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**Publication 1524**  
**Procedures for the 1065 *e-file* Program**  
**U.S. Return of Partnership Income**  
**for Tax Year 2006**

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**Internal Revenue Service**



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Department of the Treasury  
**Internal Revenue Service**

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**PUBLICATION 1524**

**PROCEDURES FOR THE 1065 e-File  
PROGRAM**

**U.S. RETURN OF PARTNERSHIP  
INCOME  
FOR TAX YEAR 2006**

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**INTERNAL REVENUE SERVICE**

# **INTERNAL REVENUE SERVICE MISSION STATEMENT**

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**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.**

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## **WHAT'S NEW FOR TAX YEAR 2006**

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1. Suggested Business Acceptance Testing System (BATS) Test Scenarios have been added to Section 9 of this publication.
2. **New Schedule M-3 (Form 1065)**, Net Income (Loss) Reconciliation for Certain Partnerships, has been added to the program.
3. **Form 3468**, Investment Credit, Page 2 has been deleted from the program.
4. **Form 8830**, Enhanced Oil Recovery Credit, can not be filed electronically for Tax Year 2006.
5. Changes have been made to **Form 8886**, Reportable Transaction Disclosure for TY 2006 (2007 Processing Year). IRS e-file systems have not been updated to process TY 2006 Returns with the revised **Form 8886** for TY 2006. Returns requiring **Form 8886** TY 2006 will not be accepted electronically until after March 15, 2007.
6. **New Form 8913**, Credit for Federal Telephone Excise Tax Paid, has been added to the program. If a 1065 return is filed solely to claim the Federal Telephone Excise Tax Refund, and there are no other entries on the return, (TETR only return) the 1065 return and Form 8913 must be filed on paper.
7. **New Form 8916-A**, Reconciliation of Cost of Goods Sold Reported on Schedule M-3 has been added to the program.
8. Two new Foreign Street Address lines have been added to the 1065 Record Layout (**See Publication, 1525, 1065 Record Layout, Fields #0064 and #0065**) to capture the street address of a Foreign Partnership.
9. Foreign Country Code – Foreign Partnerships must enter a valid 2 character Foreign Country Code on Form 1065 (Field #0085). See Publication 1525, Section 1, for the valid 2 character Alpha Code.
10. **Form 8697**, Interest Computation Under the Look Method for Completed Long-Term Contracts, Page 3, has been added to the form.
11. **Form 8832**, Entity Classification Election, Page 2, has been added to the form.
12. **Schedule K-1 (Form 1065)** and **Schedule K-1 (Form 8865)**, we removed “& Credit Recapture” from the Fields on line 15.
13. Information on 52/53 week-rule has been added to this publication. See Section 2.



## **SECTION 1**

## **INTRODUCTION**

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### **PURPOSE**

This publication is designed to provide the general requirements and procedures for Form 1065 e-file (Legacy) Program, U.S. Return of Partnership Income. **This publication should be used in conjunction with the following publications for Tax Year 2006:**

- **Publication 1525**, File Specifications, Validation Criteria and Record Layouts for the 1065 e-file Program, U.S. Partnership Return of Income
- **Publication 3416**, Electronic Filing of Form 1065, U.S. Return of Partnership Income (Publication 1525 Supplement)
- **Publication 3112**, IRS e-file Application and Participation

**NOTE:** These publications are updated annually.

**NOTE:** Information on e-filing Form 1065 is available in Spanish. See Publication 4283SP, Catalog Number 39196F

**NOTE:** See the following publications for information on 1065 MeF (Modernized e-file):

- **Publication 4163**, Modernized e-File Handbook for Authorized e-File Providers
  - **Publication 4164**, Modernized e-File Guide for Software Developers and Transmitters
  - **Publication 4505**, Modernized e-File Test Package for Forms 1065/1065-B
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## **INTRODUCTION continued**

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**CHANGE PAGE** If any information contained in this publication changes before its revision, a change page(s) may be issued. Any information that is new or has changed since the prior publication will be annotated with a vertical bar (|) in the right margin. Any procedure that is added, deleted or has a major impact on the current year processing of partnership returns after this publication is released will be communicated via e-mail and/or displayed on the IRS website.

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**REQUEST FOR INFORMATION** Requests for additional copies of this publication, Publication 1525, Publication 3416 and/or updates to the program should be addressed to the IRS Development Services Division (address below) or the Ogden Submission Processing Center. You may also call 1-800-829-3676 for additional copies of the publications. The publications are also available through the IRS website. Inquiries for the Ogden Submission Processing Center, which processes Form 1065 electronic tax returns, should be addressed to the Electronic Filing Section at 1-866-255-0654. The mailing address for the Ogden Submission Processing Center is listed in **Section 12**. Inquiries may also be addressed to any IRS District Office.

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**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) or regarding the program, please let us know.

**Write to:**

Internal Revenue Service  
Electronic Business Returns Section SE: W: CAS: SP: ES: B  
5000 Ellin Road, Room C5-146  
Lanham, Maryland 20706  
Attn: 1065 e-File Program

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## **INTRODUCTION continued**

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### **e-HELP DESK**

Call the e-Help Desk for the following:

- Transmission problems
- Reject Codes
- Status of Processing
- If you need another Test ETIN while filing production

If you need your Acknowledgment (ACK) File “re-hung” because it appears that you did not receive it. **(Contact your software developer to make sure that the software is looking for and capable of parsing out each ACK File for a transmission when multiple ACK Files are picked up).**

**The e-Help Desk number is 1-866-255-0654.**

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## SECTION 2

### GENERAL INFORMATION

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#### FORM 1065

Form 1065, U. S Return of Partnership Income, is an information return used to report income, deductions, gains, losses, etc., from the operation of a partnership. A partnership does not pay tax on its income but “passes through” any profits or losses to its partners. Partners must include partnership items on their tax returns.

**EXCEPTION:** Publicly Traded Partnerships: Some partnership identified as a “Publicly Traded Partnership” have elected per IR Notice 98-3 to pay a 3.5% tax pursuant to 7704(g) of the Internal Revenue Code. The Election needed to be filed and approved by April 14, 1998 Only the Publicly Traded Partnerships that made the election should enter their tax as follows:

1. Identify their return by placing an “X” in the Publicly Traded Partnership Field Indicator (Field #0544). **(See Publication 1525, Form 1065 Record Layout):**
2. Enter the 3.5% tax due on Line 22 of Form 1065 (Field #0545) **(See Publication 1525, Form 1065 Record Layout): and**
3. Use Field #0547 for 3.5% tax computation attachment.

Common Trust Fund Returns may file their return using the partnership income tax form, Form 1065. However, the Common Trust Fund returns are not subject to the mandatory electronic filing requirement of Section 6011(e) of the Internal Revenue Code. **(See Section 5, Exclusion, for additional information on Common Trust Fund Returns).**

#### WHO MUST e-FILE

Section 1224, of the Taxpayer Relief Act of 1997, requires partnerships with more than 100 partners (Schedules K-1) to file their return on magnetic media (electronically as prescribed by the IRS Commissioner). This law became effective for partnership returns with taxable years ending on or after December 31, 2000.

Partnerships with 100 or less partners (Schedules K-1) may voluntarily file their return electronically.

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## **GENERAL INFORMATION – continued**

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### **WHEN TO FILE**

Generally, a domestic partnership must file Form 1065 by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the date its tax year ended as shown at the top of Form 1065. For partnerships that keep their records and books of account outside the United States and Puerto Rico, an extension of time to file and pay is granted on the 15<sup>th</sup> day of the 6<sup>th</sup> month following the close of the tax year.

### **METHOD OF FILING**

**Non-encrypted options for IRS e-file program participants who transmit directly to the Electronic Management System (EMS) has been discontinued.**

Internal Revenue Service has provided the ability for IRS e-file Program participants who transmit directly to the Electronic Management System (EMS), to use only IRS approved encryption methods beginning with the 2006 Filing Season.

This information pertains to IRS e-file software developers who currently prepare software packages for direct dial-up transmission to the IRS e-file EMS sites for individual and business electronic returns and electronic tax documents, for states participating in the IRS federal/state e-file, and also transmitters who have dedicated lease lines.

All trading partners (transmitters) who directly transmit to the IRS EMS must use either the IRS internet solution or they must purchase and install in IRS Facilities Federal Information Processing Standard (FIPS)-compliant and IRS approved encrypted dedicated leased lines.

All electronic Forms 1065 must be transmitted to the Enterprise Computing Center (ECC) in Memphis, TN.

**NOTE: The Form 1065, Schedule K-1 and related forms and schedules must be transmitted together as a complete file.**

## GENERAL INFORMATION - continued

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### PERIOD COVERED

Form 1065 is an information return for Calendar Year 2006 and Fiscal Years beginning in 2006 and ending in 2007. If the return is for a Fiscal Year or Short Tax Year, the tax year should be completed on the Form 1065 Record Layout.

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### 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 and expenses. The tax years you can use are:

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

You adopt a tax year when you file your first income tax return. You must adopt your first tax year by the due date (not including extensions) for filing a return for that year.

The due date for a partnership return is the 15<sup>th</sup> day of the 4th month after the end of the tax year.

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### CALENDAR YEAR

A Calendar Year is 12 consecutive months beginning January and ending December 31.

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### FISCAL YEAR

A Fiscal Year is 12 consecutive months ending on the last day of any month **except** December. If you adopt a fiscal year, you must maintain your books and records and report your income and expenses during the same tax year.

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### INITIAL RETURNS

Initial returns may be for a short period or for a full 12 months.

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## GENERAL INFORMATION - continued

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### 52-53 WEEK TAX YEAR

The 52-53 Week Rule only applies to Fiscal Year returns.

You can elect to use a 52-53-week tax year if you keep your books and report your income and expenses on that basis. If you make this election, your 52-53-week tax year must always end on the same day of the week. Your 52-53-week tax year must always end on:

- Whatever date this same day of the week last occurs in a calendar month, or
- Whatever date this same day of the week falls that is nearest to the last day of the calendar month.

For example, if you elect a tax year that always ends on the last Monday in March, your 2006 tax year will end on March 26, 2007. If you elect a tax year ending on the Thursday nearest to the end of April, your 2006 tax year will end on April 26, 2007.

To make the election, attach a statement with the following information to your tax return for the 52-53-week tax year.

1. The month in which the new 52-53-week tax year ends.
2. The day of the week on which the tax year always ends.
3. The date the tax year ends. It can be either of the following dates on which the chosen day.
  - Last occurs in the month in (1), above, or
  - Occurs nearest to the last day of the month in (1), above.

**See Publication 538 for additional information.**

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### AMENDED RETURNS

The current 1065 e-file Program **does not** accept amended returns electronically. To correct an error(s) on a Form 1065 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 partnership would normally file their paper return.

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## GENERAL INFORMATION - continued

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### 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.

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### PROGRAMMING

This includes selected schedules, forms or documents required by the IRS and supported by this program, in addition to supporting material, voluntarily provided by the partnership or the participant on paper, Schedules K-1, (Forms 1065 and 8865) Partner's Share of Income, Deductions, Credits, etc.

File specifications, validation criteria, reject codes, record layouts and form/schedule line references that are needed by participants are provided in the following publications for Tax Year 2006:

- **Publication 1525**, File Specifications, Validation Criteria and Record Layouts for the 1065 e-file Program, U.S. Return of Partnership Income
  - **Publication 3416**, Electronic Filing of Form 1065, U.S. Return of Partnership Income (Publication 1525 Supplement)
-



## **GENERAL INFORMATION - continued**

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### **PROCESSING**

The 1065 e-file Program accepts and processes the following calendar and fiscal year endings:

- **Calendar Year Returns** – Partnerships with a Calendar Year return and a tax period ending December 31, 2006.

**Example:** Tax Year 2006 Calendar Year beginning January 1, 2006 and ending December 31, 2006, the return is due April 15, 2007.

**NOTE:** For Calendar Year returns the Tax Period Beginning and Tax Period Ending should not be entered on Form 1065, record layout fields #0010 and #0020.

- **Final Calendar Year Returns** – Partnerships with a Final Calendar Year return and a tax period ending October, November or December 2006.

**NOTE:** A Final Calendar Year return with a tax period ending on or before September 30, 2006 can not be filed electronically.

- **Fiscal Year Returns** – Partnerships with a Fiscal Year return and a tax period ending in January through June 30, 2007.

**Example:**

- 1) Tax Year 2006 return beginning February 1, 2006 and ending January 31, 2007 the return is due May 15, 2007.
- 2) Tax Year 2006 return beginning July 1, 2006 and ending June 30, 2007, the return is due October 15, 2007.

**NOTE:** The Tax Period Beginning and Tax Period Ending do not have to be the first or last day of the month.

**NOTE:** A Fiscal Year ending after June 30, 2007 can not be filed electronically.

**No extensions are granted/approved for Short Period/Final or Fiscal Year Returns with a tax period ending June through December 2007.**

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## SECTION 3

### TYPES OF PARTICIPANTS

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#### TYPES 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 partnership or IRS:

- **PARTNERSHIPS:** Develop software and/or transmit electronic return data containing Form 1065, Schedules K-1 and related forms and schedules. It is the responsibility of the partnership to ensure that the return is transmitted to the Enterprise Computing Center.
  - **PAID PREPARER:** A firm, organization, or individual who:
    - deals directly with the partnership from which the return is due;
    - prepares a return or collects return data for purposes of having electronic records of the Form 1065, Schedules K-1 and related forms and schedules produced; or collects a prepared return for purposes of having electronic records of Forms 1065, Schedules K-1 and related forms and schedules prepared; and
    - obtains the partnership signature on Form 8453-P (**See Section 11 for Form 8453-P Procedures**)
  - **TRANSMITTER:** Receives Form 1065 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 1065 return, Schedules K-1 and related forms and schedules according to IRS specification for electronic filing; or
    - transmit the Form 1065 return and the electronic records for Schedules K-1 and related forms and schedules directly to IRS.
-

## **TYPES OF PARTICIPANTS - continued**

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**ELECTRONIC RETURN ORIGINATOR (ERO):** An Authorized IRS e-file Provider that originates the electronic submission of 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:** If the ERO is functioning as a transmitter and did not prepare the return, the ERO does not need to provide the SSN or PTIN on the Form 8453-P.

**NOTE:** Refer to Publication 3112 for additional information pertaining to ERO's.

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## SECTION 4

### COMPOSITION OF THE RETURN

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#### TAX RETURN DATA

U.S. Return of Partnership Income, Form 1065, for electronic filing consists of tax return data transmitted to the IRS using electronic transmission with the required paper documents, such as signature documents prepared by third parties, etc. The tax return must contain the same information as a return filed on paper. The following forms and schedules must be filed electronically with the 1065 Return and **cannot be attached to Form 8453P**, unless otherwise specified in Section 11 under 8453-P Procedures.

ACCEPTABLE FORMS AND SCHEDULES	FORMS
Form T	Forest Activities Schedule
Form 970	Application to Use LIFO Inventory Method
Form 982	Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)
Form 3468	Investment Credit
Form 4255	Recapture of Investment Credit
Form 4562	Depreciation and Amortization
Form 4684	Casualties and Thefts
Form 4797	Sales of Business Property
Form 5471	Information Return of U.S. Persons With Respect To Foreign Corporations
Form 5713	International Boycott Report
Form 5884	Work Opportunity Credit
Form 5884A	Hurricane Katrina Employee Retention Credit
Form 6252	Installment Sale Income
Form 6478	Credit for Alcohol Used as Fuel
Form 6765	Credit for Increasing Research Activities
Form 6781	Gains and Losses From Section 1256 Contracts and Straddles
Form 8082	Notice of Inconsistent Treatment or Amended Return
Form 8271	Investor Reporting of Tax Shelter Registration Number
Form 8275	Disclosure Statement
Form 8275R	Regulation Disclosure Statement
Form 8283	Noncash Charitable Contributions
Form 8308	Report of a Sale or Exchange of Certain Partnership Interests
Form 8586	Low-Income Housing Credit
Form 8594	Asset Acquisition Statement
Form 8609A	Annual Statement for Low Income Housing Credit
Form 8611	Recapture of Low-Income Housing Credit
Form 8621	Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund
Form 8697	Interest Computation Under the Look-Back Method for Complete Partnership Withholding Tax Payment (Section 1446)
Form 8820	Orphan Drug Credit
Form 8824	Like-Kind Exchanges

**ACCEPTABLE  
FORMS AND  
SCHEDULES**

Form 8825	Rental Real Estate Income and Expenses of a Partnership or an S CorporationT
Form 8826	Disabled Access Credit
Form 8832	Entity Classification Election
Form 8834	Qualified Electric Vehicle Credit
Form 8835	Renewable Electricity Production Credit
Form 8844	Empowerment Zone Employment Credit
Form 8845	Indian Employment Credit
Form 8846	Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
Form 8847	Credit for Contributions to Selected Community Development Corporations
Form 8861	Welfare to Work Credit
Form 8864	Bio-diesel and Renewable Diesel Fuels Credit
Form 8865	Return of U.S. Persons With Respect to Certain Foreign Partnerships
Form 8866	Interest Computation Under the Look-back Method for Property Depreciation Under the Income Forecast Method
Form 8873	Extraterritorial Income Exclusion
Form 8874	New Markets Credit
Form 8881	Credit for Small Employer Pension Plan and Startup Costs
Form 8882	Credit for Employer Provided Childcare Facilities and Services
Form 8886	Reportable Transaction Disclosure Statement
Form 8896	Low Sulfur Diesel Fuel Production Credit
Form 8913	Credit for Federal Telephone Excise Tax
Form 8916-A	Reconciliation of Cost of Goods Sold Reported on Schedule M-3

## **SCHEDULES**

Schedule A	Form 5713	International Boycott Factor (Section 999 (c) (1)) (5713)
Schedule B	Form 5713	Specifically Attributable Taxes and Income (Section 999 (c) (2))
Schedule C	Form 5713	Tax Effect of the International Boycott Provisions
Schedule D	Form 1065	Capital Gains and Losses
Schedule F	Form 1040	Farm Income and Expenses
Schedule J	Form 5471	Accumulated Earnings and Profits (E&P) of Controlled Foreign Corporation
Schedule K-1	Form 1065	Partner's Share of Income, Credits, Deductions, etc.
Schedule K-1	Form 8865	Partner's Share of Income, Credits, Deductions, etc.
Schedule M	Form 5471	Transactions Between Controlled Foreign Corporation and Shareholders or Other Related Persons
Schedule M-3	Form 1065	Net Income (Loss) Reconciliation for Certain Partnerships
Schedule N	Form 5471	Return of Officers, Directors and 10% or More Shareholders of a Foreign Personal Holding Company
Schedule O	Form 5471	Organization or Reorganization of Foreign Corporation and Acquisitions and Dispositions of Its Stock
Schedule O	Form 8865	Acquisitions and Dispositions of Its Stock Transfer of Property to a Foreign Partnership
Schedule P	Form 8865	Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership.

## COMPOSITION OF THE RETURN - continued

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### TYPES OF RECORDS

The following are data records that can be transmitted electronically with the 1065 return and associated forms and schedules:

- **Statement Record** – Statement Records are only used when the number of data items exceeds the number that can be contained in the blank provided on the printed form or schedule. Data must be provided in a separate Statement Record. A Statement Record can be required to explain certain entries on a form or schedule.
- **Preparer Note Record** – The Preparer Note Record is to provide additional voluntary information related to the return but not required to be attached to the return.
- **Election Explanation Record** – The Election Explanation Record can be used when the taxpayer makes an election for certain tax treatment, status, exception or exemption based on an instruction for the tax form or in a related tax publication when there is no official IRS form designed for that purpose.
- **Regulatory Explanation Record** – The Regulatory Explanation Record can be used when the taxpayer cites a specific regulation for certain tax treatment, status, exception or exemption when there is no official IRS form designed for that purpose.
- **Summary Record** – The Summary Record or Schedule K-1 Summary Record will contain filer identification data, counts of the schedules, forms and statements included in one return, and indicators for paper documents attached to Form 8453-P.
- **Recap Record** – The Recap Record cross-references the transmitter's information from the first record of the Transmission Record. It contains a field that specifies the Total Return count for all the records submitted within the transmission.

**NOTE:** See Publication 1525, Section 3, for additional information on the Types of Records that can be filed electronically.

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## COMPOSITION OF THE RETURN - continued

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### THE PAPER PART OF THE RETURN

Form 8453-P, U.S. Partnership Declaration and Signature for Electronic Filing is the paper document required when filing the Form 1065 return electronically.

Paper attachments for the return will include tax forms other than the Form 1065 that require a signature(s) and other supporting documentation. These items must be attached to the signed Form 8453-P. They include other forms or documents that are:

- not required by the IRS and are voluntarily included by the partnership or the participant as supporting material;
- non IRS forms or schedules;
- in excess of the 999 pages, 50 lines per page limit that is allowed for Schedule K-1 statements and statements for all other forms and schedules, **Example:** Disclosure Statements
- not covered in this section, under “Acceptable Forms and Schedules” **Example:** **Form 8858**, Information Return of U.S. Persons with Respect to Foreign Disregarded Entities; **Form 8893**, Election of Partnership Level Tax Treatment, **Form 3115**, Application for Change in Accounting Method, **Form 8716**, Election To Have a Tax Year Other Than a Required Tax Year

**Form 5471**, Information Return of U.S. Persons with Respect to Certain Foreign Corporations, Page 4, Schedule G, Question 3 pertains to Form 8858. However, Form 8858 is not accepted electronically.

If you answer yes to Question 3 you must attach a statement to indicate Form 8858 will be attached to Form 8453-P and mailed to the IRS. If you are not required to file Form 8858 the information requested on Question 3 must be included in a statement (See Form 5471 Instructions for more details).

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## **COMPOSITION OF THE RETURN - continued**

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**NOTE:** If Form 3115 and Form 8716 are attached to the Form 8453-P, a copy of the Forms 3115 and 8716 must be mailed to the IRS Philadelphia Submission Processing Center (PSC) because of the signature requirement. See the paper instructions for each form under, Where to File, for the mailing address.

**NOTE: Form 7004** Application for Automatic 6 month Extension of Time to File certain Business Income Tax, Information, and other Returns, **should not** be attached to Form 8453-P. To ensure timely processing, the form may be filed electronically or the complete form should be mailed separately to OSPC by the regular due date of the return or the extended due date if a previous extension was granted.

**NOTE: If filed electronically, a copy of Form 5713 and its related schedules, and Form 8832 must be mailed to the IRS Philadelphia Submission Processing Center. See the paper instructions for each form under, Where to File, for the mailing address. (See Sections 4 and 11 for additional information regarding Form 8453-P)**

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## SECTION 5

### EXCLUSIONS

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#### **ENTIRE RETURN**

The current 1065 e-file Program does not accept and process all partnership return types. Therefore, the following partnership returns are excluded from the electronic filing mandate requirement:

- Amended returns;
- Calendar Year returns (January-December) ending prior to December 31, 2006.
- Returns with Powers of Attorney (POA), and the IRS does not have a POA on file. In order to file electronically, the POA should be filed (mailed) prior to the transmission of the electronically filed return. Failure to file the POA and subsequent rejection of the return will not relieve the partnership of its filing requirement, if it is required to file. Partnerships required to file under IRC Section 6011(e) (2) that fail to do so can be assessed a penalty under IRC Section 6721.

**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.**

- Returns filed under Sections 6020(b), of the Internal Revenue Code;
-

## **EXCLUSIONS - continued**

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**ENTIRE RETURN** Excluded from the electronic filing mandate requirement:

- Common Trust Fund Returns;

**NOTE:** Common Trust Funds may file their returns using the partnership income tax form (Form 1065). However, Common Trust Funds are not subject to the mandatory electronic filing requirement of Section 6011(e) of the Internal Revenue Code. Since Common Trust Funds may use Form 1065 to make a return of income, they **may voluntarily file their Form 1065 electronically. (See Publication 1525, 1065 Record Layout, Field #0195, to indicate if return is a Common Trust Fund Return)**

- Form 1065-B, Returns;
- Calendar Year Final Returns;

**NOTE:** The filing requirement for a partnership filing a Final Return is to file the return in the year in which the partnership terminates or discontinues. The current 1065 e-file Program only allows one tax year to be processed at a time. **Example:** Tax Year 2006 returns are processed during Calendar Year 2007. Therefore, a partnership that terminates during Calendar Year 2007 is excluded from the electronic filing mandate requirement. In this instance, the Final Return must be filed on paper using the current Form 1065 for Tax Year 2006. However, partnerships with **a Calendar Year Final return with a tax period ending October, November or December 2006 may voluntarily file their return electronically.**

**A Final Calendar Year return with a tax period ending on or before September 30, 2006 cannot be filed electronically.**

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## **EXCLUSIONS - continued**

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- Fiscal Year Partnership Returns;
- Fiscal Year Short Period Returns;
- Fiscal Year Final Returns;

**NOTE:** Partnerships with a Fiscal Year Return, Short Period Return ending on a month prior to December 31, or Fiscal Year Final Return are not required to file their return electronically. However, partnerships with **any type of Fiscal Year Return with a tax period ending on or before June 30, 2007 (January 2007 – June 2007) may voluntarily file their return electronically.**

No extensions are granted / approved for Fiscal Year returns with a tax period ending June through December 2007.

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## SECTION 6

### **PENALTY AND WAIVER INFORMATION**

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#### **FAILURE TO FILE PENALTIES**

Section 1224 of the Taxpayer Relief Act of 1997 requires partnerships with more than 100 partners (Schedules K-1) to file their return on magnetic media (electronically as prescribed by the Commissioner of the Internal Revenue Service). Final regulations under IRC 6011(e) provide for a penalty to be assessed for partnerships that meet the requirement and fail to file their return electronically for tax year's ending December 31, 2000 and subsequent years. A partnership, based on the number of partners, may incur a penalty for not using the correct media for filing the return. The penalty is \$50.00 per partner (Schedule K-1) over 100 filed on paper.

Partnership returns filed electronically may be liable for failure to file penalties due to missing, incomplete or unsigned signature forms. In addition, a partnership may incur a penalty for failure to file a timely return if the return is filed after the due date and without a valid extension on file. The penalty is \$50.00 per month up to 5 months. The maximum is \$250.00 per partner.

**NOTE: A partnership that attempts to transmit their Form 1065 return electronically after October 20, 2007 (See "Due Dates" under Section 9) is still subject to the failure to file electronically penalty.**

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#### **WAIVER INFORMATION**

Section 301.6011-3(b) of the regulations permits the IRS Commissioner to waive the electronic filing requirement if a partnership demonstrates that a hardship would result if it were required to file its return electronically. Partnerships interested in requesting a waiver of the mandatory electronic filing requirement must file a written request. Request should be mailed to the Ogden Submission Processing Center (OSPC). Request from the partnership's tax advisor/preparer must be accompanied by a valid Power of Attorney. Waiver request must be filed with the OSPC during one of the following periods:

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## **PENALTY AND WAIVER INFORMATION – continued**

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- For returns due April 15, 2007 and Form 7004, Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns has not been filed with the IRS, the Waiver Request must be filed between January 15, 2007 and March 1, 2007.
- For returns due October 15, 2007 and Form 7004 has been filed and approved by the IRS, the Waiver Request must be filed between January 15, 2007 and September 15, 2007.

Contact OSPC at 1-866-255-0654 if you have questions regarding the waiver criteria.

All waiver requests and request for penalty abatement should be mailed to the following address if using the U.S. Postal Service:

Internal Revenue Service  
Ogden Submission Processing Center  
**e-file** Team, Mail Stop 1057  
Ogden, UT 84201

If sending information through a vendor other than the U.S. Postal Service, Contact OSPC at 1-866-255-0654 (Toll-free Number) for the mailing address.

**NOTE: A Waiver Request should not be attached to the partnership's paper tax return.**

**NOTE: An Extension to File Request should not be attached to the waiver request.**

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## **SECTION 7**

### **ACKNOWLEDGMENT (ACK) PROCESS**

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#### **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.

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#### **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.

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#### **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 1065 and related forms and schedules. The file provides the reject code numbers for up to 96 errors per return.

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**PROBLEMS  
AFTER  
TRANSMISSIONS**

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.
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## SECTION 8

### APPLICATION AND ENTITY REVIEW

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#### FORM 8633 APPLICATION

The first step to participate in the program is to register on-line for e-Services. Use e-Services to complete and submit an electronic application, Form 8633, Application to Participate in the IRS e-file Program, or mail the paper version of the application to the address of the IRS Andover Submission Processing Center (ANSPC). See “**Where to File**” for the mailing address. Form 8633 has been revised for filers to apply to be an authorized e-file provider for the Individual or any of the Business e-file Programs. Registration for e-Services is required of all participants before the electronic application (Form 8633) can be submitted via the Register User Portal. All paper versions of Form 8633 should be mailed to the IRS Andover Submission Processing Center (ANSPC).

---

#### WHO MUST FILE Form 8633

New applicants (Paid Preparers, Electronic Return Originators, Software Developers and Transmitters) and current participants who were previously accepted into the 1065 e-file Program by completing Form 9041 application **must** complete and submit the revised Form 8633.

**NOTE: If you are a 1040 e-file participant and currently have a Form 8633 on file, you must submit a new Form 8633 and indicate that you intend to file Form 1065 return electronically.**

---

#### WHEN TO FILE

Form 8633 applications are accepted all year for Individual and Business e-file Programs. This allows individual and business e-file applicants the opportunity to apply to participate in the e-file Program at any given time. To ensure the application is processed timely, the IRS should receive Form 8633 at least 45 calendar days prior to the date the entity intends to transmit returns electronically.

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#### REVISIONS TO FORM 8633

Participants must notify the IRS within 30 days of any changes to the information initially submitted on their application to participate in the 1065 e-file Program. A Principal, Responsible Official or a Delegate of the firm may revise the firm’s application electronically. If the firm’s address or other information on the application is not up to date on the IRS database, participants may not receive important letters, credential, publications or promotional material.

**NOTE: Refer to Publication 3112 for additional information concerning submitting and revising Form 8633.**

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## **APPLICATION AND ENTITY REVIEW, continued**

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**WHERE TO FILE** Form 8633 paper applications should be mailed to the Andover Submission Processing Center (ANSPC) as follows:

### **Daytime Mailing Address**

Internal Revenue Service  
Andover Campus  
Attn: EFU Acceptance  
Testing Stop 983  
P.O. Box 4099  
Woburn, MA 01888-4099

### **Overnight Mailing Address**

Internal Revenue Service  
Andover Campus  
Attn: EFU Acceptance  
Testing Stop 983  
310 Lowell Street  
Andover, MA 01810-0001

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### **FORM 8633 ACCEPTANCE**

Once the application has been reviewed, ANSPC will automatically mail a letter to each applicant informing them of their Electronic Transmitter Identification Number (ETIN), Electronic Filing Identification Number (EFIN) and temporary password that is needed to logon and transmit test data for the new filing season.

**NOTE: All partnerships are required to file an application to obtain an Electronic Filing Identification Number (EFIN) unless they are using an on-line program or a third party agrees to use their EFIN to transmit the return.**

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### **WHO TO CONTACT**

If you have a question regarding the application process, call ASPC at 1-866-255-0654 (toll free). All foreign callers should call 01- 512-416-7750 (not toll free).

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## **APPLICATION AND ENTITY REVIEW continued**

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**ENTITY REVIEW PROCESS** Participants must ensure that entity information submitted on the Form 8633 is correct. Entity information includes the name, address and 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.

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## SECTION 9

# BUSINESS ACCEPTANCE TESTING SYSTEM (BATS) AND ACCEPTANCE PROCEDURES

### BUSINESS ACCEPTANCE TESTING SYSTEM (BATS)

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Business Acceptance Testing System (BATS) is **mandatory and required each year** for all participants who develop software and/or intend to transmit returns, (including partnerships that transmit their own return). The purpose of testing is to ensure that IRS can receive and process the electronic return(s). **In preparation for processing Tax Year 2006 Partnership Returns electronically, the IRS will begin accepting test returns (scenarios) December 4, 2006.**

After review of the Form 8633 application, the IRS will assign an Electronic Transmitter Identification Number (ETIN), Electronic Filing Identification Number (EFIN) and a temporary password to each applicant. The ETIN will only be assigned if transmitting return(s). The ETIN and test password will be used to logon and transmit test data. Participants can use the same EFIN for individual and/or business returns they intend to file electronically.

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

All transmitters will be required to create a new password for their particular ETIN the first time a login to the Electronic Management System is initiated on or about December 4, 2006, the beginning of BATS testing. Transmitters will use their current password for this login. This includes new transmitters who receive their initial password in the mail, and any transmitter transmitting test or production returns at that time.

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## **BUSINESS ACCEPTANCE TESTING SYSTEMS (BATS) AND ACCEPTANCE PROCEDURES - continued**

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Transmitters will subsequently be required to change their passwords upon login on or after 90 days have elapsed since their last password change. A lost, forgotten or compromised password will require a call by the transmitter to the e-Help Desk to initiate an e-Case for referral to an EMS Assistant to reset the password.

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. See Section 9, Test Scenarios.**

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**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 (toll-free number).

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**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 1065, Schedules D and Schedule K-1; IRS will authorize the applicant to file these records only.

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## **BUSINESS ACCEPTANCE TESTING SYSTEMS (BATS) AND ACCEPTANCE PROCEDURES continued**

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After software developers have successfully completed BATS scenarios, their software will be approved. Transmitters must use accepted software and 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.

**NOTE: Contact Ogden Submission Processing Center to schedule.**

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### **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 8, Page under Testing Requirements for Transmitters. Software developer's submission of test files:

- Form 1065 electronic transmission test will consist of at least two transmissions of return data in one day. The test transmissions should equal 20 returns. 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.
-

## **BUSINESS ACCEPTANCE TESTING SYSTEM (BATS) AND ACCEPTANCE PROCEDURES – continued**

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- 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.
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### **ACCEPTANCE PROCEDURES**

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 a password for transmitting live data, 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.

### **TEST SCENARIOS**

You are required to transmit test scenarios using the Form 1065 return, Schedule K-1, and forms and schedules associated with the 1065 return. A test file consisting of at least ten (10) returns, but not more than twenty (20), with the related forms, schedules and attachments must be transmitted.

The testing requirements listed below are based on system changes as well as tax form (record layouts) and validation criteria changes for Tax Year 2006. Some of the testing requirements are optional. If any of the below criteria fall with the scope of the type of tax return you prepare for you or your clients, it is highly recommended that test scenarios be developed with the requirements provided below.

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## **BUSINESS ACCEPTANCE TESTING SYSTEM (BATS) AND ACCEPTANCE PROCEDURES - continued**

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1. If you plan to prepare returns claiming a Telephone Excise Tax credit, create a scenario to test a 1065 return with new Form 8913.
  2. Several tax forms have changed for Tax Year 2006. If any of the following forms are within the scope of returns you prepare create scenarios to test a 1065 return with the following forms:
    - 3468, 5884, 5884-A, 6478, 8820, 8824, 8826, 8835, 8844, 8846, 8847, 8864, 8881, 8882 and 8886
  3. If any of the following new Reject Codes are within the scope of returns you prepare, create a scenario to test the Reject Code(s) as applicable. See Publication 1525 for additional information regarding Reject Codes.
    - 205, 255, 268, 271, 345, 346, 450, 459, 467, 510, 516, 517, 534, 535, 660, 661, 664, 712, 936, 937, 938 and 939
  4. If foreign addresses are with the scope of returns you prepare, create a scenario to test the addition of the new Foreign Address fields, Field #0064, Field #0065 and Field 0085 added to the 1065 record layout, to allow returns with foreign addresses to be filed electronically.
  5. If new Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for certain Partnerships and New Form 8916-A, (Reconciliation of Cost of Goods Sold Reported on Schedule M-3, is within the scope of returns you plan to prepare, create a scenario to test a 1065 return with the new Schedule M-3 (Form 1065) and new Form 8916-A.
  6. If new Form 8913, (Credit for Federal Telephone Excise Tax), is within the scope of returns you plan to prepare, create a scenario to test a 1065 return with the new Form 8913.
-



## **BUSINESS ACCEPTANCE TESTING SYSTEM (BATS) AND ACCEPTANCE PROCEDURES**

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7. Create scenarios to test the following most common reject codes:

<u>Description</u>	<u>Reject Code</u>
If the Tax Period (Field #0005) Form 1065, Page 1, is not within the valid range and not a final return.	200
Identifying number (Field#0200) on the Sch K-1 (form 1065).	300
The first Name Line (Field#0060, Field 0210) on the Sch K-1 (Form 1065).	308
The City Fields (#0100, #0250) or (#0110, #0260) on the Sch K-1 (Form 1065).	332
The Zip Code (Field #0140, Field #0290) on Sch K-1 (Form 1065).	342
If there are not at least 2 Sch K-1 (Form 1065) records within a return.	344
EIN on Form 1065 (field #0003) Partnership's EIN, Sch K-1 (Form 1065) (Form 1065) field #0003 (Partnership's EIN) and #0200 (Partner's EIN) cannot contain all the same numbers.	404
Duplicate returns.	414
The Form 1065 Date (Field #0010, #0020, #0675, #1065, #1705) must be in the valid format and fall within the valid range.	424

## **BUSINESS ACCEPTANCE TESTING SYSTEM (BATS) AND ACCEPTANCE PROCEDURES continued**

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Zip Code for Form 1065, Sch K-1 (Form 1065) and Sch K-1 (Form 8865) must be valid and must be a valid State/Zip Code combination.	426
If certain Field(s) of Form 1065 contains a significant entry, then the corresponding Field must contain "STM nnn."	440
If certain Field(s) of Sch K-1 (Form 1065) record contains a significant entry, then the corresponding Field must contain "STM099."	444
If a Statement Record is present there must be a corresponding "STMnnn" reference.	700
The Schedule K-1 sequence number (Field #0020) on the Statement Record must be equal to the Schedule Occurrence Number (Field #0005) on corresponding Sch K-1.	703
The line number (Field #0010 on the Statement Record must be in consecutive ascending numeric sequence starting with on and incremented by one.	708

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## SECTION 10

### FILING REQUIREMENTS AND RESPONSIBILITIES

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#### 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.

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#### INTEGRITY AND ACCURACY

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

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#### 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 the following publications for Tax Year 2006:

- **Publication 1524** - Procedures for the 1065 e-file Program, U.S. Return of Partnership Income
  - **Publication 1525** – File Specifications, Validation Criteria and Record Layouts for the 1065 e-file Program, U.S. Return of Partnership Income
  - **Publication 3416** - Electronic Filing of Form 1065, U.S. Return of Partnership Income (Publication 1525 Supplement)
- 

#### SECURITY

Participants are responsible for the security of all transmitted data.

## **FILING REQUIREMENTS AND RESPONSIBILITIES - continued**

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### **TRANSMITTING THE RETURN**

Partnership returns that are transmitted electronically must have the Form 8453-P mailed within three (3) business days after the return is accepted. The Form 8453-P must not be mailed for those returns that are rejected or identified as duplicates. The partnership must ensure that the Form 8453-P is completed, signed, and that required forms, schedules, and other items are attached before mailing the form to the IRS.

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### **START-UP DATE**

**Effective January 22, 2007**, the IRS will begin to accept and process Tax Year 2006 partnership returns. Participants (Transmitters) must contact the Ogden Submission Processing Center to inform them of when they intend to begin transmitting Form 1065 returns, Schedules K-1 and related forms and schedules electronically. IRS will not accept live return data before the start-up date (January 22).

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### **DRAIN TIMES**

#### **January 22, 2007 – April 30, 2007**

One (1) Drain - 10:00 am Central Time, Monday – Friday

#### **May 1, 2007 – October 20, 2007**

Two (2) Drains – 10:00 am and 11:00 pm Central Time  
Monday – Saturday

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### **REQUIRED CONSISTENCY TESTS**

The electronic data must meet all the consistency tests required as specified in this publication and Publication 1525.

The partnership or paid preparer must correct the return data prior to transmitting the return to the IRS. If the transmitter corrects any material, he/she becomes the preparer as explained in **Section 3**.

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### **REQUIREMENTS FOR SOFTWARE DEVELOPERS**

In addition to the requirements outlined in Section 9, 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.
-

## **FILING REQUIREMENTS AND RESPONSIBILITIES - continued**

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### **DUE DATES**

Participants must be aware of and adhere to the following dates when transmitting partnership returns electronically:

- **December 4, 2006** is the date to begin BATS transmitting test scenarios.
- **January 22, 2007** is the date to begin transmitting live 1065 e-file returns for Tax Year 2006.
- **April 15, 2007** is the due date for electronic filing of Form 1065 partnership return, and is the same due date as filing a Form 1065 return on paper. This is the last date for transmitting timely filed returns without an approved extension on file.

**NOTE: If April 15<sup>th</sup> falls on a Saturday, Sunday or holiday, the due date of the return is the next business day.**

**On Monday, April 16, 2007 residents of Maine and Massachusetts will celebrate a holiday known as Patriot's Day. If you are a 1065 e-file business taxpayer, software developer and/or transmitter who resides or whose company is located in Maine or Massachusetts, you have an extra day to file your Business Income Tax Return. The filing due date for residents of Maine and Massachusetts ONLY is April 17, 2007.**

- **September 30, 2007** is the last day to transmit test transmissions (scenarios).
- **October 15, 2007** is the last day the IRS will accept initial 1065 e-file returns for Tax Year 2006.

**NOTE: If the last day to file falls on a Saturday, Sunday or holiday, the due date of the return is the next business day.**

- **October 20, 2007** is the last day the IRS will accept retransmissions of corrected Form 1065 returns that were previously transmitted but were rejected.

**NOTE: If the last day to file falls on a Saturday, Sunday or holiday, this will be the due date of the return, and not the next business day.**

## **FILING REQUIREMENTS AND RESPONSIBILITIES - continued**

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- Partnerships that expect to file returns late must complete and mail Form 7004, Application for Automatic 6-Month Extension of Time to File Certain Business Income Tax, Information, and Other Returns, to request the extension of time to file. Form 7004 must be filed on or before the due date of the 1065 return (April 15). Form 7004 may be filed electronically or the completed form should be mailed to the IRS service center where the partnership would normally file their paper Form 1065 return. For Calendar Year and Fiscal Year returns, the extended due date cannot be later than October 15, 2007.

**NOTE: Form 7004 should be mailed separately and not attached to the partnership return.**

**NOTE: Form 7004 replaces request for extension Form 8736 and Form 8800. These forms are now obsolete.**

- From the due date of the return (April 15), transmitters are allowed up to five **(5) workdays to successfully retransmit electronic return data that was timely transmitted, but rejected. The 5 day workdays to retransmit may not always apply to the October 15 extended due date of the return.**
- Transmitters should contact the Ogden Submission Processing Center when the Electronic Acknowledgment contains a reject code for a return/schedule that was not transmitted.
- If IRS has not acknowledged a transmission of Form 1065 returns, Schedules K-1 and other related forms and schedules within two (2) workdays after transmitting the data, the transmitter must immediately contact the Ogden Submission Processing Center. **(See Section 9, Acceptance Procedure).**

**NOTE: Failure to comply will result in late filing penalties.**

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## **FILING REQUIREMENTS AND RESPONSIBILITIES - continued**

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### **ADDRESS CHANGE**

If the partnership changes its address, Form 8822, Change of Address, must be sent to the Ogden Submission Processing Center at the address listed in **Section 12, under Method of Delivery**.

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### **CHANGING ENTRIES ON THE RETURN**

After IRS accepts an electronic return, it cannot be recalled or intercepted in process. If the participant or partnership needs to change any entries after the return has been acknowledged as accepted, an amended or corrected return must be filed. The amended or corrected return cannot be filed electronically. The return must be filed on paper and mailed to the IRS. The amended or corrected return should be mailed to the IRS Center where the partnership would normally file their paper Form 1065 return. **(See Form 1065 instructions for more information)**

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## SECTION 11

### FORM 8453-P, SIGNATURE DOCUMENT

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#### PURPOSE OF FORM 8453-P

The Form 8453-P serves the following purpose:

- authenticates the return;
- provides a transmittal for any associated paper documents that may be stapled to the declaration;
- authorizes the participant to transmit via a third-party transmitter;
- authorizes the transmitter to transmit the return on behalf of the partnership; and
- provides a transmittal for related forms and schedules that require signatures different than the signature that authenticates the return.
- Listed below are forms and schedules associated with the Form 1065 return which can be transmitted electronically. However, because of the signature(s) required on the form or schedule you must also complete and attach a copy of the form and/or schedule to the Form 8453-P.

Forms	Schedules
5713	A (Form 5713)
8283	B (Form 5713)
8832	C (Form 5713)

**NOTE:** Form 8453-P is only needed when filing a partnership return electronically, not when filing a paper return.

**NOTE:** If the ERO is functioning as a transmitter and did not prepare the return, the ERO does not need to provide the SSN or PTIN on the Form 8453-P.

#### REQUIRED SIGNATURES

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The general partner and the paid preparer's signatures are required on Form 8453-P, U. S. Partnership Declaration and Signature for Electronic Filing.

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## **FORM 8453-P, SIGNATURE DOCUMENT - continued**

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All Forms 8453-P **must be signed and mailed within three (3) business days after the acceptance date** of the original electronic transmission.

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**PARTNERSHIP'S AUTHORIZATION** If the electronic filing participant is **not** the partnership, the participant must get the partnership'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-P who is authorized to sign a paper return.

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**MULTIPLE TAX RETURN LISTING** If a partner or representing officer is authorized to sign more than one Form 1065 return, a Multiple Tax Return Listing may be used with Form 8453-P in lieu of sending separate Forms 8453-P. 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 in a landscape layout to display the 9 digit EIN, Name Control, Tax Period, Gross Receipts, Gross Profits, Ordinary Income, Net Income (rental real estate) and Net Income (other rental activities) of the partnership.

A Multiple Tax Return Listing with a maximum of 500 partnerships may be attached to each Form 8453-P. The signature document for multiple returns must include one (1) Form 8453-P signed by the partner or authorized representative.

**NOTE: If attaching a multiple listing of partnerships to the Form 8453-P, please provide the information using a readable font size, such as 12 or higher.**

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**POSTMARK DATE** The package that contains Forms 8453-P must be postmarked within three (3) business days after receiving the Acknowledgement File identifying which returns were accepted.

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## **FORM 8453-P, SIGNATURE DOCUMENT - continued**

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### **ELECTRONIC POSTMARK**

If the electronic postmark is on or before the prescribed filing deadline but the return is transmitted after that filing deadline, the IRS will deem the return to be timely filed based on the electronic postmark date/time supplied by the transmitter. If the electronic postmark is dated after the prescribed filing deadline, the actual date of receipt by the IRS of the electronic return will be considered the filing date for that return. **See Publication 1525, Summary Record, regarding the Electronic Postmark.**

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### **SUBSTITUTE FORM 8453-P**

Participants must use the official Form 8453-P 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  
1111 Constitution Avenue, NW  
Room 6411, IR  
Washington, DC 20224  
Attention: Substitute Forms Program Coordinator

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### **PROBLEMS RELATING TO FORM 8453-P**

The partnership or paid preparer must resolve any problems relating to Form 8453-P. If IRS determines that a Form 8453-P 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-P from the taxpayer. This should be resolved within fifteen (15) days of the IRS request for the form.

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## SECTION 12

### WHERE TO SEND FORM 8453-P AND PAPER ATTACHMENTS

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#### PACKAGING INSTRUCTIONS

The paper Form 8453-P, and any other required paper documents, must be sent to the Ogden Submission Processing Center at the address listed below under "Method of Delivery".

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

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#### SHIPPING AND PACKAGING

Shipping and packaging instructions for electronically filed Form 1065. The sequence of the items in a package must be as follows:

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

**NOTE: Form 7004**, Application for Automatic 6 month Extension of Time to File, certain Business Income Tax Information, and other returns, **should not** be attached and mailed with the Form 8453-P. The form should be mailed to the IRS Center where the filer would normally file their paper Form 1065 return.

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**METHOD OF  
DELIVERY**

Envelopes, packages or cartons containing Form 8453-P 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-P and other paper attachments through a vendor other than the U.S Postal Service, contact OSPC ELF-Unit at 1-866-255-0654 for the mailing address.

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## **WHERE TO SEND FORM 8453-P AND PAPER ATTACHMENTS - continued**

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**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 (October 20, 2007), 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. In order for the return to be filed timely, the entire paper return (including a copy of the ACK FILE) should be mailed within ten (10) workdays from the date the return(s) were rejected electronically. The paper return should be mailed to the IRS Center where the partnership would normally file a paper Form 1065 return.

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## SECTION 13

### BALANCE DUE RETURNS: TAX PAYMENT

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#### **BALANCE DUE RETURNS (PTP)**

Partnership returns identified as Publicly Traded Partnerships (PTP) must pay a tax of 3.5 percent of the gross income for the taxable year from active trades or business conducted by the partnership. PTP returns containing a money amount above Line 22 (Field #0545, Form 1065 Record Layout), Page 1 of Form 1065 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.

#### **PAYMENT METHOD (EFTPS)**

Payments for 1065 e-file returns can be made by using the Electronic Federal Tax Payment System (EFTPS). EFTPS provides the way for business and individual taxpayers to make their Federal tax payment electronically using Electronic Funds Transfers. EFTPS allows taxpayers to make remittances via Personal Computer, telephone or through their financial institution. EFTPS On-line allows access to an internet application to enroll in EFTPS, make remittance, validate payments and view payment history.

#### **QUESTIONS**

Contact an EFTPS Financial Agent at 1-800-555-4477 or 1-800-945-5300 for additional information.

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

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## SECTION 14

### DISTRIBUTION OF COPIES

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#### **PARTICIPANT'S COPY**

The participant (preparer) must keep a copy of the Form 1065 return, Schedules K-1/Form 8308 and Form 8453-P, U.S. Partnership Declaration and Signature for Electronic Filing. The copy of the electronic return may be kept on computer media.

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#### **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.**

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#### **ELECTRONIC ACK**

The participant (Transmitter) should keep a copy of the Electronic Acknowledgment (ACK) (**See Section 7, Acknowledgment Process**) received from the Ogden Submission Processing Center for three (3) months to facilitate inquiries. If the participant is also the paid preparer or the partnership, the normal retention periods for tax return information applies, as specified in the Internal Revenue Code.

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#### **PARTNERSHIP COPIES**

If the participant and the partnership are not the same, the participant must give the partnership a copy of all materials that are described above and filed with IRS for the partnership.

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#### **IRS COPIES**

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

## SECTION 15

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### ADVERTISING STANDARDS

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**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.

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**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.

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## **SECTION 16**

### **SAFEGUARDING THE 1065 e-FILE PROGRAM**

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#### **PROGRAM REQUIREMENTS**

All participants must fulfill program requirements to continue participation in the 1065 e-file Program. Program requirements are included in Revenue Procedure 2000-31, this publication and in other publications and notices that govern the IRS e-file Programs. Adherence to all requirements is expected of all participants regardless of where they are published. Some requirements are specific to the category of the participant and are included in appropriate sections of this publication.

**NOTE: Please refer to Publication 3112 for additional information concerning Program Requirements.**

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#### **MONITORING**

The IRS monitors participants for compliance with the revenue procedures and IRS e-file requirements. Monitoring may include, but is not limited to, reviewing IRS e-file submissions, scrutinizing advertising material, checking Form 8453-P submissions, examining records, observing office procedures and conducting suitability checks. IRS personnel may monitor participants during visits to the participant's offices and other locations where IRS e-file activities are performed. Monitoring visits may be conducted to investigate complaints and to ensure voluntary compliance.

**NOTE: Please refer to Publication 3112 for additional information concerning Monitoring the e-file Program.**

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## **SAFEGUARDING THE 1065 e-FILE PROGRAM - continued**

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### **SANCTIONING**

Violations of IRS e-file requirements may result in warning or sanctioning of the participant. Before sanctioning a participant, the IRS may issue a warning letter that describes specific corrective action for deviations from specific rules. However, sanctioning may be implemented without issuance of a warning letter. Sanctioning may be a written reprimand, suspension or expulsion from the 1065 e-file Program, depending on the seriousness of the infraction. The IRS categorizes the seriousness of infractions as Level One, Level Two and Level Three. Sanctions may be appealed through the Administrative Review process.

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**NOTE: Please refer to Publication 3112 for additional information concerning Sanctioning by the IRS.**

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## **SAFEGUARDING THE 1065 e-FILE PROGRAM - continued**

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### **SUITABILITY**

A check is conducted on all firms and the principals and Responsible Officials of firms when a Form 8633 application is initially processed, and annually thereafter. To maintain the IRS 1065 e-file Program integrity, annual suitability checks are done to determine if:

- All personal income tax returns are filed and timely;
- All business tax returns are filed timely;
- All tax liabilities are paid or appropriately addressed with the Service;
- Penalties have not been assessed; and
- There is evidence of disreputable conduct or other facts that would reflect adversely on the IRS 1065 e-file Program.

**NOTE: Failure to meet any of these checks may result in the participant being sanctioned.**

- The suitability check includes a credit check, a fingerprint card, compliance with tax requirements and meeting state and local licensing and/or bonding requirements for the preparation and collections of tax returns.
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### **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.

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### **QUALITY**

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

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## **SAFEGUARDING THE 1065 e-FILE PROGRAM- continued**

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### **SUSPENSION**

A suspension is a sanction revoking privileges to participate in the IRS 1065 e-file Program. 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-P or incomplete, illegible, altered, missing, or unapproved substitute Forms 8453-P;
- Misrepresentation on the participant's application (Form 8633); and
- Other facts or criteria that would adversely reflect on the electronic filing.

**NOTE: If you were suspended and wish to be reconsidered into the program you will need to reapply by completing Form 8633 application or if you were dropped from the program and would like to continue you also need to reapply. When reapplying, remember to include your previously assigned EFIN.**

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### **COUNSELING**

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

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### **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.

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## **SECTION 17**

### **ADMINISTRATIVE REVIEW**

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#### **DENIAL OF PARTICIPATION**

Applicants and participants who are denied participation have the right to request an administrative review. During the administrative review process, the denial or suspension remains in effect.

In response to the submission of an application, the IRS will either accept an application in the 1065 e-file Program or issue a denial letter explaining the denial of participation. An applicant that receives a denial letter may mail a written response within 30 calendar days from the date of the denial letter. The applicant's response must address the IRS reason(s) for denial and attach any supporting documentation.

Upon receipt of an applicant's written response, the IRS will reconsider its denial of the applicant's participation in the 1065 e-file Program. The denial may either be withdrawn and the applicant accepted into the program, or a second denial letter will be issued. An applicant who receives a second denial letter is entitled to an appeal (See information on Appeals).

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#### **SUSPENSION**

Participants who have been advised of a proposed sanction have the right to an administrative review. If a participant received a letter proposing sanctions, the participant may mail a detailed written explanation with supporting documentation to the IRS within 30 calendar days from the date of the letter proposing sanctions as to why the proposed sanctions should be withdrawn.

Upon receipt of the applicant's written response, the IRS will reconsider its proposed sanction. The IRS may either withdraw its proposed sanction or affirm it by issuing a recommended sanctioning letter. If the participant receives a recommended sanctioning letter affirming the suspension, the participant may appeal (See information on Appeals).

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## **ADMINISTRATIVE REVIEW - continued**

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### **APPEALS**

An applicant who receives a second denial letter or a recommended sanctioning letter affirming suspension is entitled to an appeal, which must be submitted in writing. Requests for administrative review of ineligibility or suspension decisions must be submitted in writing to:

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

#### **Appeal to denial letter**

The appeal must be mailed to the address shown in the second denial letter within 30 days from the date of the denial letter. The applicants written appeal must contain a detailed explanation, with supporting documentation as to why the denial should be reversed. Failure to respond within 30 days beginning with the date of either denial letter irrevocably terminates the applicant's right to an administrative review or appeal. If the application for participation in the 1065 e-file Program is denied, the applicant is ineligible to submit a new application for a period of time specified in the denial letter.

#### **Appeal to suspension**

The appeal must be mailed to the IRS office that issued the recommended sanctioning letter within 30 calendar days from the date of the letter recommending sanctions. The participants written appeal must contain detailed reasons, with supporting documentation, as to why the recommended sanctioning should not be imposed. Failure to respond within 30 days beginning with the date of either the proposed sanctioning letter or the recommended sanctioning letter irrevocably terminates the participants right to an administrative review or an appeal.

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## **SECTION 18**

### **EFFECT ON OTHER DOCUMENTS**

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#### **REVISIONS**

This revision supersedes any version of Publication 1524 previously issued.

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#### **PUBLICATIONS**

**Publication 1525** - File Specifications, Validation Criteria and Record Layouts for the 1065 e-file Program, U.S. Return of Partnership Income for Tax Year 2006;

**Publication 3416** - Electronic Filing of Form 1065, U.S. Return of Partnership Income (Publication 1525 Supplement) for Tax Year 2006.

## **SECTION 19**

### **EFFECTIVE DATE**

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#### **CALENDAR AND FISCAL YEAR RETURNS**

These procedures remain effective for calendar year returns ending December 31, 2006, and fiscal year returns ending January 31 through June 30, 2007.

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