
Publication 1437
Procedures for the 1041 *e-file* Program

**U.S. Income Tax Returns for Estates
and Trusts for Tax Year 2004**

Internal Revenue Service



Department of the Treasury
Internal Revenue Service

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Procedures for the 1041 *e-file* Program

U.S. INCOME TAX RETURN FOR
ESTATES & TRUSTS for TAX YEAR 2004

INTERNAL REVENUE SERVICE
ELECTRONIC BUSINESS RETURNS



INTERNAL REVENUE SERVICE MISSION STATEMENT

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

*****NOTICE***NOTICE***NOTICE**

This publication contains procedures for 1041
Electronic Filing Only. Specifications can be
found in Publication 1438.

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IMPORTANT CHANGES YOU SHOULD KNOW FOR TAX YEAR 2004

1. Internal Revenue Service has implemented a Business Acceptance Testing System (BATS). BATS will test procedures that employ hypothetical scenarios to measure the electronic transmission capability of potential software developers, transmitters, and preparers of Form 1041 estate and trust returns. BATS is required of all participants who develop software and/or transmit returns. Software developers and transmitters will be required to develop their own test scenarios. At least ten (10), but no more than twenty (20) scenarios are required during BATS.
2. Beginning **December 6, 2004**, the Internal Revenue Service will begin the Business Acceptance Testing System (BATS) for Software Developers and Transmitters.
3. Effective **January 24, 2005**, the Internal Revenue Service (IRS) will begin to accept and process Tax Year 2004 estate and trust returns electronically.
4. Four (4) additional forms can be filed electronically with the Form 1041; they are: **Form 8082**, Notice of Inconsistent Treatment or Administrative Adjustment Request, **Form 8275**, Disclosure Statement, **Form 8275-R**, Regulatory Disclosure Statement, **Form 8582** Passive Activity Loss Limitations, **Form 8886**, Reportable Transaction Disclosure Statement.
5. Participants who either develop software or transmit returns must submit Form 8633, Application to Participate in the IRS e-file Program to the Andover Submission Processing Center in Andover, MA for processing or **may go on-line** to register and file their own application via the e-services Registered User Portal at **www.irs.gov**
6. Form 1041 e-file participants that apply to be an Authorized IRS e-file Provider will have a suitability check conducted on the firm, and on all Principles and Responsible Officials listed on your application to determine the firm's suitability to be an Authorized IRS e-file Provider. To safeguard IRS e-file, suitability checks may be completed regularly on Authorized IRS e-file Providers, Principals and Responsible Officials.
7. Providers do not need to submit a new IRS e-file Application each year to participate in IRS e-file as long as certain conditions are being met or major revisions are not being made. Acceptance letters are issued annually and confirm that the Authorized IRS e-file Providers may continue to participate.
8. Fiscal Year Returns with a due date after June of the current processing year, Short Period Fiscal Year Returns and Final Fiscal Year Returns cannot be filed electronically.

SECTION 1 INTRODUCTION

PURPOSE

This publication is designed to provide the general requirements and procedures for Form 1041 *e-file* Program, U.S. Income Tax Return for Estates and Trusts. This publication should be used in conjunction with the following publications:

- Publication 1438, File Specifications, Validation Criteria and Record Layouts for The 1041 *e-file* Program, U.S Income Tax Return for Estates and Trusts
 - Publication 1438-A, Supplement: Form Exhibits
 - Publication 3112, IRS e-file Application and Participation
-

CHANGE PAGE

If any information contained in this publication changes before its revision, a change page(s) may be issued. New information and changes will be denoted by a vertical bar (|) in the right margin. Any procedure that is added, deleted or has a major impact on the current year processing of returns will be communicated via e-mail and/or displayed on the IRS website.

COMMUNICATIONS The communication software should have the following protocol:
PROTOCOL Full Duplex, No parity, 8 data bits, 1 stop bit, and ANSI Terminal Emulation.

REQUEST FOR INFORMATION

Requests for additional copies of this publication and Publication 1438 forms and updates to the program should be addressed to the IRS Operation Division (address below). The publications are also available through the IRS web site at www.irs.gov. Inquiries may also be addressed to any IRS District Office.

QUESTIONS, SUGGESTIONS, OR CONCERNS

If you have any questions, suggestions or comments regarding this publication, or are aware of any errors, (typographical, technical or usage) please let us know. You may write to the following address:

Internal Revenue Service
Electronic Business Returns Section S:CAS:SP:PBR:E
5000 Ellin Road, Room C7-332
Lanham, Maryland 20706
Attn: 1041 e-file Program

SECTION 2 GENERAL INFORMATION

METHOD OF FILING

The telephone system (modem) is the only method of transmitting Form 1041 data electronically. All electronic Forms 1041 must be transmitted to the Enterprise Computing Center (TCC) in Memphis, TN.

NOTE: The Form 1041, Schedule K-1 and related forms and schedules must be transmitted together as a complete file.

PROGRAMMING This includes selected schedules and forms required by the IRS and supported by this program.

File specifications, Validation Criteria, Reject Codes, Record Layouts and Forms Exhibits that are needed by participants are provided in:

- Publication 1438, Validation Criteria and Record Layouts for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts, for Tax year 2004, and
- Publication 1438-A, Supplement: Forms Exhibits

SECTION 2 GENERAL INFORMATION, continued

FOREIGN ADDRESS

Schedules K-1 **may** contain foreign addresses for the beneficiary's of the estates or trusts, however the Form 1041 return **cannot** contain a foreign address.

ACCOUNTING PERIODS

You must figure taxable income on the basis of a tax year. A "tax year" is an annual accounting for keeping records and reporting /income expenses. The tax years you can use are:

- 1) A Calendar Year
- 2) A Fiscal Year

PROCESSING

Processing of returns includes the following **Calendar** and **Fiscal** year endings:

- **Calendar Year Returns** – Fiduciary with a Calendar Year ending December 31, 2004.
 - **Example:** Tax Year 2004 calendar year beginning January 1, 2004 and ending December 31, 2004 the return is due **April 15, 2005.**
- **Fiscal Year Returns** - Fiscal years ending January 31 through June 30, 2005.
 - **Example:** Tax Year 2004 return beginning February 1, 2004 and ending January 31, 2005 the return is due **May 15, 2005.** Tax Year 2004 return beginning July 1, 2004 and ending June 30, 2005 the return is due **October 15, 2005.**
 - If a return has a Fiscal Year ending after June 30, 2005, it cannot be filed electronically.
 - No extensions to *e-file* are granted/approved for 1041 Fiscal Year Returns with a due date after June 30.

NOTE: If the return due date falls on a Saturday, Sunday or holiday, the due date is the following next business day.

SECTION 2 GENERAL INFORMATION, continued

AMENDED RETURNS

The current 1041e-file Program **does not** accept amended returns electronically. To correct an error(s) on a Form 1041 return that was filed electronically for the current or prior tax year, the amended return must be filed on paper and mailed to the IRS Center where the estate or trust would normally file their paper return.

SHORT TAX YEAR

A Short Tax Year is a tax year of less than 12 months. A short period tax return may be required when you (as a taxable entity):

- 1) Are not in existence for an entire tax year; or
- 2) Change your accounting period.

Even if you (a taxable entity) were not in existence for the entire year, a tax return is required for the time you were in existence. The requirements for filing a return and figuring the tax are generally the same as the requirements for a return for a full tax year (12 months) ending on the last day of the short tax year.

SECTION 3 COMPOSITION OF THE RETURN

TAX RETURN DATA

U.S. Income Tax Return for Estates and Trusts, Form 1041, for electronic filing consists of tax return data transmitted to the IRS using electronic transmission with the required paper documents, such as signatures, documents prepared by third parties, etc. Summarizing, the tax return must contain the same information as a return filed on paper.

ACCEPTABLE FORMS AND SCHEDULES

Form 1041	U.S. Income Tax Return for Estates and Trusts
Schedule C (Form 1040)	Profit or loss From Business
Schedule C-EZ (Form 1040)	Net Profit From Business
Schedule D (Form 1041)	Capital Gains and Losses
Schedule E (Form 1040)	Supplemental Income and Loss
Schedule F (Form 1040)	Profit or Loss From Farming
Schedule H (Form 1040)	Household Employment Taxes
Schedule J (Form 1041)	Accumulation Distribution for a Complex Trust
Schedule K-1 (Form 1041)	Beneficiary's Share of Income, Deductions, Credits, Etc.
Form 1116	Foreign Tax Credit
Form 2210	Underpayment of Estimated Tax by Individuals, Estates and Trusts
Form 2210-F	Underpayment of Estimated Tax by Farmers And Fishermen
Form 2439	Notice to Shareholder of Undistributed Long Term Capital Gains

**SECTION 3
(continued)**

**ACCEPTABLE
FORMS AND
SCHEDULES**

Form 3468	Investment Credit
Form 3800	General Business Credit
Form 4136	Credit for Federal Tax Paid on Fuels
Form 4255	Recapture of Investment Credit
Form 4562	Depreciation and Amortization
Form 4684	Casualties and Thefts
Form 4797	Sales of Business Property
Form 4835	Farm Rental Income and Expenses
Form 4952	Investment Interest Expense Deduction
Form 4970	Tax on Accumulation Distribution of Trusts
Form 4972	Tax on Lump-sum Distributions
Form 5884	Work Opportunity Credit
Form 6198	At-Risk Limitations
Form 6252	Installment Sale Income
Form 6478	Credit for Alcohol Used as Fuel
Form 6765	Credit for Increasing Research Activities
Form 8082	Notice of Inconsistent Treatment or Administrative Adjustment Request
Form 8271	Investor Reporting of Tax Shelter Registration Number
Form 8275	Disclosure Statement
Form 8275-R	Regulatory Disclosure Statement
Form 8582	Passive Activity Loss Limitations

Form 8582	Worksheet	
Form 8582-CR	Passive Activity Credit Limitations	
Form 8586	Low Income Housing Credit	
Form 8609	Low Income Housing Allocation Certificate	
Form 8609	(Schedule A): Annual Statement	
Form 8801	Credit for Prior Year Minimum Tax – Individuals, Estates and Trusts	
Form 8824	Like-Kind Exchanges	
Form 8829	Expenses for business Use of Your Home	
Form 8820	Orphan Drug Credit	
Form 8830	Enhanced Oil Recovery Credit	
Form 8886	Reportable Transaction Disclosure Statement	

SECTION 3 **COMPOSITION OF THE RETURN, continued**

THE PAPER PART OF THE RETURN

Form 8453-F, U.S. Estate or Trust Income Declaration and Signature for Electronic Filing is the paper document required when filing the Form 1041 return electronically.

Paper attachments for the return will include tax forms other than the Form 1041 that require a signature(s) and other supporting documentation. These items must be attached to the signed Form 8453-F. They include other documents that are:

- not required by the IRS and are voluntarily included by the fiduciary or the participant as supporting material;
- not IRS forms or schedules;
- not covered in Section 3, under Acceptable Forms and Schedules;
- in excess of the limits that are allowed for Schedule K-1 statements and statements for all other forms and schedules, example: Disclosure Statements

The current 1041 *e-file* Program only accepts one electronic transmission of the following schedule and/or forms:

Schedule D	Form 5884
Form 2210	Form 6478
Form 2210F	Form 6765
Form 3468	Form 8582
Form 3800	Form 8582-CR
Form 4136	Form 8586
Form 4797	Form 8801
Form 4952	Form 8820
Form 4970	Form 8830

If more than one of the above-mentioned schedule or forms needs to be filed with the estate or trust return, the entire return must be filed on paper.

SECTION 4 **EXCLUSIONS**

TYPES OF RETURN

The following types of estate and trust returns cannot be filed electronically:

- Amended returns;
- Returns containing IRS tax forms or schedules which are not accepted electronically (See Section 3, for listing of Acceptable Forms and Schedules);
- Fiscal year returns ending during any month after June 30 of the current processing year.
- Returns transmitted by a person not approved by the IRS for electronic filing;
- Delinquent returns (except returns covered by an extension of time to file, which was submitted to the service center where the taxpayer would normally file a paper return). Extensions are allowed as long as the extended due date is not later than October 15 of the processing year;
- Returns with dollar and cent entries -- only whole dollar amounts are accepted; (Round entries to whole dollars only upon output; computed percentage distributions on Schedules K-1 (Form 1041) may not balance due to this rounding.);
- Returns with Powers of Attorney (POA) attached and the IRS does not have a POA file. In order to file electronically, remove the POA from the electronic return prior to transmission. Failure to remove the POA and subsequent rejection of the return will not relieve the estate or trust of its filing requirement, if it is required to file.

Note: POA must be submitted on paper to the IRS Center where the taxpayer would normally file a paper return. The POA must be submitted at least 6 weeks prior to transmitting a return that includes the Power of Attorney.

SECTION 4 EXCLUSIONS, continued

- Form 1041 with a foreign address;
 - Returns filed under Sections 6020(b), 501(d)(3) or 761(a) of the Internal Revenue Code;
 - Fiscal Year Returns with extension dates after June 30 of the current year;
 - Fiscal Year Short Period Returns;
 - Fiscal Year Final Returns;
 - Returns with any dollar amount greater than \$99,999,999,999;
 - Tentative returns;
 - Family trust returns (except those filed by a bank);
 - Bankruptcy estate returns;
 - Returns with refund amounts equal to or great than \$1,000,000;
 - Returns with more than one Schedule D, Form 2210, 2210F, 3468, 4136, 4797, 4952, 8582, 8582-CR or 8801.
-

SECTION 5 ACKNOWLEDGMENT (ACK) PROCESS

ACK FILE

IRS acknowledges each transmission of electronic return data. A return can be acknowledged (ACK) as accepted, even though it has not been through any math checks. There are two types of ACK files, the Transmission ACK File and the Validation ACK File. The IRS will provide an outbound mailbox for pick up of ACK files by the transmitter.

TRANSMISSION ACK

The Transmission ACK File is generated if there is a problem in the basic formatting of the entire file. If a Transmission ACK File is generated, individual forms and schedules are not validated. This ACK file should be available within two workdays after receipt of a transmitted file.

VALIDATION ACK

The Validation ACK File is generated when there is a problem within the return. The ACK file counts for the number of Forms 1041 and related forms and schedules. The file provides the reject code numbers for up to 96 errors per return.

PROBLEMS AFTER TRANSMISSION

If the following situations occur after returns have been transmitted to the Enterprise Computing Center, the transmitter should immediately contact the Ogden Submission Processing Center at **1-866-255-0654**:

- The transmitter does not receive a transmission acknowledgment file within two (2) workdays; or
 - The transmitter receives an acknowledgment for returns or records that were not transmitted on the designated transmission; or
 - The transmitter receives an acknowledgment, but it does not include the reject code (s) for forms transmitted.
-

SECTION 6 **METHODS OF PARTICIPATION**

TYPE OF PARTICIPANTS

An Electronic Participant is considered in one or more categories or business types listed below, depending on the specific function(s) the participant performs in relation to the estate or trust or IRS:

- **FIDUCIARY:** A trustee of a trust; or an executor, administrator, personal representative, or person in possession of property of a decedent's estate. It is the responsibility of the fiduciary to ensure that the return is transmitted to the Tennessee Computing Center.
- **ELECTRONIC RETURN ORIGINATOR (ERO):** Originate the electronic submission of tax returns to the IRS. An ERO originates the electronic submission by:
 - electronically sending the return to a transmitter that will transmit the return to the IRS;
 - directly transmitting the return to the IRS; or
 - providing a return to an Intermediate Service Provider for processing prior to transmission to the IRS.

NOTE: Please refer to Publication 1345 for additional information pertaining to ERO's.

- **PAID PREPARER:** A firm, organization, or individual who:
 - deals directly with the estate or trust from which the return is due;
 - prepares a return or collects return data for purposes of having electronic records of the Form 1041, Schedules K-1 and related forms and schedules produced; or collects a prepared return for purposes of having electronic records of Forms 1041, Schedules K-1 and related forms and schedules prepared; and
 - obtains the fiduciary signature on Form 8453-F (**See Section 10 for Form 8453-F Procedures**)

SECTION 6 METHODS OF PARTICIPATION, continued

- **TRANSMITTER:** Receives Form 1041 data from clients and transmits the data to IRS electronically, in a format IRS can process.
 - **SOFTWARE DEVELOPER:** Designs or produces software, used to:
 - prepare returns;
 - format Form 1041 return, Schedules K-1 and related forms and schedules according to IRS specification for electronic filing; or
 - transmit the Form 1041 return and the electronic records for Schedules K-1 and related forms and schedules directly to IRS.
-

SECTION 7 **APPLICATION, ENTITY REVIEW, TESTING AND ACCEPTANCE PROCEDURES**

FORM 8633 APPLICATION

The first step to participate in the electronic filing of Form 1041 is using an electronic application, after first registering for e-services. Both are available at the IRS web site, www.irs.gov. Form 8633 can still be filed by paper and sent to the Andover Submission Processing Center. To ensure the application is processed timely, the IRS should receive the form at least 45 calendar days before the entity transmits live returns electronically. The IRS will accept applications by mail. The Andover Submission Processing Center's (ANSPC) mailing address is:

Internal Revenue Service
Andover Campus
Attn: EFU Acceptance
P.O Box 4099
Woburn, MA 01888-4099

Phone Number: 1-866-255-0654

If you or your organization participate in more than one of the IRS e-file for Business programs, we recommend that a single Form 8633 be submitted which includes all of the returns that you file.

Please refer to **Publication 3112** for additional information on suitability checks and procedures for submitting and revising Form 8633.

The Andover Campus will mail a letter annually to each Participant assigning their Electronic Identification Number (ETIN) and temporary password that is needed to logon and transmit test data for the new filing season. An Electronic Filing Identification Number (EFIN) will be assigned by the IRS to participate in the IRS e-file program.

NOTE: If your provider role is an Electronic Returns Originator (ERO) only, you will still need to fill out a form 8633 to be assigned an Electronic Filing Identification Number (EFIN) to participate in the IRS e-file program.

SECTION 7 APPLICATION, ENTITY REVIEW, TESTING AND ACCEPTANCE PROCEDURES

**ENTITY REVIEW
PROCESS** Participants must ensure that entity information submitted on the Form 8633 is correct. Entity information includes the name, address, telephone number (with contact name) of the participant and the Employer Identification Number (EIN). The data will be matched with the already existing IRS records. The participants will be notified of any discrepancies and asked to correct the problem(s) before testing can begin.

SECTION 7 APPLICATION, ENTITY REVIEW, TESTING AND ACCEPTANCE PROCEDURES, continued

BUSINESS ACCEPTANCE TESTING SYSTEM (BATS)

BATS is mandatory and required each year for all participants who will develop software and/or transmit returns, (including fiduciaries that transmit their own return). The purpose of the testing is to ensure that IRS can receive and process the electronic returns.

After review of the Form 8633, the IRS will assign an Electronic Transmitter Identification Number (ETIN) and a password to each applicant. The ETIN and test password will be used to logon and transmit test data.

Testing should begin at least 60 days prior to live transmission of return(s) to allow ample time to resolve any transmission problems.

The software package used to prepare/transmit the return data must pass testing with the IRS prior to live transmissions.

NOTE: Testing must be completed before the participant transmits live data.

READY TO TEST When applicants are ready to test, they must make arrangements with the **Ogden Submission Processing Center Electronic Filing Section at 1-866-255-0654.**

TESTING REQUIREMENTS FOR TRANSMITTERS

Transmitters must make arrangements for a test transmission. The test file must be transmitted using the same medium that will be used to file the live returns electronically. A test file must be similar to the types of returns the participant expects to transmit for live processing. For example, if a participant successfully transmits test data that contains records for Forms 1041, Schedules D and Schedule K-1; IRS will authorize the applicant to file these records only.

After software developers have successfully completed BATS scenarios, transmitters must transmit two same day transmissions. The two transmissions must be three returns in the first transmission and two returns in the second transmission to check the sequential order. In addition, transmitters using accepted software must complete an error-free communications test by transmitting two returns in separate transmissions in the same day. The two transmissions must have returns in sequential order.

SECTION 7 APPLICATION, ENTITY REVIEW, TESTING, AND ACCEPTANCE PROCEDURES, continued

TESTING REQUIREMENTS FOR SOFTWARE DEVELOPERS

If the software packages and communication systems are used by more than one transmitter, each must test consistent as described in Section 7, Page 17, Testing Requirements for Transmitters.

Software developer's submission of test files:

- A test file consisting of at least 10 returns, but no more than 20 with the related forms, schedules and attachments must be transmitted. After acceptance, two same day transmissions must be made, three returns in the first transmission and two returns in the second to check the sequential order.
- In some cases the software developer may test software specific return data. The software developer must notify the Ogden Submission Processing Center Tax Examiner and provide the information on the forms and schedules that will not be tested. The IRS will not allow these forms and schedules during live data transmissions.
- Computer software must provide the same software capabilities and, if applicable, identical data communications capabilities to all users. Other accepted participants may use software packages that test successfully. Software packages will only be authorized for those forms and schedules that were tested by IRS.

ACCEPTANCE PROCEDURES

The Andover Submission Processing Center will automatically send a password to the applicant before they begin BATS testing. The password will be for both testing and live production. The Ogden Submission processing Center will process each test transmission and communicate by telephone if necessary with the applicant concerning their transmission. If the test file is not correctly formatted, or if the test returns contain errors, the IRS will notify the applicant regarding what errors were encountered on each return. The applicant must then correct the software to eliminate the errors and retransmit the test file. When the test file is accepted, ANSPC will send a letter of acceptance. This letter will contain telephone number of the help desk and times to call should the participant have any questions or problems regarding the transmission of returns. Acceptance is valid only for the year and for forms and schedules specified in the acceptance letter. The IRS will inform participants when to begin transmitting live data.

SECTION 8 FILING REQUIREMENTS AND RESPONSIBILITIES

CONTINGENCY PLAN If the electronic filing system is inoperative for an extended period of time, the Ogden Submission Processing Center, Electronic Filing Section will provide contingency instructions to participants.

INTEGRITY AND ACCURACY Participants must maintain a high degree of integrity and accuracy in order to participate in the program.

REVOCAATION IRS reserves the right to revoke the electronic filing privilege of any participant who does not maintain an acceptable level of quality, or who deviates from the procedures and specifications set forth in this publication:

- Publication 1438 – File Specification, Validation Criteria and Record Layouts for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts Tax Year 2004.
- Publication 1437 – Procedures for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts Tax Year 2004.
- Publication 1438-A (Supplement) for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts Tax Year 2004.

SECURITY Participants are responsible for the security of all transmitted data.

SECTION 8 FILING REQUIREMENTS AND RESPONSIBILITIES, continued

START-UP DATE Participants (Transmitters) must contact the Ogden Submission Processing Center for the start-up date for filing Form 1041 returns, Schedules K-1 and related forms and schedules electronically. Until a start-up date has been issued to the participant, IRS will not accept live return data.

ESTIMATED TRANSMISSION TIMES

File Size in Mega Bytes	Async Dial	Time in Hours	56K BPS	Time in Hours	ISDN	Time in Hours
1	5.56	.09	2.82	.05	1.52	.03
20	111.11	1.85	56.50	.94	30.30	.51
400	2222.22	37.04	1129.94	18.83	606.06	10.10
1750	9722.22	162.04	4943.50	82.39	2651.52	44.19
Compression 4:1 Reduction						
1	1.39	.02	.71	.01	.38	.01
20	27.78	.46	14.12	.24	7.58	.13
400	555.56	9.26	282.49	4.71	151.52	2.53
1750	2430.56	40.51	1235.88	20.60	662.88	11.05

REQUIRED CONSISTENCY TESTS

The electronic data must meet all the consistency tests required as specified in this publication and Publication 1438. The fiduciary or paid preparer must correct the return data prior to transmitting the return to the IRS. If the transmitter corrects any material, he or she becomes the preparer as explained in Section 6.

REQUIREMENTS FOR SOFTWARE DEVELOPERS

- In addition to the requirements outlined in Section 7, Software Developers **must**:
- correct software errors that cause electronically filed data to reject;
 - distribute their software corrections, quickly, to all participants who use their software package.
-

SECTION 8 **FILING REQUIREMENTS AND RESPONSIBILITIES, continued**

DUE DATES

Participants must be aware of and adhere to the following dates when transmitting the estate or trust return electronically:

- April 15th is the due date for electronic filing of Form 1041, Schedules K-1 and related forms and schedules and is the same as Forms 1041 filed on paper.

NOTE: If April 15th falls on a Saturday, Sunday or holiday, the due date of the return is the following workday.

- **October 15, 2005** is the last day the IRS will accept initial electronic transmissions of Form 1041 returns.
- From the due date of the return, transmitters are allowed up to **(5)** calendar days to successfully retransmit electronic return data that was timely transmitted, but was rejected.
- If IRS has not acknowledged a transmission of Form 1041 returns, Schedules K-1 and other related forms and schedules within 2 working days after transmitting the data, the transmitter should immediately contact the ELF Help Desk at the Ogden Submission Processing Center. The telephone number is **1-866-255-0654**
- Transmitters should also contact the Ogden Submission Processing Center when the Electronic Acknowledgment contains a reject code for a return/schedule that was not transmitted.
- Estates or trusts that expect to file returns late must complete and mail requests for extensions of time to file. **Form 2758** can be filed for Estates to request a six-month extension. **Form 8736** can be filed for trusts to request an automatic three-month extension of time. If Form 8736 is filed, **Form 8800** can be filed to request an additional three-month extension. Calendar Year end returns extended under Form 8736 are due July 15th and Calendar Year end returns extended under Form 8800 are due October 15th. The forms should be mailed to the IRS service center where the estate or trust would normally send their paper Form 1041 return. For Calendar Year Filers, the extended due date cannot be later than October 15, 2005.

SECTION 8 FILING REQUIREMENTS AND RESPONSIBILITIES, continued

NOTE: Failure to comply will result in late filing penalties. Extension forms 2758, 8736 and 8800 should not be Attached and mailed with Form 8453-F. The extension forms should be mailed separately to the Service Center where filers would normally send their paper 1041 returns.

ADDRESS CHANGE

If the estate or trust changes its address, Form 8822, Change of Address, must be sent to the Ogden Submission Processing Center at the address listed in **Section 11, under Method of Delivery.**

CHANGING ENTRIES ON THE RETURN

After IRS accepts an electronic return, it cannot be recalled or intercepted in process. If the participant or estate or trust needs to change any entries after the return has been acknowledged as accepted; an amended or corrected return must be filed on paper. The amended or corrected return should be mailed to the IRS Center where you would normally file your paper return. (See Form 1041 instructions for more information)

SECTION 9 FEDERAL/STATE REQUIREMENTS

GENERAL DESCRIPTION

Federal/State Electronic Filing is a cooperative one-stop filing program between IRS and state tax administration agencies. This program allows the filing of both Federal and State income tax returns through the IRS Electronic Filing System. Only the State return file will be forwarded to the State. All federal information the filer wants to share with the State must be included in the State record. To assist in inclusion of federal information in the state file, the IRS created State Attachment E to accommodate federal data, including Schedule K-1. The tax return data must be placed into a format for transmission as specified by the IRS and the state. **New York** will be the only participant for Tax Year 2004.

RETURN REJECTION

The combined return will be rejected in its entirety if it contains any error conditions specified in Publication 1438. If the error(s) is of such a nature that it can be corrected and the return(s) processed, the combined return may be retransmitted to TCC in Memphis. The participant may elect to retransmit the Federal tax portion of a rejected return and then file the State return using State tax paper forms.

STATE RETURN

The State return shall be available to the state within two hours after receipt of the combined state files from the State Retrieval System (SRS).

After the receipt acknowledgment has been provided to the transmitter, the IRS is responsible for making the accepted combined return available to the State agency.

Once the state agency has successfully completed the transmission session and received the return, the responsibility for data integrity is that of the State agency.

Should subsequent errors of any type be detected during State processing, they are resolved between the State agency and the fiduciary using normal State paper procedures.

FED/STATE

Participation in the 1041 Fed/State e-file program gives IRS authorization to release Federal tax information common to the Federal and State return to the designated State along with the information that is only required for State tax purposes.

SECTION 9 FEDERAL/STATE REQUIREMENTS, continued

REQUIREMENTS FOR ELECTRONIC FILING In order to file an electronic state Fiduciary Income Tax Return the following conditions **must** be met:

- The state return must be electronically filed with the federal return through the Enterprise Computing Center.
- The return must be filed between January 24, 2005 and April 15, 2005.
- The return data is for New York.

OVERPAYMENTS When preparing electronic returns, fiduciaries may elect to have their overpayments:

- Applied to their 2005 estimated tax,
- Sent to them in the form of a refund check, or
- Split – part applied to their 2005 estimated tax and the remainder issued in the form of a refund check.

SECTION 9 FEDERAL/STATE REQUIREMENTS, continued

EXCLUSIONS FROM ELECTRONIC FILING

Returns meeting **any** of the following criteria may **not** be filed electronically:

- Amended return;
- Returns filed for a tax period other than January 1, 2004 – December 31, 2004;
- Returns for part-year residents of a state, or cities associated with that particular state;
- Returns reporting liabilities for nonresident earnings tax for cities associated with the particular state;
- Returns for decedents with Social Security Numbers in the following ranges:
 - 000-00-0000 through 001-00-9999
 - 691-00-0000 through 699-99-9999
 - 764-00-0000 through 999-99-9999
- returns with a Power of Attorney currently in effect in which the refund is to be sent to a third party, or
- returns with any correspondence requesting special consideration or procedures.
- Any State other than New York

RETURN SEQUENCE ORDER

The State return **Header and Attachments** must be received immediately following the Federal return and preceding the Summary Record.

ACKNOWLEDGEMENT REPORT

IRS acknowledges receipt of State data with Federal Form 1041 and passes this data on to the appropriate State for further validation.

SECTION 10 SIGNATURE FORM PROCEDURES (FORM 8453-F)

PURPOSE OF FORM 8453-F

Form 8453-F serves the following purpose:

- authenticates the return;
- authorizes the participant to transmit via a third-party transmitter;
- authorizes the transmitter to transmit the return on behalf of the estate or trust;
- serves as a transmittal for related forms and schedules that require signatures different than the signature that authenticates the return; and
- authorizes an Optional Electronic Funds Withdrawal payment.

Note: Form 8453-F is only needed when filing a Fiduciary Return electronically, not when filing a paper return

REQUIRED SIGNATURES

The fiduciary and the paid preparer's signatures are required on Form 8453-F, U. S. Estate or Trust Income Tax Declaration and Signature for Electronic Filing.

All Forms 8453-F must be signed and mailed within three business days after the acceptance date of the original electronic transmission.

FIDUCIARY'S AUTHORIZATION

If the electronic filing participant is **not** the fiduciary, the participant must get the fiduciary's authorization to file the returns electronically, and if applicable, to transmit, the returns through a third party. To get this authorization, the participant must have the same person sign Form 8453-F who is authorized to sign a paper return.

SECTION 10 SIGNATURE FORM PROCEDURES (FORM 8453-F), continued

MULTIPLE TAX RETURN LISTING

If a fiduciary or representing officer is authorized to sign more than one Form 1041 return, a Multiple Tax Return Listing may be used with Form 8453-F in lieu of sending separate Forms 8453-F. The Multiple Tax Return Listing should include the date, transmitter's name and telephone number, the 5 digit ETIN and the page number. The listing should be formatted to display the 9 digit EIN, Name Control, Tax Period, Total Income, Income Distribution, Taxable Income, Total Tax and Tax Due/Overpayment of the estate or trust. A Multiple Tax Return Listing with a maximum of 5000 estates or trusts may be attached to each Form 8453-F. The signature document for multiple returns must include one (1) Form 8453-F signed by the fiduciary or authorized representative. Landscape layout maybe used to accommodate 12 font requirement.

NOTE: Refer to Publication 1438 for additional criteria.

Example:

<u>TRUST</u>	<u>NAME</u>	<u>TAX</u>	<u>TOTAL</u>	<u>INCOME</u>	<u>TAXABLE</u>	<u>TOTAL</u>	<u>TAX</u>	
<u>EIN</u>	<u>CONTROL</u>	<u>PERIOD</u>	<u>INCOME</u>	<u>DISTR.</u>	<u>INCOME</u>	<u>TAX</u>	<u>OVERPAYMENT</u>	<u>DUE</u>

BOUGHT/SOLD

Participants who file form 8453-F with multiple listings that include pooled mortgage accounts should send in a separate form 8453-F and listing for all returns that reflect either bought or sold mortgages.

NOTE: Returns listed on the bought or sold multiple listing should have an attached form 8453-F recorded as bought or sold.

POSTMARK DATE

The package that contains Forms 8453-F must be postmarked within three business days after receiving the Acknowledgement File identifying which returns were accepted.

SUBSTITUTE FORM 8453-F

Participants must use the official Form 8453-F or an approved substitute form that duplicates the official form in format, language, content, color and size. Use of an unapproved form will result in suspension from the program. Participants must send a sample of their proposed substitute form to the following address for approval:

Internal Revenue Service SE:W:CAR:MP:FP:S:SP
Substitute Forms Program Coordinator
1111 Constitution Avenue, NW Room 6411, IR
Washington, DC 20224

**SECTION 10 SIGNATURE FORM PROCEDURES (FORM 8453-F),
continued**

**PROBLEMS
RELATING TO
FORM 8453-F**

The fiduciary or paid preparer must resolve any problems relating to Form 8453-F. If IRS determines that a Form 8453-F is missing or unsigned, the preparer must provide IRS with a legible copy of the signed form from their records, or obtain a signed Form 8453-F from the taxpayer. This should be resolved within 15 days of the IRS request for the form.

**FAILURE TO
FILE PENALTIES**

Parties involved in the transmission of electronic filing of Form 1041 returns may be liable for failure to file penalties due to missing, incomplete or unsigned signature forms.

SECTION 11 WHERE TO SEND FORM 8453-F AND PAPER ATTACHMENTS

PACKAGING INSTRUCTIONS

The paper Form 8453-F, and any other required paper documents, must be sent to the Ogden Submission Processing Center address listed in Section 10, Method of Delivery, using envelopes or cartons, as volume or preference dictates.

NOTE: For electronic transmissions, the package containing Form(s) 8453-F and appropriate paper attachments, must be postmarked within 3 business days after receiving the Acknowledgement File identifying which returns were accepted.

SHIPPING AND PACKAGING

Shipping and packaging instructions for electronically filed Form 1041. The sequence of the items in a package must be as follows:

- the signed Form(s) 8453-F;
- the corresponding paper attachments for each return (i.e. multiple return listing) attached to the corresponding Form 8453-F.

Note: Extension forms 2758, 8736 and 8800 should not be attached and mailed with Form 8453-F. These forms should be mailed separately to the Service Center where filers would normally send their paper 1041.

METHOD OF DELIVERY

Envelopes, packages or cartons containing Form 8453-F and other paper attachments, sent by U.S. Postal Service should be sent to:

Internal Revenue Service
Ogden Submission Processing Center
Mail Stop 6052
Ogden, Ut 84201

If sending Form 8453-F and other paper attachments through a vendor other than the U.S. Postal Service, contact OSPC ELF Unit at 1-866-255-0654 for mailing address.

SECTION 11 WHERE TO SEND FORM 8453-F AND PAPER ATTACHMENTS, continued

RESUBMISSIONS ON PAPER If the participant submits the return on paper after attempting to file it electronically, or if at the end of the filing season a participant is unable to successfully retransmit corrected returns electronically, the participant should attach a letter to the paper return that explains why the return was submitted on paper. A copy of the Acknowledgment File sent by the Ogden Submission Processing Center, to the transmitter concerning the return(s) transmitted, should also be included. A copy of this **ACK FILE** is needed to bypass assessment of any late-filing penalties. The entire paper return should be filed at the IRS Center where the estate or trust would normally file its paper return within 10 work days from the date of the return(s) that were rejected electronically.

SECTION 12 **BALANCE DUE RETURNS: TAX PAYMENTS**

BALANCE DUE RETURNS

Returns containing a money amount on Line 27 (Tax Due), Page 1 of Form 1041 are considered balance due returns.

Balance due returns (with or without payments) **do not** have to be transmitted separately from returns with no balance due.

PAYMENTS

Payments for Form 1041 *e-file* returns can be made in any of the following ways:

- Electronic Funds Withdrawal (EFW), allows for direct debit payments with balance due returns;
 - Electronic Tax Payment System (EFTPS);
 - As estimated tax payments, with Form 1041-ES, Estimated Income Tax for Estates and Trusts. The payments should be submitted according to Form 1041-ES instructions; and
 - As a remittance sent after the return is filed, but by the return due date (i.e., the return can be transmitted prior to the return due date, however, the remittance does not have to be submitted until the return due date).
-

ELECTRONIC FUNDS WITHDRAWAL

An optional Electronic Funds Withdrawal (EFW) is available with balance due returns. The fiduciary may authorize the U.S. Department of Treasury (through a Treasury Financial Agent) to transfer money from their bank account to the Treasury account. The fiduciary must sign the Jurat on Form 8453-F to authorize the agreement between IRS and their Financial Agent to initiate an EFW (direct debit payment).

- EFW payments will be withdrawn in a single transaction, not installments.
- In the event the financial institution is unable to process the electronic funds withdrawal transaction, the fiduciary will be responsible for the tax payment in addition to penalties and interest.

SECTION 12 BALANCE DUE RETURNS: TAX PAYMENTS Continued

- In the event Treasury causes an incorrect amount of funds to be withdrawn from the bank account, Treasury is responsible for returning any improperly transferred funds.

The payment record must contain the following information:

- Participant's Employer Identification Number (EIN);
- Bank's Routing Transit Number (RTN), (9 Numeric Characters);
- Bank Account Number, (1-17 Alphanumeric Characters or Hyphen"-");
- Bank Account Type, (Checking (1) or Savings (2));
- Payment Amount, (Whole Dollar Amounts Only);
- Fiduciary's Daytime Telephone Number; and
- Requested Payment Date, no later than one day after the return receipt date or equal to the return receipt date

EFTPS

Form 1041 payments (estimated, balance due, and subsequent) can be made through the Electronic Tax Payment System (EFTPS). Contact an EFTPS Financial Agent at 800-555-4477 or 800-945-5300 for information.

EXTENSION

An extension of time to file does not grant an extension to pay tax.

SECTION 13 DISTRIBUTION OF COPIES

PARTICIPANT'S COPY

The participant (preparer) must keep a copy of the Form 1041 return, Schedules K-1 and Form 8453-F, U.S. Estate or Trust Income Tax Declaration and Signature for Electronic Filing. The copy of the electronic return may be kept on computer media.

CLIENT'S COPY

The participant should advise clients to keep copies of all materials filed with the Ogden Submission Processing Center. The copy of the electronic return can be a copy of the official forms or in a format designed by the participant, in which each data item refers to the line entries on the official forms. The copy can be on computer media. The computer media copy must be composed carefully to avoid violating disclosure rules.

NOTE: Anyone who receives a copy will be given **ONLY** the information he or she is entitled to receive.

ELECTRONIC ACK

The participant (Transmitter) should keep a copy of the Electronic Acknowledgment (ACK) (**See, Section 5, Acknowledgment Process**) received from the Ogden Submission Processing Center for 3 months to facilitate inquiries. If the participant is also the paid preparer or the fiduciary, the normal retention periods for tax return information applies, as specified in the Internal Revenue Code.

FIDUCIARY'S COPY

If the transmitter and the fiduciary are not the same, the transmitter must give the fiduciary a copy of all materials that are described above and filed with IRS for the estate or trust.

IRS COPIES

The participant must give IRS access to all materials that the participant must keep to comply with these procedures.

SECTION 14 ADVERTISING STANDARDS

RESTRICTIONS Preparers and transmitters shall comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treasury Department Circular No. 230) with respect to their capability to file electronic returns.

ENDORSEMENT IRS endorsement must not be implied. Acceptance to participate in the program **does not mean** that the Internal Revenue Service endorses the computer software or quality of services provided. Therefore, any public communication in which a participant's electronic filing capability is referenced, whether through publication or broadcast, **must** clearly indicate that IRS acceptance of the participant for electronic filing does not constitute an endorsement or approval of the quality of tax preparation services provided.

SECTION 15 MONITORING

REQUIREMENTS Participants must conform to the requirements of these procedures.

SUBMISSIONS The Ogden Submission Processing Center will monitor each participant's submissions to ensure that quality is kept at an acceptable level. The Service Center will counsel the participant, if necessary.

QUALITY If a participant does not maintain an acceptable level of quality, the electronic filing authorization may be revoked.

SUSPENSION The following conditions can lead to suspension:

- Deterioration in the format of submissions;
- Unacceptable cumulative error rate;
- Violation of advertising standards;
- Unethical practices in return preparation;
- Untimely receipt of Forms 8453-F or incomplete, illegible, altered, missing, or unapproved substitute Forms 8453-F;
- Misrepresentation on the participant's application (Form 8633);
and
- Other facts or criteria that would adversely reflect on the electronic filing.

PENALTIES Treasury Regulations take precedence over these procedures. Electronic participants are subject to any criminal penalty for unauthorized disclosure or use of tax return information, as described in Treasury Regulation 301.7216-1(a). Other preparer penalties pertaining to individuals or firms who meet the definition of an income tax return preparer are covered under IRC Section 7701(a)(36) and Treasury Regulation 301.7701-15.

COUNSELING IRS will counsel suspended participants concerning the requirements for reinstatement in the program.

SECTION 16 ADMINISTRATIVE REVIEW

PARTICIPATION Applicants and participants who are denied participation, or suspended, have the right to request an administrative review.

REINSTATEMENT Requests for administrative review of ineligibility or suspension decisions should be directed to:

Internal Revenue Service
Office of the Director of Practice (PC:E:P)
1111 Constitution Avenue, NW
Washington, DC 20224

SECTION 17 EFFECT ON OTHER DOCUMENTS

REVISIONS This revision supersedes any Publication 1437 previously issued.

PUBLICATIONS Publication 1438, File Specification, Validation Criteria and Record Layouts for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts for Tax Year 2004;

Publication 1438-A (Supplement) for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts for Tax Year 2004!

NOTE: These publications are updated annually.

SECTION 18 EFFECTIVE DATE

CALENDAR AND FISCAL YEAR RETURNS These procedures remain effective for calendar year returns ending December 31, 2004, and fiscal year returns ending January 31 through June 30, 2005.
