

Meeting Minutes

IRS-ETA: MeF 1040 Fall Fling

Wednesday, September 5, 2007

All Day Event

Attendees:

Resources: Presentation material

Goals

- Identify and address issues
- Help address appropriate solutions for IRS, industry, and taxpayers

Agenda/Outline

- Introductions
- Slide presentation and discussion

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Meeting Introduction

Introductory Presentation – Valerie Gunter

- Presented Goals for today's meeting
 - Identify and address issues
 - Help address appropriate solutions for IRS, industry, and taxpayers
- Outlined challenges encountered with deploying 1040 Forms
 - Volume of taxpayer returns
 - Number of external partners engaged in addressing the solution
 - Deploying 1040 Forms on MeF is a key component to modernize the IRS infrastructure
 - Portal strategy and ability to support volume
- Presented 1040 Executive Council
 - Focus and goals of the Executive Council
 - Mobilize and galvanize support around 1040 as well as gain consensus
 - Focus on broader, non-technical issues such as policy
 - Participants will include representatives from the four stakeholder groups
 - Members have been solicited from the stakeholder groups
 - Identify membership by mid-September
 - Stand up Council in mid-October with kick-off meeting

Introductory Comments – Lee Lawrence

- Theme for the meeting: "We are all in this together!"
- Participant introductions around the table

Presentation of Slide Desk – Lee Lawrence

MeF 1040 Status Update – Slide 4

Forms – Slide 5

- Q: What is volume breakdown associated with forms?
 - Phase I represents 60% - with additional forms, represent potentially 70%
 - Testing is scheduled to begin May/June 2009. Production is scheduled to begin August 2009.
 - ETA working with Counsel to determine if we can use an indicator with the 1040 schema to electronically file a 1040A or 1040EZ on a 1040.
- Q: What about considerations concerning other forms, particularly shared forms from deployed solution?
 - Determined that even though they were shared forms, volume did not justify their inclusion

- Q: Have heard that 1040A is going away. What is status? IRS is considering the Schedule O which will replace the Form 1040A but no decision has been made.
 - Have been pushing for a decision
- Do additional forms represent an all or nothing approach?
 - No, but IRS would desire all
- Q: Why was Form 8901 not included?
 - Because it is not always required; Volume did not necessitate its inclusion
- Is there a priority associated with the additional forms?
 - Not at this time

Functionality – Slide 6

- Fiscal Year Returns – Do we really need it? What are your responses?
 - “Very rare”: not considered core functionality in filing software; therefore not needed by stakeholders
- Amended returns will be submitted with a ‘box check’
 - Response: “Fantastic!”
 - “But”! Problematic if transmitter needs to go back and capture original file data
 - “Could generate problems if we are not originating transmitter and we don’t have the original data”
 - Desire an explanation for the amendment that explains the rationale for the change
 - One of the two has to be present:
 - Check box with an explanation of the difference attached
 - Form 1040 X

Signature Alternatives – Slide 7

- What happens with those taxpayers who cannot utilize the Self-Select PIN?
 - Need to be sent through legacy 1040
- Mentioned that an internal IRS Working Group is addressing a signature alternative solution
 - Concern about deployment timing – need to have time to obtain necessary data
 - Participants’ desire to be kept informed of direction
- Should MeF allow 2 taxpayer signature dates?
 - Desire to maintain user interface for both legacy and MeF products.
 - Action – Consensus to stay with one date to ease transition

e-file Application – Slide 8

- Suggestion: The e-file application choices for MeF are not uniform; terminology is different and therefore confusing
 - Return types: The 1040 boxes for software developers and transmitters will be available for January 2009.
 - ERO’s will not have to revise their current application if they already support 1040. Transmitters will have to revise their application to support IFA and/or A2A methods. MeF 1040 checkbox won’t be available until January 2009. “MeF Internet, XML” will be used when transmitting MeF (1040, 1065, 1120, etc.). Legacy will still use “EMS Proprietary”.
- Authority delegation: allows person to talk with IRS concerning A-to-A problems
 - Recommend delegating more than one person
 - Need to delegate authorities as well – separate screen from adding delegated person
 - Need to go through e-Services registration process
 - Will you talk to a principle, an authority or ‘responsible authority’?
 - Yes – will always be accepted
- What is breakdown between IFA, EMS, A2A?
 - IFA is very small; majority of returns come through A2A

Fed/State Program – Slide 9

- Come in as separate returns
 - If in the same transmission, will process federal first, then state submissions
 - Separate state submission for every state in which they are filing
 - Not a ‘piggy-back’ as currently performed
 - Each State return contains state data and federal data
 - e.g.: filing in Maryland and MD requires federal
 - Federal data will be attached (by the taxpayer) to the state submission
- Q: States have followed the Federal acceptance
 - Will address question in linked versus unlinked discussion coming up next

Linked versus Unlinked and Processing – Slides 10, 11, 12

- What if state is processed prior to federal even though both exist in the transmission?
 - It will fail processing and be returned
 - Proposed best practice: hold state until federal has been processed and accepted
 - Need to have a federal ID to associate and link the state return
- If a state does not support linked returns, and linked returns are sent.... IRS will deny and return filing
- Q: Can you use the Fed/State link to submit a state extension?
 - No – MeF does not link extensions
- Q: Can you send a federal return through MeF but the State stand-alone return through 1040 legacy?
 - Yes
- The IRS is not looking past the State data manifest. The taxpayer is telling States that is what they filed with the IRS – the IRS is not telling you (e.g.: confirming) that is the data the taxpayer filed with the IRS
 - Emphasis: the IRS is not providing the information!
- Transmitters and State are looking to each other to determine whether functionality might exist
 - Who leads? States: we will be there if the transmitters are there – and visa-a-versa
- How many States will have both legacy and MeF submissions in August 2009?
 - Approximately 25 states said “yes”
- Encourage transmitters to attend the December TIGERS meeting in Scottsdale, AZ
 - All discussion concerning IRS and MeF would take place early in the scheduled week
 - Opportunity to interact with both States and IRS
 - Planning and reference site: www.Taxadmin.org

Status of State Returns – Slide 13

- In the States’ manifest, two elements FEIN and Name Control. Possibility to enter Primary SSN (required) and optional Secondary
 - Is it easier to have a require choice (FEIN or NameControl– or easier to add two other elements? What should the business rule be? Desire one manifest
 - Working group recommended adding two elements and adding a State business rule
- Exception processing: “Are you going to send the information on the State”?
 - Yes – exactly like legacy

Shared Form Philosophy – Slides 14, 15 (same slide!)

- Shared forms should be the same: attempt to re-use schemas and associated stylesheets as much as possible
 - Ensure shared forms (schemas) are in-synch
 - Challenge: looking at schemas line by line. Handling of shared forms is an issue
 - If not handled well, then possibility exists to end in a stovepipe situation
 - Alternative: use form version element to determine that the shared form is similar across packages. Will draw upon perspective of software developers to determine how best to approach.
 - Key is backwards compatibility with schemas

New e-File Types – Slides 16 - 21

- Rationale: data utilized in multiple places and could change over time. Used to manage change impact
- PersonFullNameType
 - Thoughts for using middle initial or suffix?
 - No – those are not required at this time for the form
- NameLine1Type
 - Why can’t you break up the field or increase the field size?
 - More to be performed by IRS – transmitters are already performing this function
 - MeF feeds legacy systems and currently the field length is 35 characters – issue with Master File
 - Desire that IRS perform this function since it would mean one entity is responsible for maintaining a standard (rather than multiple software companies maintaining separate functions and algorithms to process)
- PersonNameControlType – for *any* taxpayer, not for primary only!
 - Similar to large business (LMSB) functionality
- 1099RDistributionCodeType
 - Action: Joint decision to remove from the new e-file type
- StateIDNumberType
 - Problem: Data used in this field is different between states!!
 - Action: Joint decision to remove from the new e-file type
- FormConditionIndType

- Make it an enumerated text value in the schema
 - Action: Joint decision to remove from the new e-file type
- RelationshipType
 - Make it an enumerated text value in the schema
 - See value in defining type for relationship
 - Can define all relationship options in one place.
 - Do not include ChildRelationshipType – too granular when it can be defined in RelationshipType. **Action:** Joint decision to remove from the new e-file type
- NumberOfDaysType
 - An existing type –
 - Probably has a pattern value to minimize value of first digit
- USItemizedEntryTotalType
 - Across all forms!

ELF Field Numbers – Slides 22-27

- Slide 22/23: Between Option 1 & 2: desire Option 2 – page 23
 - Action: IRS will adhere to Option 2 – adding the ELF field number after the line number
- Slide 24: How to handle when ELF has two fields and MeF only has one element –
 - Action: Group requested BOTH numbers be included.
 - Action: IRS to update record layouts
- Slide 25: When items may appear in a different record in MeF than they did in ELF
 - Action: Group agreed to leave it blank (Option 1)
- Q: Can we get the document count moved to another place other than the beginning of the file
 - Means software developers need to go through file twice
 - Action: IRS will discuss
- No authentication record – all in the header
- Slide 26 - ELF field numbers for Repeating group – Proposal was accepted
- No problems with Slide 27
 - Use min/max number of occurrences to manage

MeF versus ELF Differences – Slides 28-30

- Clarification on Slide 28: attachment is *not* a scanned document, but rather XML
- Emphasis on Slide 29: must be on the *same* form
- Will there be count of data?
 - Do you want it?
 - “No, we don’t use it – we hate it! The fewer counts the better!”
 - There will be a count of the number of documents
- Slide 30: ‘D’ was used as a duplicate
 - Will remove D as a code. Is that a problem?
 - No – comfortable removing D
- Fine with USAmountType – positive and negative
 - Q: why cap the repeating groups?
 - Considered a security issue

Business Rules – Slides 31-36

- Rationale and formatting provided – no issues with Slides 31-34
- Would desire business rules to be the same across forms. If using 1040 and 1040A, use 1 business rule.
- Text in parenthesis is the element
 - Suggestions:
 - try to keep them as close as possible
 - try to keep tag names away from the taxpayer
 - Q: Will you pass back the XPATH? Yes – just like we do now.
- Appreciate Slide 35 – helps to identified data problems as it is more granular
- Q: Should you enlarge the business rule max from three to four
- Appreciate change in 500 series (slide 36)
- Q: Can the rule be expressed in terms of which form it exists or pertains to (ERC 502 - Slide 36)
 - Currently listed in the XPath, but would desire in the error return message
 - In IRS display, click on error and it takes you right to the field
- ERC 0019 Slide 36: Isn’t there another part? Yes, it is a separate rule. This one was used as an example.

- Working Group requested to keep 1099 and W-2 errors separate (refer to the last example on that slide re: shared rule).
- Will look on the 600 series for further information
- Why not place a Form element in the acknowledgement structure? ERO will not be able to read the XPath.
 - Exists in XPath... but would like to see the Form and form occurrence in the ACK file
 - Further problem: need to retrieve the return out of the database in order
 - If receive it in the ACK file, then resolves problem of retrieving it from the database
 - Problem: changes the entire ACK process
 - Watch List: implications of providing XPath and data field

Adding Alerts – Slides 37 - 45

- Alert provides additional information without rejecting a return.
 - For example: will accept return, but data on the return does not match IRS data. Alerts provide a mechanism to supply discrepancies to the taxpayer
- Date of Birth question: Do you want the Date of Birth validation code returned or an alert?
 - “Would prefer a code rather than an alert” as the current legacy sends in order to minimize the impact during transition
- Would you use Alerts for imperfect returns?
 - No - it is a different definition

Repeating Groups – Slides 46 - 60

- A finite limit must exist – needs to be bounded due to Security constraints. Need to understand limits for the following forms:
- 8863 – Education Credits
 - 25 is enough
- 2441 – Child and Dependent Care
 - 25 is enough
- 8283 – Non-cash charitable contributions
 - 99 is enough; make it a two digit number
 - Should coordinate with business
 - Results in four-digit number: Agreed
- Schedule A – itemized deductions Lines 8, 21, 23 and 28
 - Should be a three digit number
 - Utilize USItemizedTotalType
- Schedule C – Other expenses
 - At least 500, therefore, should be a three digit number up to 999
- Schedule D – Capital Gains (Slides 56/57)
 - If allow enough repeating groups, can eliminate D1 and other statements.
 - Should be a five digit number - 99999
 - Can they scan a brokerage statement for large numbers?
 - Need to talk about the potential
- Schedule E – Supplemental (Slide 58)
 - Should be a three digit number - 999
- Schedule E – Partnership (Slide 59)
 - Should be a four digit number - 9999
- Schedule E – Estates (Slide 60)
 - Should be a three digit number - 999
- States and W2 – Off topic (not a slide!)
 - Repeating states should be max 999 (three digits)

Form Occurrences – Slide 61

- Limits on form occurrences
 - Should make enough for current and growth
 - If goes over, then schema validation reject would occur
 - Can issue a new schema for next tax year (not advisable to insert in current)
 - Need a process to address exceptions
- For Form 8865 should make it six digits

Data Written on Tax Form/Restricted Data – Slides 62 - 66

- Slide 62 – Data written on Tax Form - going with Option 1 – will be a repeating group with two digits
 - Slide 63/64 – Required Data – example Schedule R – Consensus was to go with Option 1 – Business rule implementation
- Slide 65 – Restricted Data or Unrestricted data -
 - Response: just tell us what you want to see. Most difficult form, business rules and calculation oddities. Different from all other forms and methodologies.
 - Forms Change committee should explore improvements
 - IRS will determine result and inform
- Slide 66 – Record Layouts with Page numbers
 - No questions

Attachments– Slide 67/68

- Bottom line: If a business rule exists expecting an attached document and the rule is thrown (e.g.: attachment does not exist), then the return will be rejected
- Paper document indicator and a reference back to where the form would exist
- You could have multiple references to the same document ID. Therefore, multiple documentIDs would exist.
 - In legacy, presence of the form was good enough.
 - Now, will need to tie form and the documentID together
 - Example: 1040 line 7: exists of multiple items
 - How will you handle that? (options)
 - Complex element?
 - Literal amount and a total amount?
 - USItemizedTotalType?
 - Confusing situation
 - Need to look at the Record Layout in order to understand the issue and impact
 - Works for a reference to a non-IRS form, but not with references to internal IRS forms where IRS carries a reference
 - Causes a lot of headache!
 - Nothing can be done until a contractor is on board to determine how to handle

Discussion Items – Slide 69

- Submissions – 100 limit as a current
 - Add number of sessions one can have
 - 5 concurrent sessions for each ETIN
 - As long as you keep session open, it will remain open for 24 hours.
 - Security will not allow sessions open longer than 24 hours
 - Will there be a direct line?
 - Networking people are considering the design needed
 - ACKs are a separate service request
 - Longest delay is the login – once the zip file is sent, the submission is fast
 - Concern is capacity performance, particularly after submission
 - Two issues:
 - Performance – can the system handle the peak load?
 - 100 submissions – need to handle aggregate volume!! So 100 submissions is not the real issue
 - Will you have the ability to alter the number of submissions? Yes, but not easily configurable!
 - Would like to see batch extended to at least 1,000 unless it slows down your processing
 - Need to have a separate follow up session to this issue
- Paper indicator – 8453 transmittal
 - Currently, exploring options for MeF
- Multiple form types submitted together
 - In order to prioritize internal work, IRS would like to prioritize processing for specific form types.
 - Any problems with sending 1040 by themselves – in its own batch, not associated with other form types (e.g.: 1065 or 1120)?
 - Consensus: separate is fine
- Address Indicators vs. Schema: Problems?
 - Consensus: GOOD! Only reason there now is to route to State / service center
- Electronic postmark: 3 fields in e-file and 1 in MeF
 - Consensus: GOOD!

- Need both direct deposit indicator and data?
 - Consensus: Do not need both! MeF will have only one.

Automated Enrollment – Slides 70 - 74

- Digital certificates will be required for A2A
 - IRS will not provide certificates – they are available through CAs listed on Slide 73
 - Can utilize one certificate for all ETINs, but must be individually uploaded
- Password resets is part of the functionality

Transmission, submission, and processing – Slides 74 - 85

- No comments

Review and Closing Comments from Participants

- “Thought it was great! Thorough overview”
- “Brainstorming issues and willingness to consider feedback”
- “IRS put a lot of mental energy into presentation”
- “Good process to incorporate lessons learned and mitigate issues”
- “Solving problems, BUT let’s not create new ones”
 - Look at system problems:
 - Form 2106
 - Attachments – work with compliance and counsel
 - Exception handling so that returns do not need to be paper filed
 - Too much separation between e-file and paper
 - Signature issue
 - Streamline 1040 filing as a system problem
- “Keep in touch and ensure we are working in unison”
- “Desire to prioritize top three issues and determine how they will be addressed”
- “Good content and well balanced” - “Appreciated IRS personnel attending”
- Follow up on questions:
 - Decision for handling schemas for 1040, 1040A, etc.
 - Desire separate schemas so that XPath will inform on which form the error occurred
 - States desired separate schemas
 - Majority favor four schemas rather than one (8 to 2)
 - **Majority rules – there will be individual schemas for 1040, 1040A and 1040EZ**
 - How strictly will IRS enforce TIGERS schema?
 - Category based versus Form based
 - States are moving towards Form based
 - IRS will review the Memorandum of Understanding
- “Focused on development side rather than preparation side, but still helpful”
- “Appreciate the investment IRS made and their receptivity”
- Timing-wise, TIGERS meetings are too much – six times per year
 - Once a year with this group is too little. Can we increase the frequency to twice per year?
 - Perhaps tie into TIGERS – come for an extra day
- “Increase frequency of face-to-face meetings; TIGER recommendation is a good idea”

General Notes/Discussion Items:

- Group recommended to revise a rule rather than to delete the original version and add a new rule (with a new BR number) and IRS would need to talk to contractor.
- MeF does not use a DCN instead we use a Submission ID. The DCN is made up of 00-6 digit EFIN-5 digit sequence number. The Submission ID is made up of: 6 digit EFIN, 4 digit Year, 3 digit Julian Date and 7 AlphaNumeric sequence number. Therefore, you will be able to file many more returns under an EFIN without duplicating the Submission ID than you could file under legacy 1040 using the DCN.
- For MeF Online Providers, you no longer need a separate Online EFIN for each service center location as you did under the legacy 1040 Program. You can submit your Online returns through any of your Online EFINs.
- Will MeF affect the speed of the refund? No – it processes the return, not the refund
- What is breakdown between IFA, EMS, A2A?
 - IFA is very small; majority of returns come through A2A

Action Items

Action	Who	When
Remove following e-file Types from slide 18: <ul style="list-style-type: none"> 1099RDistributionCodeType StateIDNumberType FormConditionIndType 	IRS-ETA	Completed 9/10/2007– These efile types were removed from the list.
IRS will review Relationship and ChildRelationship Types	IRS-ETA	Completed 9/10/2007– IRS will use enumerated value in the schema
Document Count – IRS to pursue seeing if document count can be moved up to the header?	IRS-ETA and IRS Contractor	TBD
Business Rules Numbers expand to 4 digits (R0000-0000)	IRS-ETA	Completed 9/10/2007– IRS decided to keep with the three positions in the business rule number
Will look at the 600 series for further information	IRS-ETA	September 15, 2007
Restricted data or Unrestricted data – MeF to decide direction (F2106)	IRS-ETA	Completed 9/10/2007– Depreciation will use two fields - method and percentage based on recommendation from working group
Reference document ID issue	IRS-ETA	TBD
Working Group requested to keep 1099 and W-2 errors separate	IRS-ETA	Completed 9/10/2007
Group recommended to revise a rule rather than to delete the original version and add a new rule (with a new BR number) and IRS would need to talk to contractor	IRS-ETA and IRS Contractor	TBD
Include in requirements batch size can be up to 1000 – If an issue have contractor prove that batch size of 100 is more effective	IRS-ETA	TBD – dependent upon contract award date
IRS to review MOU to determine what it states about following standards, etc.	IRS-ETA	Completed 9/10/2007– The MOU does not prohibit the states from submitting state submissions based on form based schemas

Parking Lot Items

Items	Who	When
Signature Alternative Updates	IRS- ETA	As appropriate
Shared Form Philosophy	IRS-ETA & Working Group	TBD
ACK Process – adding form number	IRS-ETA	TBD
Need to address processing exceptions for form occurrences rule(s)	IRS-ETA and IRS Contractor	TBD
Forms Change committee should explore improvements to 2106 – Raise issue to the Executive Advisory Council	Valerie Gunter and EAC	TBD
Paper indicator	IRS- ETA and Working Group	TBD