically using the FIRE (File Information Returns Electronically) system. FIRE is dedicated exclusively to the filing of Forms 1042-S, *Foreign Person's U. S. Source Income Subject to Withholding*, 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*, W-2G, *Statement for Recipients of Certain Gambling Winnings*, QWE, *Questionable Forms W-4* as well as the entire series of Forms 1098, 1099 and 5498.

Form 1065; *U.S. Return of Partnership Income* can also be filed electronically. The IRS accepts all related forms and schedules electronically

with the exception of Form 8873, *Extraterritorial Income Exclusion* and Form T, *Forest Activities Schedule*.

Q 27. How do I find out what companies are offering e-file for Business software products and/or services (such as transmission services)?

A Visit the listing of "**Approved IRS e-file for Business Providers**" located at <http://www.irs.gov>. Please check back often as the list is frequently updated as more providers are added.

Q 28. Do I need to fill out a Form 9041, Application/Registration for Electronic/Magnetic Media Filing of Business Returns, to participate in the e-file for Business programs?

A Yes, in most cases. Program participants (with the exception of businesses applying for a personal identification number (PIN) in order to file their return through the 941 Online Filing Program), should submit a Form 9041 to the IRS Electronic Filing Help Desk at the Austin Service Center (AUSC).

Q 29. How can I get more information on the Form 9041 application process?

A Contact the IRS Electronic Filing Help Desk at:
 Internal Revenue Service
 Austin Service Center
 Electronic Filing Help Desk
 P. O. Box 1231
 Stop 6380 AUSC
 Austin, TX 78767
 Attn: E-file Unit Stop 6380 AUSC
 Tel. (512) 460-8900

Q 30. Where can I find more information on the e-file for Business programs?

A Visit the IRS Web site at www.irs.gov. Click on the **e-file for Business**

logo, which will take you to the specific fact sheets as well as helpful frequently asked questions.

Q 31. How can I enroll in the Electronic Federal Tax Payment System (EFTPS) and how will it benefit me?

A There are 5 easy ways that you can make Federal tax payments for your clients. EFTPS is fast, easy to use, convenient, accurate and flexible. With EFTPS you can send payments or enrollments 24 hours a day, 7 days a week from office or home and, you can schedule payments up to 120 days in advance of the tax due date. You can make electronic payments through the following option: **EFTPS-OnLine** – registration is not required for practitioners, however taxpayers must be enrolled in EFTPS. **EFTPS-PC Software** – available for any taxpayer or provider who wishes to make debit payments from windows-based software. **EFTPS-Phone** – available to anyone who wishes to make debit payments using the telephone. **EFTPS-Batch Provider** – designed for payroll processors or others who wish to enroll their clients and submit batches of payments using windows-based software. **EFTPS-Bulk Provider** – who initiates frequent payments or automated enrollments through an Electronic Data Interchange (EDI)-compatible system. For more information or to receive an EFTPS enrollment form, contact EFTPS Customer Service or visit our web site at www.eftps.gov.

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