



Internal Revenue Service
United States Department of the Treasury



**IRS *e-file* for Large Taxpayers
Filing Their Own
Corporate Income Tax Return**

February 2006

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Why do we have to e-file?

On January 11, 2005, the Internal Revenue Service issued temporary Department of the **Treasury Regulation** Section 301.6011-5T. This regulation **requires** electronic filing of Forms 1120 or 1120S for tax years ending on or after December 31, 2005 for corporations with assets of \$50 million or more and who file at least 250 returns in a tax year. The determination of whether a corporation is required to file at least 250 returns is made by aggregating all returns (regardless of type) that the entity is required to file over the calendar year. Examples include income tax returns, returns required under Section 6033, information returns, excise tax returns and employment tax returns.

\$50+ MILLION IN ASSETS AND 250 OR MORE RETURNS FILED

“Returns Filed” includes an aggregate of

- Income tax returns
- Returns under Section 6033
- Information returns
- Excise tax returns
- Employment tax returns

FORMS 1120 or 1120S

TAX YEARS ENDING ON OR AFTER DECEMBER 31, 2005

The IRS asset range for Large and Mid-Size Corporations are businesses or other entities with assets of \$10 million or more, or a partnership with more than 100 partners, that prepares the electronic submission of its own return(s).



The requirement to **e-file will extend to corporations with assets of \$10 million** or more for tax years ending on or after December 31, 2006!

This document is written to provide information for corporations that are choosing to **electronically file their own corporate return** rather than using an Authorized IRS *e-file* Provider. An Authorized IRS *e-file* Provider is a company (or individual) that has applied, passed suitability and been accepted by IRS to *e-file* individual or business income tax returns. A list of Authorized IRS *e-file* Providers can be found on the irs.gov website (<http://www.irs.gov/efile/lists/0,,id=119096,00.html>).

What is Modernized e-File (MeF)?

Modernized *e-File* is an important component of IRS's re-engineering efforts to improve service, enhance enforcement, and modernize technology and work processes. It is an **internet-based system** that uses **standardized Extensible Mark-Up Language (XML)** constructs that provides corporations the capability to electronically file Forms 1120 and 1120S.

IRS introduced electronic filing in the 1980's, first providing the capability to individual wage-earning taxpayers. In each year since, a greater number of taxpayers have elected to *e-file*, with over 50% of individual taxpayers e-filing in 2004. In 1998, as a result of the IRS Restructuring and Reform Act, Congress set a goal that 80% of all returns should be filed electronically by the end of calendar year 2007.

To provide electronic filing for corporate taxpayers, IRS began development of MeF in 2002. IRS worked with stakeholder groups that represented the corporate tax community and electronic filing software developers to ensure that the needs of taxpayers were fully understood. Stakeholder groups included representatives from the American Institute of Certified Public Accountants (AICPA), Tax Executives Institute (TEI), Association for Computers and Taxation (ACT), Tax Technologies, Incorporated, Deloitte and Touche (D&T), Research Institute of America (RIA), Vertex User Group, CCH, Creative Solutions, and Intuit. Any issue or concern that could affect taxpayers in complying with electronic filing requirements were discussed in depth, resulting in the system as it is built today. This stakeholder group worked closely with the IRS during all phases of design, development and implementation of MeF. IRS will continue to solicit input from stakeholder groups as additional forms are added to the MeF system.

MeF is one of the IRS' top modernization projects and resides on the IRS' new secure infrastructure. MeF was implemented in February of 2004 and, to date, over 200,000 corporations have *e-filed*! Most of these corporate *e-filers* have assets under \$10 million, although over 1,000 large and mid-size corporations have voluntarily switched to *e-filing*.

Corporate e-file is not new in the realm of taxation – 21 of the 30 member countries in the Organization for Economic Co-operation and Development (OECD) have systems in place for electronic filing of corporate income tax returns. Eight of these 21 countries have required the electronic filing of corporate returns: Austria, France, Hungary, Ireland, Italy, Mexico, Netherlands, and Spain.

For the corporations that are required to *e-file*, IRS estimates that over 11,000 corporations will *e-file* their 2005 tax year returns in 2006.

The **benefits** of the MeF system include

- ✦ A standardized, universal language (Extensible Mark-Up Language [XML]) that eliminates software barriers
- ✦ The ability for corporate taxpayers to file more quickly, easily and reliably
- ✦ The ability to validate business rules that perform analysis before the return is accepted, allowing the taxpayer to correct their return
- ✦ More explicit error conditions -- New error code explanations pinpoint the location of the error in the return and provide complete information in the Acknowledgement File
- ✦ Submitting a return in the most up to date internet security technologies to ensure information confidentiality and data security
- ✦ Safe, secure transfers of electronic funds via a number of different methods
- ✦ A totally paperless process – supporting documents and transactional data are accepted as Portable Document Format (PDF) documents along with the return
- ✦ The ability to electronically file complex returns such as consolidated returns with multiple subsidiaries, foreign entities, and supporting data
- ✦ Faster, more accurate processing, and quicker interactions between IRS and taxpayers
- ✦ *E-filed* returns are processed as they are received and filers receive prompt electronic acknowledgements in near real time – no more waiting for once or twice daily system processing cycles
- ✦ Integrated payment options – if you owe taxes, you can *e-file* a balance due return and, at the same time, authorize an electronic funds withdrawal from your bank account (payments are subject to limitations of the Federal Tax Deposit Rules)
- ✦ When the forms listed below are included as part of a Form 1120/112S return filed electronically, the requirement to submit duplicate copies of the forms to the Philadelphia Submission Processing Center (PSPC) is eliminated:
 - Form 5471---*Information Return of US Persons With Respect To Certain Foreign Corporations*
 - Form 5472---*Information Return of a 25% Foreign-Owned US Corporation or a Foreign Corporation Engaged in a US Trade or Business*
 - Form 5713---*International Boycott Report*

What's the process to e-file?


To *e-file* your return, there are three separate processes for you to complete: (1) Registration, (2) Creating an *e-file* Application and (3) transmitting your return to IRS. It is recommended that you complete the online registration and *e-file* Application process *at least 45 days* before you plan to file your electronic return and 60 days if you plan to transmit your own return (requires communications testing to ensure connectivity with IRS)!

In order to interact electronically with thousands of users, the IRS must authenticate a person. **Registration** is a one-time, universal process that authenticates the individual registrant to the IRS through the use of “shared secrets” and enables you to do business electronically with the IRS. Registration is part of a suite of products on IRS’ secure network known as “e-Services”.







All Responsible Official(s) and Delegated User(s) within your corporation who will be responsible for *e-filing* your corporate return and/or creating or maintaining your corporate *e-file* Application will need to individually register with e-Services.



To register, select the “**Not yet registered?**” link at <http://www.irs.gov/taxpros/article/0,,id=109646,00.html> or follow the instructions below:

1. At irs.gov, select the *e-file* logo 
2. Select the “e-Services” link under “e-file for Tax Professionals”
3. Select “Registration Services” next to “**Not Yet Registered?**” (You will get a prompt that you are about to view information over a secure network.)
4. Click on the “Registration” link and follow the instructions. Pay particular attention on how to construct your Username and Password. Remember to safely record these two items, along with the Username recovery question/answer and the five-digit Personal Identification Number (PIN) you will create that represents your electronic signature! You will use this PIN to sign your corporation’s *e-file* Application!

You'll need the following information to register:

-  Name
-  Address
-  Phone
-  SSN
-  Date of Birth
-  Adjusted Gross Income (from your current or one previous tax year)

5. After you successfully register online, the IRS will mail a **confirmation number** to your official address of record. You will have **28** days from the initial registration to access e-Services and input your confirmation number to successfully complete your registration! **You must perform this step to complete the registration process!!**



6. Your e-Services password will expire every six (6) months. You will receive screen notices within 15 days of expiration and an e-mail within 10 days of expiration. Set a reminder to access e-services if you don't have an e-mail or if you don't access the system periodically.

If you want to look at instructions and the screens for registration, go to [irs.gov](http://www.irs.gov) and click on "e-Services' Registration Process.pdf" on the e-file for Large and Mid Size Corporations screen

(<http://www.irs.gov/businesses/corporations/article/0,,id=146959,00.html>)

Now that you have successfully registered, you are ready to **create your corporation's e-file Application**.

First, you must determine who will perform certain functions for your corporation and gather the necessary information to complete your Application. You will need to decide:

- Who will be your Responsible Official(s) (you can have up to five; it is a good idea to have at least two for back-up purposes) and what authorities they will have
- Who will be your Delegated Users and what authorities they will have
- What form(s) you will *e-file*
- How you will transmit your return (covered in a later section)

Here are definitions that will help you determine who will act as your Responsible Officials and Delegated Users.

A **Responsible Official** is:

- An individual with responsibility for and authority over your *e-file* operation
- An individual who is the first point of contact with the IRS and has the authority to create, revise and sign your *e-file* Application
- An individual who is responsible for ensuring that your corporation adheres to the provisions of all publications and notices governing IRS *e-file*. (If one individual cannot fulfill these responsibilities, up to four additional Responsible Officials may be identified [for a total of five])

- An individual who is a U.S. citizen or legal resident alien (lawful permanent resident), and have attained the age of 21 as of the date of the application

Note: The Responsible Official is not required to be a Corporate Officer or a Principal of the Firm!

You will need the following information for each Responsible Official you want to add to your corporation's *e-file* Application: Name, Social Security Number, Title, Date of Birth, Position Title, and e-mail Address.

A **Delegated User** is an individual within your firm/organization, other than a Responsible Official, who is an employee, partner, or other member of the firm/organization or who has a business relationship with the firm/organization. The information you will need for each Delegated Users you want to add to your corporation's *e-file* Application includes: Name, Social Security Number, Title, and e-mail Address.

Your corporation will determine what "authorities" the Responsible Official(s) and Delegated User(s) can have. The Responsible Official that creates the corporation's *e-file* Application can authorize any or all of the following permissions for either Responsible Officials or Delegated Users:

Authority to:

- View the corporation's *e-file* Application Information
- Update the corporation's *e-file* Application Information
- Sign and Submit the corporation's *revised e-file* Application
- Add, delete or change Responsible Officials
- Be designated as the corporation's Internet Transmitter



It is important that Responsible Officials and/or Delegated Users and their authorities be deleted from the IRS *e-file* Application when they are no longer associated with the Large Taxpayer or when their position within the firm no longer warrants one or more authorities.

There are two distinct differences in creating an *e-file* Application as a Large Taxpayer versus a Tax Practitioner:

(1) because e-filing is required, you do not have to undergo suitability checks required of firms e-filing for profit (suitability checks are not performed on the Responsible Officials or Delegated Users of the corporation) and

(2) you will be assigned both an Electronic Filing Identification Number (EFIN) and an Electronic Transmitter Identification Number (ETIN) on the completion of your *e-file* Application. Depending on how you transmit your return, you may need to use both your EFIN and ETIN when e-filing or just your EFIN. The options for transmitting your return to IRS are discussed in greater detail under the “How do I get my electronic return to IRS” section on “Transmitting Your Return”.

It is important to become familiar with the rules and requirements for participation in IRS *e-file* by reading the applicable IRS *e-file* documents. Publications and other information about IRS *e-file* and related topics, including state filing information, can be found on the IRS web site at www.irs.gov and are also included in a later section of this document. If you are experiencing problems as you create your *e-file* Application, you can also call the IRS’ e-Help Desk toll-free at 1-866-255-0654 for assistance. Publication 3112 (*Application and Participation in IRS e-file*) describes the *e-file* Application process, but keep in mind that Large Taxpayers are not subject to the information on the suitability checks.

Step-by-step instructions and every screen that you will see when you establish an *e-file* Application for your corporation can be found online at [irs.gov](http://www.irs.gov). Go to “e-file for Large and Mid Size Corporations” and click on “e-Services’ e-file Application for Large Taxpayers.pdf” (<http://www.irs.gov/businesses/corporations/article/0,,id=146959,00.html>)

Just as a reminder, when you are in e-Services, you are in a secure environment. Do not use your browser “back” or “forward” arrows! Use the navigation buttons on the screens for “next” or “previous”!

What's different in preparing my return to e-file?

Most corporations have been using software to prepare their return for years. With the requirement to e-file, the challenge will be to integrate all of the supporting data, transactional data, elections, disclosure statements and other items with your return. These documents can be prepared in a variety of software packages; with paper filing, you would just attach the document to your return. This section discusses how to handle these attachments. Complete instructions for all forms and potential attachments are contained in Publication 4163, *Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S*.

First, IRS requires all tax preparation software from **Software Developers** used for preparing electronic returns to pass the requirements for MeF Assurance Testing (ATS) as briefly explained below:

1. IRS issues [Publication 4162, *Modernized e-File Test Package for Forms 1120/1120S \(TY 2005\), Rev. 10/27/05*](#) that has a series of test tax returns and instructions.
2. Software vendors notify IRS that they plan to test and provide a list of forms they plan to include in their tax preparation software.

Note: IRS does not require software vendors to support all forms! They are allowed to develop their tax preparation software based on the needs of their clients. The test returns issued by IRS also do not include all forms or schedules that can be part of an actual return! Please check with your software vendor on the availability of the forms/schedules you need to e-file your return!

3. Software vendors use the test tax returns to create test returns in the specified XML format.
4. The software vendor transmits the XML formatted test tax returns to IRS.
5. An IRS tax examiner checks every data entry field on the return.
 - a. These checks ensure tax calculations on the test return matches the answers provided by IRS on the test returns.
 - b. These checks also ensure the software correctly formats the test tax return data in XML format and the data can be successfully transmitted to, received and the tax return viewed by IRS.
6. When IRS determines the software correctly performs all required functions, that software is approved for electronic filing.
7. After approval from IRS is received, software vendors are allowed to market their tax preparation software to corporations and/or professionals as "approved for electronic filing".

When taxpayers prepare paper **consolidated corporate income tax returns**, spreadsheets are commonly used to report the required data for each subsidiary. These spreadsheets are commonly used to report subsidiary data on Form 1120, other attached IRS forms such as Form 4562, and for supporting data (other income statement). These spreadsheets are attached to the consolidated return and mailed to IRS.

MeF requires tax preparation software approved for electronic filing to use IRS forms for reporting data for each subsidiary return. In addition to the parent return, tax preparation software approved for electronic filing should allow taxpayers to create a separate “stacked return” for each subsidiary. Tax preparation software should allow taxpayers to report Eliminations and Adjustments as a separate “stacked return”. Tax preparation software may also allow taxpayers to use spreadsheets for the internal review of the return, but IRS requires all subsidiary data to be formatted, transmitted and viewed by IRS as “**stacked returns**”.

Taxpayers use tax preparation software to prepare most of their paper corporate income tax return but may use other formats (Word, Excel, etc) to prepare **supporting data**. The documents containing supporting data are then attached to the portion of the return prepared by tax preparation software and mailed to IRS.

MeF requires supporting data to be included in tax preparation software or attached as scanned PDF files. IRS reviewed all of the forms (and instructions) that may be attached to Form 1120 and/or 1120S and identified every instance where taxpayers are required to attach supporting data. IRS provided structured formats to software developers or provided instructions to enter supporting data as PDF files (in instances where IRS has not defined a format). Software developers are required to use these formats for developing tax preparation software approved by IRS for electronic filing. It is the responsibility of software vendors to provide appropriate instructions for taxpayers to enter supporting data to meet the IRS guidelines. Most software vendors will allow taxpayers to import/export data from other sources. Taxpayers are encouraged to discuss available options with their software vendor early to determine how to prepare supporting data. The examples on the following pages will assist taxpayers in understanding how to prepare supporting data for electronic returns.

Example 1 – Supporting data required by IRS forms.

IRS issued specific formats that software developers must use for this type of supporting data. In the example below, taxpayers must include (either by entering or importing) data for the required “type” and “amount of income” as indicated in tax preparation software instructions.

Form 1120 Department of the Treasury Internal Revenue Service		U.S. Corporation Income Tax Return For calendar year 2004 or tax year beginning, 2004, ending, 20.... ▶ See separate instructions.		OMB No. 1545-0123 2004							
A Check if: 1 Consolidated return (attach Form 951) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 required (attach Sch. M-3) <input type="checkbox"/>		Use IRS label. Otherwise, print or type. Name Number, street, and room or suite no. If a P.O. box, see page 9 of instructions. City or town, state, and ZIP code		B Employer identification number : C Date incorporated D Total assets (see page 8 of instructions) \$							
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change											
Income	1a	Gross receipts or sales		b	Less returns and allowances		c	Bal ▶	1c		
	2	Cost of goods sold (Schedule A, line 8)							2		
	3	Gross profit. Subtract line 2 from line 1c							3		
	4	Dividends (Schedule C, line 19)							4		
	5	Interest							5		
	6	Gross rents							6		
	7	Gross royalties							7		
	8	Capital gain net income (attach Schedule D (Form 1120))							8		
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)							9		
	10	Other income (see page 11 of instructions—attach schedule)							10		
	11	Total income. Add lines 3 through 10							11		

From Instructions
Line 10 Other Income
 Enter any other taxable income not reported on lines 1 through 9. List The “type” and “amount of Income” on an attached schedule.

Example 2 - Supporting Data required by IRS form instructions.

IRS issued specific formats that tax preparation software must use for supporting data required by form instructions. In the example below, taxpayers must include (either by entering or importing) required data for “description of property” and “depreciation method” as indicated by tax preparation software instructions.

Form 4562 Department of the Treasury Internal Revenue Service	Depreciation and Amortization (Including Information on Listed Property) ▶ See separate instructions. ▶ Attach to your tax return.	OMB No. 1545-0172 2004 Attachment Sequence No. 67
Name(s) shown on return	Business or activity to which this form relates	Identifying number
Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.		
Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)		
14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see page 3 of the instructions)	14
15	Property subject to section 168(f)(1) election (see page 4 of the instructions)	15
16	Other depreciation (including ACRB) (see page 4 of the instructions)	16
Part III MACRS Depreciation (Do not include listed property.) (See page 5 of the instructions.)		
Section A		

Page 4, Form 4562 Instructions for line 15 states:

Attach a separate sheet showing:

- A description of the property and the depreciation method you elect that excludes the property from MACRS or the Accelerated Cost Recovery System (ACRS) and

Example 3 – Supporting Data required as another IRS form.

In the following example, form instructions require the taxpayer to attach another IRS form or statement as supporting data. Line 2(a) and 2(b) require supporting data to be provided using an IRS form; failure to use the required IRS form will cause electronic return to reject. Line 2(c) requires supporting data to be provided using an attached statement; taxpayers should always provide the supporting data.

Form 6198 Department of the Treasury Internal Revenue Service Name(s) shown on return	At-Risk Limitations ▶ Attach to your tax return. ▶ See separate instructions.	OMB No. 1545-0712 2004 Attachment Sequence No. 31 Identifying number
Description of activity (see page 2 of the instructions)		
Part I Current Year Profit (Loss) From the Activity, Including Prior Year Nondeductible Amounts (see page 2 of the instructions).		
1 Ordinary income (loss) from the activity (see page 2 of the instructions)	1	
2 Gain (loss) from the sale or other disposition of assets used in the activity (or of your interest in the activity) that you are reporting on:		
a Schedule D	2a	
b Form 4797	2b	
c Other form or schedule	2c	

Lines 2a, 2b, and 2c

Gain (Loss)

Combine long- and short-term capital gains and losses and ordinary gains and losses from the sale or other disposition of assets used in the activity or of your interest in the activity. Enter gains and losses without regard to the at-risk limitations, the limitation on capital losses, or the passive activity loss limitations. If more than one item is included on a line, attach a statement describing each item.

Example 4 – Supporting Data required for tables on IRS forms.

When required data exceeds number of lines provided on IRS forms, tax preparation software will allow the taxpayer to continue to enter all necessary data instead of creating an attachment. When the electronic data is transmitted and processed the data will be displayed as “repeating data” by MeF systems.

Form 4562 <small>Department of the Treasury Internal Revenue Service</small>		Depreciation and Amortization (Including Information on Listed Property)		<small>OMB No. 1545-0047</small> 2004 <small>Attachment Sequence No. 67</small>
<small>Name(s) shown on return</small>		<small>Business or activity to which this form relates</small>		<small>Identifying number</small>
Part I Election To Expense Certain Property Under Section 179 <small>Note: If you have any listed property, complete Part IV before you complete Part I.</small>				
1	Maximum amount. See page 2 of the instructions for a higher limit for certain businesses	1		\$102,000
2	Total cost of section 179 property placed in service (see page 3 of the instructions)	2		
3	Threshold cost of section 179 property before reduction in limitation	3		\$400,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4		
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 3 of the instructions.	5		
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost	
7	Listed property. Enter the amount from line 29	7		
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8		
9	Tentative deduction. Enter the smaller of line 5 or line 8.	9		

Taxpayer data exceeds the number of lines provided on IRS forms.

In many instances, information on schedules attached to Form 1065 will be the same schedules required to be filed with the **Form 8865**, *Return of US Person with Respect to Certain Foreign Partnerships*. If a taxpayer has already prepared the Form 1065 and has completed Schedules B, D, K, K1, L, M-1, M-2, do **NOT** attach the Form 1065 schedules to the return, instead, the data from the Form 1065 schedules should be copied to the corresponding Form 8865 schedules.

When taxpayers prepare paper corporate income tax returns, they may not use tax preparation software to prepare the **disclosure statements** and/or **elections** required by Treasury Regulations or various IRS Publications. Taxpayers often use a variety of methods (Word, Excel, Election programs) to prepare the numerous disclosure statements and/or elections based on the unique needs of the particular return.

MeF requires all disclosure statements and elections to be included with the return in the specified format. Temporary Treasury Regulation 9100 eliminates the requirement for a separate signature for certain elections and/or disclosure statements. See T. D. 9100 for a complete list.

Taxpayers will use a **General Dependency Election** record to report most of their disclosure statements and elections. Tax preparation software approved for elections filing should provide instructions for taxpayers to complete the General Dependency Election. This record allows taxpayers to identify the disclosure statement/election using the following data elements

- Form Line or Instructions Reference (optional)
- Regulation Reference (optional)
- Description (optional)
- Attachment Information (optional)

Below are examples that should assist taxpayers in planning for their disclosure statements and elections as part of an electronic return.

Example 1 – General Election Statement

Section XXXX	Election for XXXXX
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AA
AA
AAAAAAAAAAAA

Example 2 – General Dependency with Multiple Subsidiaries.

Form	
------	--

AA
AA
AA
AA
AA
AA
AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA

- Subsidiary # 1
- Subsidiary # 2
- Subsidiary # 3

IRS provided specific formats that must be used for developing tax preparation software approved for electronic filing for the following elections:

- Election # 1
- Election # 2
- Election # 3

Some disclosure statements and/or elections may require supporting data which cannot be entered into the specified formats (i.e. **Plans of Merger**, **Plans of Reorganization**, **meeting notes**, etc) This type of supporting data may be exported to the appropriate form if your software supports it or scanned and attached to the electronic return as a PDF file. The actual disclosure statement and/or election must be entered into the required format and only the supporting data submitted as PDF.

Many forms that may be attached to Form 1120 and 1120S have **separate signature lines**. During the development of MeF IRS identified all of the forms with separate signature lines and requested IRS Counsel to issue special instructions to facilitate electronic filing. Regulation T.D. 9100 contains amendments to the Income Tax Regulations (26 CFR Part 1) and Procedure and Administration Regulations (26 CFR part 301) and eliminates some of regulatory requirements considered impediments to the electronic submission of tax returns and other forms filed by corporations, partnerships and other businesses with regard to third party signature requirements.

These regulations impeded electronic filing by 1) requiring taxpayers to include third party signatures on their tax returns; 2) requiring taxpayers to attach documents or statements generated by third parties; or 3) requiring a taxpayer to sign an IRS form and file it as an attachment to the taxpayer's income tax return. T.D. 9100 eliminates the impediments for taxable years beginning after December 31, 2002. The regulations generally affect taxpayers who are required to file any of the following forms: 926, 973, 982, 1120, 1120S, 1122, 5471, 5712-A, 8832. See T.D 9100 for a complete list.

The signature on Form 1120 extends to all accompanying statements and schedules with the exception of **Form 8838**, *Consent to Extend the Time to Assess Tax Under Section 367 – Gain Recognition Agreement*. A signed copy of Form 8838 may be submitted as PDF file attached to the electronic Form 1120/1120S.

The **address** on the first page of the electronic return, once processed by the IRS, will be used to update the taxpayer's address-of-record. The IRS uses a taxpayer's address-of-record for various notices that are required to be sent to a taxpayer's "last known address" under the Internal Revenue Code and for refunds of overpayments of tax (unless otherwise specifically directed by taxpayers, such as by Direct Deposit).

Corporate income tax returns with a **foreign address** in the entity portion of the Form 1120/120S may be filed electronically.

There will be instances in the preparation of the tax returns, forms or attachments when a two character **Foreign Country Code** is required. This code should always be the code of the Foreign Country or Foreign Sovereignty as recognized by the US State Department. For example; Scotland, Wales, and England are part of the foreign country United Kingdom. The Foreign Country Code for United Kingdom is UK. The Balearic Islands are a part of Spain and should be coded as Spain, "SP". These are just a few examples. When entering foreign addresses on the return or form, the state or republic (such as Scotland or England) can be entered with the city; "London, England" and the country as "United Kingdom" or "UK". Refer to Publication 4163, Exhibit 4, for additional Foreign Country Code information.

Forms 1120/1120S MeF will accept all **domestic address changes** as shown by the corporation in the entity portion of the tax return. IRS will update the corporation's entity information with the change of address.

Forms 1120/1120S MeF will not accept **foreign addresses changes**. Corporations must submit Form 8822, Change of Address, to IRS to update or change a foreign address. Form 8822 can be downloaded from irs.gov.

Standard **Street Address Abbreviations** are included in Publication 4163, Exhibit 5. The list is comprised of common abbreviations that are recognized by the U.S. Postal Service.

See Publication 4163, Exhibit 6 for a complete list of **valid ZIP Codes**.

The **Name Control** for corporations should be determined from the information specified on the first name line. Generally, the Name Control is derived from the first four characters of the corporation name and consists of up to four alpha and/or numeric characters. See Publication 4163, Exhibit 1 for a complete list of rules for creating Business Name Control and examples.

A principal business activity and the associated code are designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. These principal **business activity codes** are based on the North American Industry Classification System (NAICS). Publication 4163, Exhibit 7 provides a list of the valid codes for Principal Business Activity Codes (NAICS Codes).

Contact the e-Help Desk at 1-866-255-0654 (Prompt 1, 2, 5) if you need any further assistance with information on how to include supporting data.

The tax preparation software will provide the necessary instructions to prepare the return for electronic transmission to the IRS. During this process, the electronic return data is **converted into final XML format** defined by IRS for electronic filing. A critical part of the MeF design was the decision to use XML format for transmitting electronic return data to IRS. IRS worked with a contractor to develop the **XML schemas**. XML schemas ensure the electronic return data transmitted to IRS meets required all specifications and allows MeF systems to process and view the electronic return data. The following is a brief explanation of how XML schemas are developed and used to send electronic return data for MeF processing:

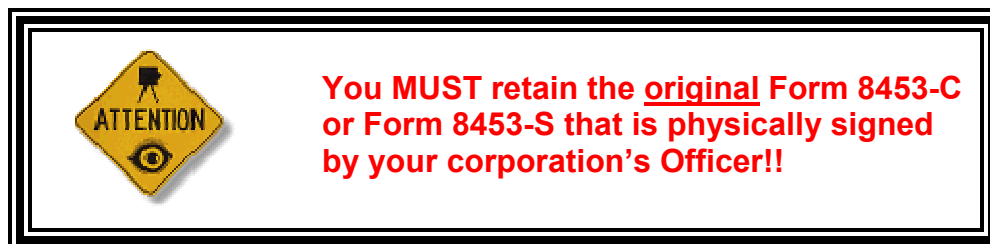
1. Each line or data element on every IRS form is given an XML name tag.
2. Every instance of supporting data is defined and given an XML name tag.
3. These name tags are defined in XML schemas which are provided by IRS to software developers.
4. Software developers use the XML schemas to output the return data from tax preparation software into the specified electronic filing format.
5. Software developers must test their tax preparation software with IRS and MeF systems to ensure it can correctly format and transmit electronic data to IRS. (See Tax Preparation Software Must Be Approved by IRS for Electronic Filing) for a detailed explanation of software testing.
6. IRS validates transmitted XML files against the XML schemas in the MeF test and production systems.

IRS and contractors perform extensive testing to ensure the electronic return data received can be accurately processed by MeF systems. Before the contractor delivered

the final MeF programs to IRS, they performed extensive testing of the XML schemas. IRS performs extensive testing on the MeF programs by inserting test data into every line of every form and every instance of supporting data to ensure the data was formatted and displayed accurately by MeF systems. IRS conducted over 25,000 test cases before MeF was implemented. Every time an IRS form has a change affecting the XML schema, the entire process is repeated. IRS cannot implement MeF programs until all critical defects are corrected and the system completes a Certification and Accreditation (C&A) Process

Since corporate returns filed through MeF are composed of electronically-transmitted data, you need a method for your corporate officer to **legally sign** the return. The corporation (taxpayer) must designate a principal of the firm responsible for signing the corporate income tax return following the procedures outlined in Treasury Regulation Section 1.6062-1.

In December of 2003, Congress issued temporary regulations to eliminate barriers to electronic filing for businesses (for more on the regulation, see http://www.irs.gov/irb/2004-03_IRB/ar07.html#d0e286). IRS developed **Form 8453-C** (U.S. Corporation Income Tax Declaration for an IRS *e-file* Return [[2005 Form 8453-C \(PDF\) U.S. Corporation Income Tax Declaration for an IRS e-file Return](#)]) and **Form 8453-S** (U.S. S Corporation Income Tax Declaration for an IRS *e-file* Return [[2005 Form 8453-S \(PDF\) S Corporation Declaration and Signature for Electronic Filing](#)]) for corporations to attach to their return. As you prepare your return, you will have numerous supporting document attachments. One of those attachments will be the applicable Form 8453 (-C or -S) that you will scan and attach to your return as a Portable Document Format (PDF) document. The corporate officer must sign and date the applicable Form 8453-C or -S to authorize the origination of the electronic submission of the return to the IRS prior to the transmission of the return. The Declaration of Taxpayer includes the taxpayer's declaration under penalties of perjury that the return is true, correct and complete. If you use a Paid Preparer to review and sign the return, then the paid preparer must also sign the Form 8453-C or -S (the Paid Preparer must check the box in the "Paid Preparer's Use Only" section). Paid Preparers do not have to disclose their SSN or EIN on the copies they supply to taxpayers. If a third party transmitter is used to transmit the return, the Form 8453 also gives the taxpayer's consent to have the IRS send that third-party Transmitter an acknowledgement indicating whether or not the return was accepted and, if rejected, the reason(s) for the rejection. Your third-party transmitter will then provide that acknowledgement to you.



Note: If the electronic return data on a corporate income tax return is **changed** after the Declaration of Taxpayer is signed, you must sign a new declaration if the “Total Income” amount differs by more than \$150 or the “Taxable Income” amount differs by more than \$100.

Tax preparation software approved for electronic filing should include Forms 8453-C or 8453-S which must be completed and signed by all required parties. These documents will then be scanned into a PDF document and attached to the electronic return. IRS approved MeF software will provide instructions for including the scanned document with your electronic tax return.

How do I get my electronic return to IRS?

Now that you have prepared and signed your return and converted it to XML using IRS-approved software, you are ready to determine how to **transmit** it to the IRS.

Transmitting your return to IRS can be done in a number of different methods. The IRS' definition of a *transmitter* is someone who transmits the electronic tax return **directly** to the IRS. A transmitter must complete an *e-file* Application and be approved by IRS to transmit returns. Transmitters use an ETIN (Electronic Transmitter Identification Number) as they transmit returns to the IRS. As a large corporation who completes the *e-file* Application, you are automatically given an ETIN so you can transmit your return directly to IRS yourself.

IMPORTANT! You need to check with your software vendor to determine what transmission methods they may provide through their tax preparation software. For example, if your software vendor elects **not** to be a transmitter, then you will have to transmit your return yourself or find an Authorized IRS *e-file* Transmitter that can transmit your return for you.

You remember that when you selected a form type (1120 or 1120S) on your *e-file* Application, you had to designate a method of transmitting that type of return to IRS. We refer to that method as a "**transmission channel**". Transmitters, then, can come in to the IRS through one of two channels:

1. Internet Filing Application (IFA) (shown as "Internet" on the *e-file* Application) or
2. Application-to-Application (A2A) (not shown as a selection on the *e-file* Application at present)

Publication 4164 Modernized e-File Guide for Software Developers and Transmitters has complete information on both IFA and A2A. It is important to know that both methods require hardware or software to make transmissions possible. The software that developers create has to be approved by IRS and must be in Extensible Mark-Up Language (XML). MeF performs validations of the transmission and return data through business rules, schema validations, SOAP envelop validation, Transmission Header and Manifest validation which applies to both IFA and A2A. Here's a brief description of both:

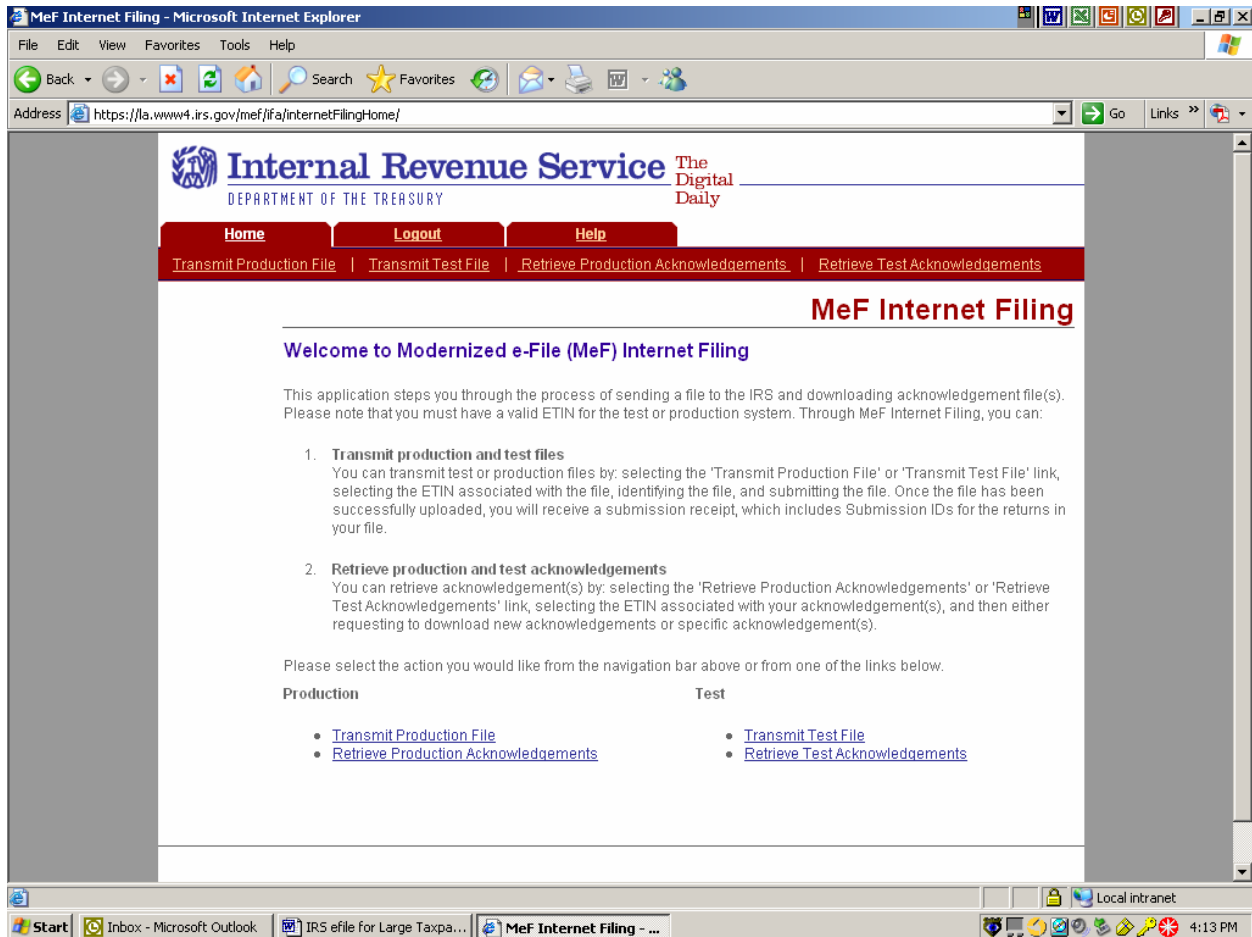
IFA is a direct, secure internet connection that requires a person to initiate the transmission session. IRS developed IFA specifically for large returns of over 500 pages. IFA provides a browser-based interface that allows an individual the ability to easily upload a return and transmit it securely over the internet. A test of IFA by IRS allowed a 50,000 page return to be transmitted to IRS in approximately 15 minutes! The speed at which your return goes over the Internet is, of course, dependent on the speed your Internet Service Provider (ISP) provides (e.g., dial-up will be slower than a direct service link).

As identified in the *e-file* Application procedures, you must designate one or more of your Delegated Users as an “Internet Transmitter” (always a good idea to have a back-up). If you choose to transmit your return yourself, the Delegated User will access IFA through the e-Services MeF login screen ([MeF Internet Filing](#)) and transmit your return directly to IRS. They will also need to come back in to pick up the acknowledgement after IRS provides it.

Prior to transmitting, your corporation’s Internet Transmitter will perform a communications test (a “handshake” with the IRS) to enable transmission of the electronic return data to the IRS. Your ETIN is in a “test” status until you perform this communications test with IRS. After successful connectivity, your ETIN will move from a “test” status to “production” status. Most software packages (IRS accepted *e-file* software) have communication tests built in so that completing this requirement is relatively easy. Follow the directions in the software or documentation package. If you have problems, you should contact the software developer who sold you the software or contact the technical support operation that comes with the software package.

The test status of each form transmitted to the IRS can be viewed by accessing the firm’s IRS *e-file* Application and clicking on the “FORMS” link. The form/format previously selected on your IRS *e-file* Application will be displayed in a table along with the status. The status is updated from “test” to “production” when required communication testing is completed. For more information regarding communication testing, refer to Publication 4162, *Modernized e-File Test Package for Forms 1120/1120S*.

The following is the screen your Internet Transmitter will see when they log in to conduct the communications test as well as when your return is ready to be transmitted “in production” (submission of your return to the IRS):



When an IFA transmission is complete, a GTX key is generated immediately indicating the transmission to IRS was successful. **It is very important to print or capture the screen shot that contains your GTX key.** The next step is for MeF to validate the transmission file and the electronic returns and generate an Acknowledgement File which is the official notification that the electronic return was Accepted (no errors) or Rejected (errors identified). If the electronic return is rejected the Acknowledgment File will contain an Error Code Explanation(s) that can be used to identify and correct errors. IRS makes the Acknowledgment File available for the Transmitter to “pick up” as soon as MeF processing is completed. (Remember, if you use a third party to transmit your return to IRS, the third party transmitter is responsible for retrieving the Acknowledgment File from IRS and making the file available to the Large Taxpayer.)

MeF requires tax preparation software to create a “Hash” or “**Check Sum**” which counts each byte of electronic tax return data and includes this total in the transmission file sent to IRS. When IRS receives the transmission file, one of the first steps of processing the electronic return is to count the bytes received. The Acknowledgment File will contain the incoming hash (Embedded CRC32) and the IRS computed hash (Computed CRC32) along with the Taxable Income amount and the Total Tax amount.

A2A is a “system-to-system” connection that requires a web services connection to have been established. IRS developed A2A as an option for transmitters sending large volumes of transmissions and want to develop a “lights out” operation (i.e., you don’t need a person to be there to do the actual transmission). To use A2A, you must complete a manual enrollment of your system. You will also need to enable web services. Please note that A2A is the only transmission option that supports Federal/State filing for Tax Year 2005 (processing year 2006). There is also the requirement to perform the communications test with this transmission channel (Publication 4162).

Just as with IFA, when an A2A transmission is complete, a receipt is immediately generated indicating the transmission to IRS was successful. The next step is for MeF to validate the transmission file and the electronic returns and generate an Acknowledgement File which is the official notification that the electronic return was Accepted (no errors) or Rejected (errors identified). If the electronic return is rejected the Acknowledgment File will contain an Error Code Explanation(s) that can be used to identify and correct errors. IRS makes the Acknowledgment File available for the Transmitter to “pick up” as soon as MeF processing is completed.

As a large corporation, you have three different ways to get your return to the IRS:

- **Direct Transmission** -- filing your corporate return directly to IRS with no assistance from another entity) (you can select either the IFA or A2A channel
- **Third-Party Transmitter** -- sending your corporate return to an authorized IRS *e-file* Provider and having them transmit your return to IRS) (the Third Party will select which channel they use [IFA or A2A])
- **Online Provider** -- originating your return using commercially-available software; this option allows you to prepare your return using a personal computer and transmit it through the software provider OR download the software, prepare the return in your office and transmit it through either a Third-Party Transmitter or via Direct Transmission as above (the Online Provider will select which channel they use [IFA or A2A])

Let’s talk about each of these in detail.

The first method is **Direct Transmission** which allows you as the corporation to file your return directly with IRS. As a transmitter, you will be responsible for the following:

- Retrieving the Acknowledgment File from IRS within two days of transmission
- Promptly correcting any transmission error that causes the electronic transmission to be rejected
- Ensuring the security of all transmitted data
- Contacting the IRS e-Help Desk toll-free number 1-866-255-0654 (Prompt 1, 2, then 4) for further instructions if an acknowledgment of acceptance for processing has not been received within 24 hours of transmission

Here are the steps to follow to transmit your own return to IRS:

1. Complete Registration and Create an *e-file* Application as outlined earlier in this document. As covered earlier in the “Creating an *e-file* Application” section, you must designate a **transmission** channel for each Form type you will be transmitting (i.e., 1120 or 1120S). To reiterate:
 - a. If you want to use the Internet (Internet Filing Application or IFA), click “Internet” after you select the Form 1120C or 1120S on your *e-file* Application. You must also assign Internet Transmitter responsibilities to one or more of your Delegated Users.
 - b. If you want to use the new “Application-to-Application” (A2A), for 2005 you must complete a *separate* manual enrollment process as outlined in Section 4.1.1 of Publication 4164 (*Modernized e-File Guide for Software Developers and Transmitters*).

When you have completed your *e-file* Application, you will automatically be issued an Electronic Filing Identification Number (EFIN) (authority for you to *e-file*) and (2) an Electronic Transmitter Identification Number (ETIN) (used to transmit your return to IRS). **For a direct transmission, you will use both your EFIN and ETIN!**

2. Choose your software and prepare your corporation’s return. Be sure to include the scanned Form 8453-C or Form 8453-S along with all other Portable Document Format (PDF) forms, schedules, elections and transaction data.
3. Perform a “handshake” communication test with IRS using your software developer’s test return data. Publication 4164 provides instructions on how to complete a Communication Test to activate your ETIN and ensure your system can communicate with the IRS system and that you can retrieve and read Acknowledgment Files.
4. Create your return and transmit it to IRS by midnight of the due date or the extended due date.
5. After IRS validates your return, access the system to pick up your Acknowledgement File to ensure your return has been successfully received by IRS.

Publication 4164 Modernized e-File Guide for Software Developers and Transmitters (Tax Year 2005) available on irs.gov provides very specific information on transmitting your return and correcting potential errors.

The second method for getting your return to IRS is through a **Third-Party Transmitter**. This method involves having an authorized IRS *e-file* Provider transmit your corporation's return directly to IRS for you. Here are the steps to follow if you want to use a Third Party to transmit your return to IRS:

1. Complete Registration and Create an *e-file* Application as outlined earlier in this document. You will still need to designate a **transmission** channel for each Form type you will be transmitting (i.e., 1120 or 1120S) even though you will be having a third-party transmitter send your return to IRS! To reiterate:
 - a. If you want to use the Internet (Internet Filing Application or IFA), click "Internet" after you select the Form 1120C or 1120S on your *e-file* Application. You must also assign Internet Transmitter responsibilities to one or more of your Delegated Users.
 - b. If you want to use the new "Application-to-Application" (A2A), for 2005 you must complete a *separate* manual registration process as outlined in Section 4.1.1 of Publication 4164 (*Modernized e-File Guide for Software Developers and Transmitters*).

When you have completed your *e-file* Application, you will automatically be issued an Electronic Filing Identification Number (EFIN) (authority for you to *e-file*) and (2) an Electronic Transmitter Identification Number (ETIN) (used to transmit your return to IRS). **For a third-party transmission, you will provide your EFIN to the third-party transmitter; they will use their own ETIN to transmit your file!**

6. Choose your software and prepare your corporation's return. Be sure to include the scanned Form 8453-C or Form 8453-S along with all other Portable Document Format (PDF) forms, schedules, elections and transaction data.
7. Send your completed return to your selected third-party transmitter (a list of Authorized *e-file* Providers who are Transmitters is located on [irs.gov](http://www.irs.gov/efile/article/0,,id=118516,00.html) at <http://www.irs.gov/efile/article/0,,id=118516,00.html>).
8. Your third-party transmitter will perform their own "handshake" communication test with IRS, as well as sending in one or more test files to ensure there are no problems with their software. They may send one or more returns in a transmission envelope and insert their own ETIN into the file.
9. After IRS validates your return, your third-party transmitter must notify you (especially if there are any issues with your return being rejected) within two days of the transmission. On successful acceptance by IRS, your third-party transmitter

should send you the IRS' Acknowledgement File to confirm that your return has been successfully received by IRS.

The **Online Provider** option allows you to prepare your return using a personal computer and transmit it through the software provider OR download the software, prepare the return in your office and transmit it through either a Third-Party Transmitter or via Direct Transmission as above (the Online Provider will select which channel they use [IFA or A2A]).

The steps to use an Online Provider are as follows:

1. You purchase the software online and prepare your return.
2. You send it to the Online Provider before midnight on the due date or extended due date of the return.
3. The Online Provider "wraps" (bundles) one or more online returns in a transmission envelope and inserts their unique EFIN and ETIN assigned by IRS for Online Providers
4. The Online Provider will collect the Internet Protocol (IP) information from you (such as IP Address, Date/Time Zone) and sends the returns to IRS
5. After IRS validates the transmission file, the Online Provider picks up the Acknowledgment File and will inform you of the successful acknowledgement

For a direct transmission, you will not need to register or create an *e-file* Application! Your Online Provider will use their own EFIN and ETIN!

The following chart provides a quick overview of the three methods of transmission and whether you will need an EFIN or ETIN to *e-file*:

Transmitter Types	How Does It Work?	How Does Return Get to IRS?	Large Taxpayer Needs Their Own EFIN to e-file?	Large Taxpayer Needs Their Own ETIN to e-file?
Direct Transmission	<p>Large Taxpayer must: Register Create an <i>e-file</i> Application Chose transmission methods Identify your Internet Transmitter Complete Communications Test Transmit Return Pick up Acknowledgement File</p>	IFA or A2A	Yes	Yes
Third-Party Transmitter	<p>Large Taxpayer must: Register Create an <i>e-file</i> Application Chose transmission methods Select a Third-Party Transmitter Provide completed return to Third-Party Transmitter Third Party must: Check return format Transmit return to IRS Pick up Acknowledgement File and provide notification to the corporation</p>	Transmission method is up to third party	Yes	No
Online Provider	<p>Large Taxpayer must: Select an Online Provider Use the Online Provider's software to create their return Notify the Online Provider that the return is ready to be transmitted Get notification from the Online Provider that the return has been successfully acknowledged by IRS</p>	Transmission method is up to Online Provider	No	No

We want you to know about the **security** of IFA and A2A. The IRS Mission Assurance and Security Services (MA&SS) organization and Modernization and System Security Engineering (M&SSE) and Privacy function ensure all IRS systems used to receive, process and store tax return data are secure. ANY AND ALL access to tax return data is protected, fully controlled, monitored, verified, and logged for analysis to detect potential abusive or malicious purposes.

OMB Circular A-130 and the Federal Information Security Management Act (FISMA) (Title III of the E-Government Act (P.L.107-347) require major applications such as MeF to undergo a Certification and Accreditation (C&A) Process.

- Certification is a formal review and test of the security safeguards implemented to determine whether the system provides adequate security that is commensurate with the risk of operating the system on the IRS information technology infrastructure.
- Accreditation is the formal authorization by the Executive Level Business Owner responsible for the operation of the MeF system and the explicit security.

Specific guidance is provided by various National Institute of Standards (NIST) special publications (the “800” series.) The process must include formal review and testing of the design and implementation of the system’s security controls. The IRS M&SSE organization and the business system owner were jointly responsible and actively involved in completing the IRS C&A Process for MeF.

How are refunds and balance due returns handled electronically?

When taxpayers are entitled to **refunds**, they have several options. A corporate income tax refund may be applied to next year's estimated tax; received as a Direct Deposit or paper check; or be split so that a portion is applied to next year's estimated tax and the rest received as Direct Deposit or paper check.

Election of the Direct Deposit option is the fastest way of receiving refunds. IRS will accept a Direct Deposit election to any eligible financial institution designated by the taxpayer. Refunds may be designated for Direct Deposit to qualified accounts in the taxpayer's name. Qualified accounts include savings, checking, share draft, or consumer asset accounts (for example, IRA or money market accounts). Refunds may not be designated for Direct Deposit to credit card accounts. Qualified accounts must be held by financial institutions within the United States. Qualifying institutions may be national banks, state banks (including the District of Columbia and political sub-divisions of the 50 states), savings and loan associations, mutual savings banks, and credit unions.

Check or share draft accounts that are "payable through" another institution may not accept Direct Deposits. Taxpayers should verify their financial institution's Direct Deposit policy before electing the Direct Deposit option.

If choosing Direct Deposit, account numbers and routing numbers for qualified accounts must be provided. This information is best obtained from official financial institution records, account cards, checks or share drafts that contain the taxpayer's name and address.

A Direct Deposit election cannot be rescinded and changes cannot be made to routing numbers of financial institutions or to the taxpayer's account numbers after IRS has accepted the return.

Refunds that are not Direct Deposited because of institutional refusal, erroneous account or routing numbers, closed accounts, bank mergers, or any other reason will be issued as paper checks, resulting in refund delays of up to ten weeks. While the IRS will ordinarily process a request for Direct Deposit, it reserves the right to issue a paper check and does not guarantee a specific date by which the refund will be deposited into the taxpayer's account. Neither the IRS nor FMS is responsible for the misapplication of a Direct Deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, financial institution, or any of their agents.

If additional tax is owed, the taxpayer must pay the **balance due** by the original due date of the return or be subject to interest and penalties. An extension of time to file may be filed electronically by the original return due date, but it is an extension of time to file the return, not an extension of time to pay a balance due. Taxpayers have several choices when paying any taxes owed on their returns as well as estimated tax payments.

When you *e-file*, you can authorize an **electronic funds withdrawal**. Those who choose this option must provide account numbers and routing transit numbers for qualified savings, checking or share draft. This information is best obtained from official financial institution records, account cards, checks or share drafts that contain the taxpayer's name and address. Ensure, before you *e-file*, that your financial institution allows electronic funds withdrawal requests from the designated account. Payments cannot be authorized for this purpose from some credit union share accounts.

Payments can be scheduled for a future date! Scheduled payments must be effective on or before the return due date. For example, a corporation can transmit its income tax return in February and at the same time specify that the payment withdrawal be made on any day on or before the return due date. For returns transmitted after the due date, the payment date must be the same as the date the return is transmitted. Electronic Funds Withdrawal payments must be authorized at the time the balance due return or extension is *e-filed*.

The following information must be provided:

- Routing Transit Number (RTN);
- Bank Account Number;
- Type of account (checking or savings);
- Payment Amount
- Date of scheduled electronic funds withdrawal; and
- Taxpayer's Daytime Phone Number.

The IRS has a policy which allows business *e-filers* to pay their balance due by **credit card**. This is a unique opportunity for the tax preparation software industry to incorporate a credit card tax payment option in the Forms 1120 and 1120S software. If interested in paying with a credit card, please contact your software developer regarding development of this feature. The credit card payment feature is available only as a part of the 1120/1120S software.

Balances due and estimated taxes can be paid year round using the **Electronic Federal Tax Payment System (EFTPS)**. Taxpayers enroll in EFTPS-On-Line via an official government site on the Internet, using a user-friendly Web interface. After enrollment, the taxpayer receives a confirmation package by mail with instructions. For more information on electronic deposit options, visit www.irs.gov/efile and click on "Electronic Federal Tax Payment System".

Balance due payments may also be made by mailing a **check**. Payments do not have to be mailed at the same time an electronic return is transmitted. For example, the return may be transmitted in January and the payment and voucher mailed at any time on or before the return due date.

You can avoid refund delays by having all of your taxes and obligations paid, providing current and correct information to the IRS, ensuring that all bank account information is up-to-date and carefully checking your tax return information before signing the return.

Suggestions to avoid rejects and refund delays:

- Exercise care in the entry of tax return data into tax return preparation software and carefully check the tax return information before signing the tax return;
- If there were problems with last year's return, see if the conditions that caused the problems have been corrected or can be avoided this year.

What is considered a timely filed electronic return?

All prescribed due dates for filing paper income tax returns apply to electronic returns. You must ensure that the electronic portion of the return is transmitted on or before the due date (including extensions). An electronically filed return is not considered filed until the electronic portion of the tax return (including the signature document or PIN process) has been acknowledged by the IRS, accepted for processing.

If you choose to file a hybrid return using the IRS “Tax Year 2005 Directions for Required Corporations to *e-file*” and the electronic portion is successfully transmitted on or shortly before the due date and you comply with the requirements for signing the return, the return will be considered timely filed.

If you use a third party transmitter, they have the option to enter an “**Electronic Postmark**” created from the Internet Protocol (IP) time and address where the electronic return was originated (i.e., the Transmitter’s time zone). You must adjust the electronic postmark to the time zone where the third-party transmitter is located or where the taxpayer resides when using an Online Provider to determine the postmark’s actual time. For example, if the Transmitter provides an electronic postmark with a time in the Pacific Time Zone but the taxpayer resides in the Eastern Time Zone, the taxpayer must add three hours to the postmark time to determine the actual postmark time (Eastern Time Zone). Instructions can be found in Publication 4163 ([Publication 4163](#), *Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S*)

If a corporate electronic income tax return is transmitted on or shortly before the due date (or extended due date) and is rejected for any reason, the return can be retransmitted and considered timely filed if it is accepted within 20 calendar days after the original transmission. Examples of the 20-day [transmission perfection period](#) will be provided on the irs.gov “Frequently Asked Questions” website shortly.

NOTE: Corporations required to e-file under Temporary Treasury Regulation Section 301.6011.5T must contact the e-Help Desk at 1-866-255-0654 for assistance in correcting returns BEFORE filing a paper return. If the electronic return cannot be accepted for processing electronically because the reason for the rejections cannot be corrected to comply with electronic filing requirements, then the corporation must file a paper return. The e-Help Desk will provide direction to the corporation to file the paper return. To be considered timely filed, the paper return must be postmarked by the later of the due date of the return or **10 calendar days** after the latest transmission that was rejected. The paper return should include an explanation of why the paper return is being filed after the due date, and include a copy of the reject notification and brief history of actions taken to correct the electronic return.

What publications or information are available to help me understand the *e-file* process?

The following publications and websites will help you understand the *e-file* process:

- [Publication 4162, Modernized e-File Test Package for Forms 1120/1120S \(TY 2005\), Rev. 10/27/05](#)
This document provides instructions on how to do the communications test (the “handshake”) with IRS to ensure you can send your returns to IRS
- [Publication 4163, Modernized e-File Information for Authorized IRS e-file Providers of Forms 1120/1120S](#)
This document provides an overview of MeF, including transmission methods, business rules, stylesheets, and other information.
- [Publication 4164, Modernized e-File - Information for Authorized IRS e-file Providers of Forms 1120/1120S](#)
This document provides guidance on getting software approved by IRS and constructing returns to transmit to the IRS, Included are:
 - **Modernized e-File Submission Composition Guide – Modernized e-File System (TY 2005)**
This subset of the 4164 describes how to compose Submission and Transmission Files sent to IRS for MeF processing
 - **ISS State and Trading Partners ICD (TY 2005)**
This subset of the 4164 describes the security interaction with third parties and states when sending a return to IRS for MeF processing
- [Frequently Asked Questions for Large and Mid-Size Corporations](#)
This website at irs.gov provides guidance to large corporations based on questions the IRS has been receiving since the *e-filing* requirement was issued
- large.corporate@irs.gov
This e-mail address provides an avenue to large corporations to submit questions on the *e-filing* requirement, how to *e-file*, etc.
- **Quick Alerts** is a messaging system that IRS has developed to provide the latest information on e-filing to tax professionals. To keep fully apprised on the latest information, register with Quick Alerts to receive the e-mails on the *e-file* system! Register on irs.gov at <http://www.irs.gov/taxpros/providers/article/0,,id=97623,00.html>
- Screen shots for **e-Services’ Registration** and **e-file Application for Large Taxpayers**

What are the record keeping and document retention requirements?

You must retain the information listed below until the end of the calendar year in which the calendar year return was filed or nine months after a fiscal year return was filed. You may retain the required records at the business address of the Responsible Official so that records can be made available to the IRS upon request.

- A complete copy of the **electronic portion of the return** that can be readily and accurately converted into an electronic transmission that the IRS can process; and
- The **acknowledgement file** for IRS accepted returns.

You may electronically image and store all paper records that you are required to retain for IRS *e-file*. This includes signed signature documents (Form 8453C/S) as well as any supporting documents not included in the electronic record and all signature documents. The storage system must satisfy the requirements of Revenue Procedure 97-22, *Retention of Books and Records*. In brief, the electronic storage system must ensure an accurate and complete transfer of the hard copy to the electronic storage media. All records must be able to be reproduced with a high degree of legibility and readability (including the taxpayers' signatures) when displayed on a video terminal and when reproduced in hard copy.

NOTE: It is not required, but Large Taxpayers may also retain a copy of the electronic return data after it is formatted into XML and before it is transmitted to IRS or a third party transmitter. In the unlikely event there is a dispute concerning electronic data displayed by MeF systems this file could be used as proof of the data as originally transmitted. Both IRS and the transmitter are required to retain a separate copy of the electronic return in the original format.