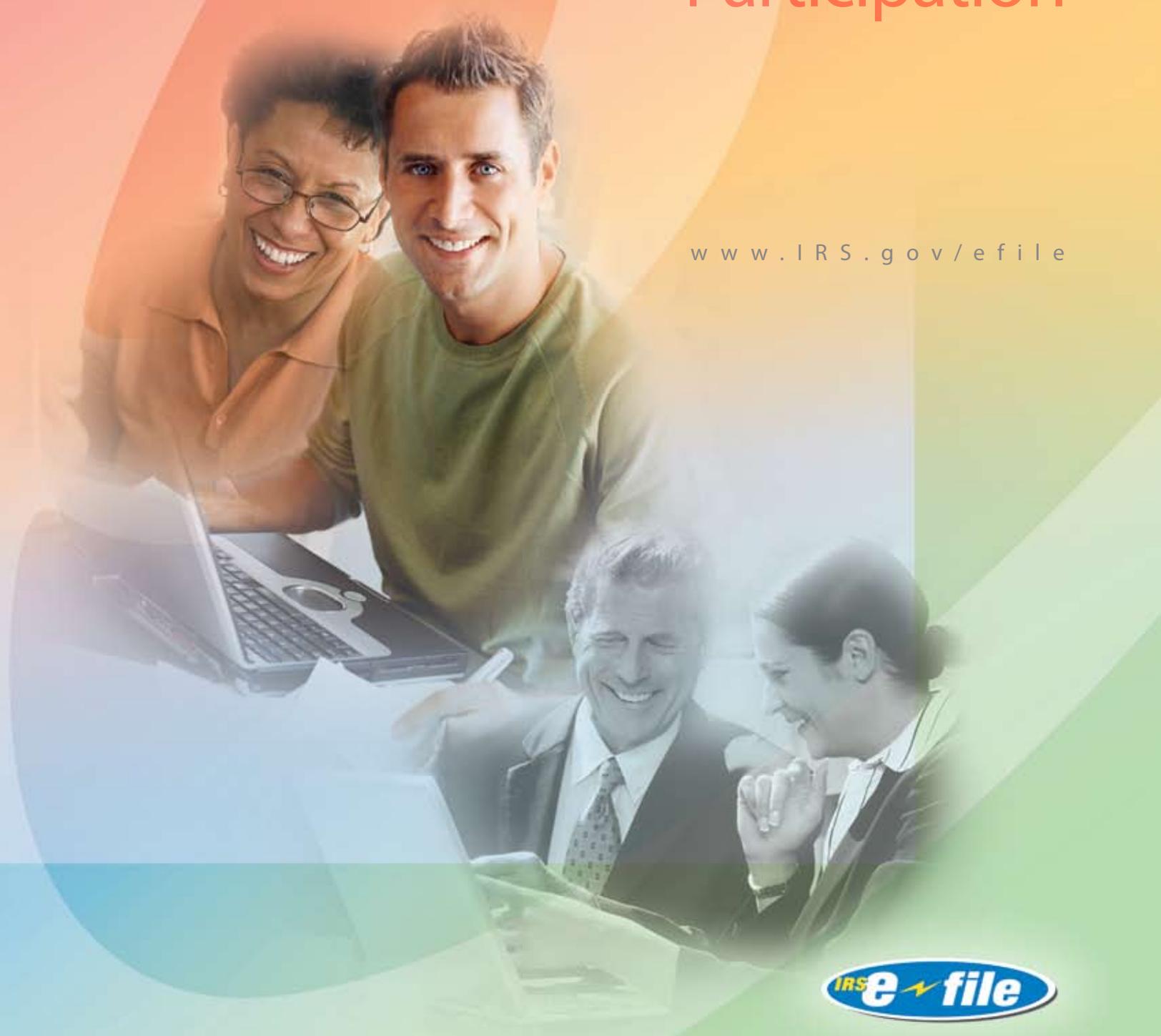


# IRS *e-file* Application *and* Participation

[www.irs.gov/efile](http://www.irs.gov/efile)



## Why a New Publication 3112?

This edition of Publication 3112, *IRS e-file Application and Participation*, replaces the previous edition revised November 2004.

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# What's new?

Highlights of changes included in this publication are listed below.

**Click on the topic to go directly to the page in this pdf.**

The IRS communicated many of these changes on its Web site at *IRS.gov* in the four years since the last revision of this publication.

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# Application

## IRS *e-file* Application

### Why Participate in IRS *e-file*?

IRS *e-file* builds strong client relationships and improves business. Authorized IRS *e-file* Providers meet the expectations of their clients. They electronically file their clients' returns including business, individual and information returns. The returns are processed faster and with fewer errors. This means quicker refunds and less contact with the IRS. IRS *e-file* provides proof of receipt within 48 hours of sending returns to the IRS. Individual and business clients can e-file balance due returns and schedule an electronic funds transfer (EFT) from their account for any date. Taxpayers can delay out of pocket expenses by paying their individual income tax with a credit card. IRS *e-file* provides good return on your investment by saving money on costs of printing, mailing, and document storage. It also helps to keep client information more organized, centralized, and readily available when needed.

### What is an Authorized IRS *e-file* Provider?

An Authorized IRS *e-file* Provider (Provider) is a business or organization authorized by the IRS to participate in IRS *e-file*. It may be a sole proprietorship, partnership, corporation, or other entity. The firm submits an e-file application, meets the eligibility criteria, and must pass a suitability check before the IRS assigns an Electronic Filing Identification Number (EFIN). Applicants accepted for participation in IRS *e-file* are Authorized IRS *e-file* Providers.

An Authorized IRS *e-file* Provider may be an Electronic Return Originator (ERO), Intermediate Service Provider, Transmitter, Software Developer, or Reporting Agent. These roles are not mutually exclusive. For example, an Authorized IRS *e-file* Provider that is an ERO may also be a Transmitter. Authorized IRS *e-file* Providers may also be tax return preparers, but the activities and responsibilities for IRS *e-file* and return preparation are each distinct and different from the other.

## IRS Supports Authorized IRS *e-file* Providers

**E-SERVICES** – Electronic products for Preparer Tax Identification Number (PTIN) Application and IRS *e-file* Application are available to all tax professionals, and TIN Matching is currently available for Payers Only. Electronic Return Originators that e-filed 5 or more accepted returns in either the prior or the current year, as well as Reporting Agents and Circular 230 tax practitioners have access to e-Services incentive products that include Disclosure Authorization, Transcript Delivery System and Electronic Account Resolution.

**IRS WEB SITE** – The IRS Web site supports IRS *e-file* in many ways. The IRS regularly posts important information, including updates and Frequently Asked Questions (FAQs). Taxpayers can use the IRS Web site to locate the nearest Electronic Return Originators to assist them with e-filing returns.

**NATIONAL MARKETING** – Nationally televised English and Spanish satellite media tours air on cable and prime networks, radio ads, printed articles and online media campaigns to create full multi-media exposure for IRS *e-file* prior to and during the filing season.

**MARKETING TOOL KIT** – The tool kit (Publication 3005) contains professionally developed material to help Authorized IRS *e-file* Providers advertise e-file and promote their participation in IRS *e-file*. The IRS updates the tool kit each year. It includes a window decal for on-premise advertising, a desk placard, e-file posters, stickers and current informational publications. You can view and download portions of the Marketing Tool Kit at [IRS.gov](http://IRS.gov) by searching keywords, “marketing” or “tool kit.” However, the IRS recommends you order the entire tool kit by calling (800) 829-3676 and requesting Publication 3005.

**QUICKALERTS** – QuickAlerts provide up to the minute e-file information. It is the IRS’ technology messaging system for Providers. Users receive messages by e-mail. The messages advise of problems that may interrupt processing or acknowledgment of electronically filed returns, publication changes for IRS *e-file* and other information of interest to Authorized IRS *e-file* Providers.

For more information on any of these products, check the IRS Web site at [IRS.gov](http://IRS.gov).



**E-NEWS FOR TAX PROFESSIONALS** – The IRS *e-News for Tax Professionals* provides the latest national news for the tax professional community, as well as links to resources on *IRS.gov* and local news and events by state. For more information on the electronic subscription services, visit “Tax Professionals” at *IRS.gov*, click on “Subscription Services” under “Tax Professional Topics.”

## NEW Getting Started

Apply to participate in IRS *e-file* using the IRS *e-file* Application (after registering for e-Services) at the IRS Web site, *IRS.gov*. Applying is an easy three-step process (explained on page 7). This applies to all applicants who want to develop software or e-file Forms 56, 720, 940, 941, 944, 990 series, 1040 series, 1041, 1065, 1120 series, 2290, 8849, 9465, certain state income tax returns, and extensions of time to file individual, business and exempt organization returns.

Filing state individual income tax returns electronically is an additional business decision. Federal/State e-file is cooperative tax filing between the IRS and most of the states that have income taxes. It allows both federal and state individual income tax returns to be filed electronically at one time. Each participating state has its own requirements, but all of the states require that applicants be accepted to participate in IRS *e-file* before they accept the applicant to participate in their state electronic filing programs.

NEW There is also a Federal/State e-file option for business programs including Forms 1041 (New York only), 1065 and 1120. Refer to the respective publications listed below for more information regarding these Fed/State programs.

It is important that applicants become familiar with the rules and requirements for participation in IRS *e-file* by reading the applicable IRS *e-file* documents. The revenue procedure, publications and other information about IRS *e-file* and related topics, including state filing information, are available on the IRS Web site. Applicants with questions, or who do not know where to begin may call IRS e-Help, toll-free at (866) 255-0654 for assistance.

NEW **REVENUE PROCEDURE 2007-40**, *Requirements of Participants in the IRS e-file Program*, specifies the requirements for participating as Authorized IRS *e-file* Providers, and is the official set of rules that govern participation in IRS *e-file*. The IRS revises the revenue procedure as needed. The IRS may post additional e-file rules to the IRS Web site and include the rules in IRS *e-file* publications.

Apply  
to  
Participate

Become an Authorized  
IRS e-file Provider to  
enhance your business  
and your clients' return  
filing experience.

**IRS e-file PUBLICATIONS** The IRS issues various publications that contain the requirements for participating in IRS e-file. You should read the applicable publications for your business needs. The publications are intended to supplement the revenue procedure but do not supersede it. However, the publications and *IRS.gov* have the same legal force and effect as the revenue procedure. Violating a provision of the publications may subject the Provider to sanctions (see Sanctioning later in this publication).

**PUBLICATION 3112**, *IRS e-file Application and Participation*, which you are reading, provides important information regarding the IRS e-file Application process. It also contains the rules for participation in IRS e-file that are applicable to all Authorized IRS e-file Providers. (Available only online at *IRS.gov*)

**PUBLICATION 1345**, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*, contains requirements and important information for participating in IRS e-file of Individual Income Tax Returns. (Available only online at *IRS.gov*)

**PUBLICATION 1346**, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*, includes information of particular interest to Providers that transmit or develop software for transmission to the IRS of Individual Income Tax Returns.

**PUBLICATION 1436**, *Test Package for Electronic Filers of Individual Income Tax Returns*, contains scenarios and instructions for preparing test material for Electronic Filing of Individual Income Tax Returns.

**PUBLICATION 1437**, *Procedures for the 1041 e-file Program U.S. Income Tax Return for Estates and Trusts*, provides the general requirements and procedures for electronically filing Form 1041 and accompanying forms and schedules.

**PUBLICATION 1438**, *File Specifications, Validation Criteria and Record Layouts for The Electronic Filing Program for Form 1041 U.S. Income Tax Return for Estates and Trusts*, provides file specifications, validation criteria, record layout, communication procedures and transmission format, as well as annual updates for Form 1041 and the accompanying forms and schedules that can be electronically filed with Form 1041.

**PUBLICATION 1438-A**, *(Supplement) 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts* provides graphic exhibits of Form 1041 and its accompanying forms and schedules showing the field numbers for each line of the tax forms and schedules.



NEW

**PUBLICATION 1474**, *Technical Specifications Guide For Reporting Agent Authorization For Magnetic Tape/Electronic Filers and Federal Tax Depositors*, contains technical file specifications for Reporting Agents.

**PUBLICATION 3823**, *Employment Tax e-file System User Guide*, contains the procedural guidelines and validation criteria for the Employment Tax e-file System.

**PUBLICATION 4162**, *Modernized e-file Test Package for Form 1120/1120S/1120-F/7004*, contains the test scenarios for Corporate Assurance Testing by Software Developers of 1120/1120S/1120-F/7004 software.

**PUBLICATION 4163**, *Modernized e-file (MeF) Information for Authorized IRS e-file Providers and Large Taxpayers (Corporations, Partnerships and Tax Exempt Organizations)*, contains rules and other specific information for e-file of Forms 1120/1120S.

**PUBLICATION 4164**, *Modernized e-file (MeF) Guide for Software Developers and Transmitters*, outlines the communication procedures, transmission formats, business rules and validation procedures for returns e-filed through the Modernized e-file (MeF) system.

**PUBLICATION 4205**, *Modernized e-file Test Package for Exempt Organization Filings*, contains the instructions and test case scenarios for software developers and transmitters to use for Assurance Testing System (ATS) of Forms 990, 990-EZ, 990-N, 990-PF, 1120-POL, and 8868.

**PUBLICATION 4505**, *Modernized e-file Test Package for Forms 1065/1065-B*, contains the instructions and test case scenarios for software developers and transmitters to use for Assurance Testing System (ATS) of Forms 1065/1065-B.

**PUBLICATION 4594**, *Modernized e-file Test Package for Excise Tax e-file*, contains the instructions and test case scenarios for software developers and transmitters to use for Assurance Testing System (ATS) of Forms 720, 2249, and 8849.

**REMOVED PUBLICATIONS:** 1345A, 1524, 1524, 1855, 3416, 3715, and 4206.

**IMPLEMENTING DOCUMENTS** The IRS may conduct pilot programs looking for ways to improve and simplify IRS *e-file*. The IRS may conduct Pilot Programs within a limited geographic area or with a limited taxpayer or practitioner community. The rules for pilot programs are contained in implementing documents referred to as "Memoranda of Understanding" (MOU) or "Memoranda of Agreement" (MOA). The implementing document has the same force as the revenue procedure.

It is important to submit your completed application no later than 45 days prior to the date you intend to begin filing returns electronically.

**1** **CHOOSE** the Authorized IRS e-file Provider options that are best for you.

**2** **COMPLETE** and submit the IRS e-file Application. The electronic IRS e-file Application ensures your application is complete. You can complete the electronic IRS e-file Application online after registering for e-services on the IRS Web site at [IRS.gov](http://IRS.gov).

**3** **PASS** a Suitability Check.

## Become an Authorized IRS e-file Provider in 3 Steps

### Step 1 – Choose Provider Options

Applicants choose Provider Options, which include Electronic Return Originator, Intermediate Service Provider, Online Provider, Transmitter, Software Developer, and Reporting Agent. Be sure to include all choices on the application. Applicants may choose more than one Provider Option, for example; ERO and Transmitter on one application.

Brief descriptions for each Provider type are below (See IRS e-file Participation, Provider Roles and Responsibilities for additional information):

**ELECTRONIC RETURN ORIGINATOR (ERO)** – originates the electronic submission of tax returns to the IRS.

**INTERMEDIATE SERVICE PROVIDER** – assists with processing return information between ERO (or the taxpayer in the case of Online Filing) and a Transmitter.

**REPORTING AGENT** – originates the electronic submission of certain returns for its clients, and/or transmits the returns to the IRS. A Reporting Agent must be an accounting service, franchiser, bank, or other entity that complies with Rev. Proc. 2007-38, 2007-25 I.R.B. 1442, and is authorized to perform one or more of the acts listed in Rev. Proc. 2007-38 on behalf of a taxpayer. Reporting Agents must submit Form 8655, *Reporting Agent Authorization*, to the IRS prior to or at the same time they submit an IRS e-file Application.

**SOFTWARE DEVELOPER** – writes either origination or transmission software according to the IRS e-file specifications.

**TRANSMITTER** – sends the electronic return data directly to the IRS. EROs and Reporting Agents may apply to be transmitters and transmit return data themselves, or they may contract with an accepted third-party transmitter that can transmit the data for them. A Transmitter must have software and computers that allow it to interface with the IRS.

**ONLINE PROVIDER** – An Online Provider allows taxpayers to self-prepare returns by entering return data directly on commercially available software, software downloaded from an Internet site and prepared off-line, or through an on-line internet site. An Online Provider also chooses another Provider Option, either

Software Developer, Transmitter, or Intermediate Service Provider as Online Provider is a secondary activity. Although an ERO may also use an internet Web site to obtain information from taxpayers to subsequently originate the electronic submission of returns, the ERO is not an Online Provider.

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**NOTE:** A Large Taxpayer is a Provider Option on the IRS *e-file* Application but it is not an Authorized IRS *e-file* Provider. A Large Taxpayer is a business or other entity with assets of \$10 million or more, or a partnership with more than 100 partners, that originates the electronic submission of its own return(s). To submit an IRS *e-file* Application, Large Taxpayers should follow instructions in Part V of Publication 4163, *Modernized e-file (MeF) Information for Authorized IRS Providers and Large Taxpayers (Corporations, Partnerships and Tax Exempt Organizations)*.

Applicants with questions, or who do not know where to begin may call IRS e-Help, toll-free at (866) 255-0654 for assistance.

## STEP 2 – Complete and Submit the IRS *e-file* Application

The IRS *e-file* Application is easy to use. The IRS *e-file* Application is available at the IRS Web site *IRS.gov* via e-services. Each individual who is a Principal or Responsible Official must register for e-services on the IRS Web site, if not already registered, prior to submitting the IRS *e-file* Application to the IRS.

Help is available when completing the application by clicking designated words and symbols. Contact e-Help toll-free at (866) 255-0654, for assistance with the IRS *e-file* Application or if unable to register for e-Services.

When completing the IRS *e-file* Application the applicant provides basic information about the business and its Principals and at least one Responsible Official. The roles of Principal and Responsible Official are not mutually exclusive; a Principal may also serve as the Responsible Official.

### Principals

Generally, the Principal for a business or organization includes the following:

- **SOLE PROPRIETORSHIP:** The sole proprietor is the Principal for a sole proprietorship.
- **PARTNERSHIP:** Each partner who has a 5 percent or more interest in the partnership is a Principal. If no partner has at least a 5 percent or more interest in the

The IRS cannot process applications until it receives all required information and documents.

NEW

partnership, the Principal is an individual authorized to act for the partnership in legal and/or tax matters. At least one such individual must be on the application. See Note below.

■ **CORPORATION:** The President, Vice-President, Secretary, and Treasurer are each a Principal of the corporation. See Note below.

■ **OTHER:** The Principal for an entity that is not a sole proprietorship, partnership, or corporation is an individual authorized to act for the entity in legal and/or tax matters. At least one such individual must be on the application.

**NOTE:** A large firm with multilayered management, that is not a sole proprietorship, includes only Principals and “Key Persons” who “participate substantially” with control over the firm’s electronic filing operations as Principals on the firm’s IRS *e-file* Application. A large firm usually has subsidiaries or multiple operating divisions/branches. “Key Persons” are individuals other than Principals (as defined above) who participate substantially with control over the large firm’s electronic filing operation. “Participate substantially” means participation that is extensive and substantive, and not peripheral, clerical or ministerial.

### Responsible Officials

A Responsible Official is an individual with authority over the Provider’s IRS *e-file* operation at a location, is the first point of contact with the IRS, and has authority to sign revised IRS *e-file* applications. A Responsible Official ensures the Provider adheres to the provisions of the revenue procedure as well as all publications and notices governing IRS *e-file*. The Responsible Official may oversee IRS *e-file* operations at one or more offices, but must be able to fulfill identified responsibilities for each of the offices. If one individual cannot fulfill these responsibilities, add Responsible Officials to the *e-file* application. To add or change Responsible Officials, a Provider must revise its IRS *e-file* Application.

### Each individual who is a Principal or Responsible Official must:

- Be a United States citizen or an alien lawfully admitted for permanent residence as described in 8 U.S.C. §1101(a)(20) (1994);
- Be 21 years of age as of the date of application; and
- Meet applicable state and local licensing and/or bonding requirements for the preparation and collection of tax returns.

Each Principal and Responsible Official must answer several personal questions, and sign the Terms of Agreement (TOA) using a PIN, selected during initial registration for e-services. The IRS *e-file* Application prompts for missing information to ensure that applicants submit only complete applications to the IRS.

Principals and Responsible Officials submit additional information, such as fingerprint cards or evidence of professional status, as described later. The electronic IRS *e-file* Application prompts with a message regarding additional documentation to mail to the IRS. Submit all supporting documentation with the tracking number provided in the e-Services e-file application when submitting the application.

**The IRS cannot process applications until it receives all required information and documents. Mail all required documentation to the Internal Revenue Service, Andover Campus, ATTN. EFU Acceptance, Testing Stop 983, at P. O. Box 4099, Woburn, MA 01888-40999, or if by overnight mail to 310 Lowell Street, Andover, MA 05501-0001.**

Principals and Responsible Officials must submit either fingerprint cards or evidence of professional status, unless the individuals meet one of the exceptions shown below. Only one set of fingerprint cards is required for each Principal and Responsible Official.

The unique fingerprint cards for IRS *e-file* are available only from the IRS by calling e-Help, toll-free at (866) 255-0654. A trained specialist must fingerprint the individuals. Most local law enforcement offices and fingerprinting service companies fingerprint individuals for a fee.

In lieu of fingerprints, Principals and Responsible Officials may choose to submit evidence that they are one of the following:

**ATTORNEY** – Provide proof of good standing of the bar of the highest court in any state, commonwealth, possession, territory, or the District of Columbia, such as a State Bar Card. An attorney should not be under suspension or disbarment from practice before the IRS or from the bar of any state, commonwealth, possession, territory, or the District of Columbia

**CERTIFIED PUBLIC ACCOUNTANT** – Provide proof of license to practice as Certified Public Accountant in any state, commonwealth, possession, territory, or the District of Columbia. A CPA should not be under suspension or disbarment from practice before the IRS or from practice by a state, commonwealth, possession,



territory, or the District of Columbia. Provide a copy of current active CPA license or wallet card. Licensed Public Accountants (LPAs) must provide fingerprints

**ENROLLED AGENT (pursuant to part 10 of 31 C.F.R. Subtitle A) –**

Provide Enrolled Agent Number or copy of current Enrolled Agent card

**OFFICER OF A PUBLICLY HELD CORPORATION –** Provide on corporate letterhead which carries the name of the officer, the exchange where listed, and the name under which the stock is traded

**BANKING OFFICIAL, BONDED AND FINGERPRINTED WITHIN THE LAST TWO YEARS –** Provide a copy of the bonding certificate and proof of fingerprinting within the last two years

Evidence of professional status must show the name, the state of issuance, and that the license is active with an un-expired expiration date. Attorneys and CPAs may obtain proof by accessing their state licensing board Web site.

### STEP 3 – Pass a Suitability Check

The IRS conducts a suitability check on the applicant, and on all Principals and Responsible Officials listed on e-file applications to determine the applicant's suitability to be an Authorized IRS *e-file* Provider. IRS does not complete suitability checks on applicants applying only as a Software Developer.

**Suitability checks may include the following:**

- A criminal background check
- A credit history check
- A tax compliance check to ensure that all required returns are filed and paid, and to identify assessed penalties; and
- A check for prior non-compliance with IRS *e-file* requirements

## Other Individuals on IRS *e-file* Applications

Other individuals may also be included on IRS *e-file* Applications. The IRS does not usually conduct suitability checks on individuals other than Principals and Responsible Officials. Contacts and Delegated Users are not subject to suitability checks. Circular 230 Practitioners, including attorneys, certified public accountants and

The electronic IRS *e-file* Application prompts with a message regarding additional documentation to mail to the IRS.



enrolled agents eligible to practice before the IRS, who submit an IRS *e-file* Application to get access to the e-services incentive products are subject to suitability checks.

## Contacts

Contact persons should be available on a daily basis for the IRS to contact them for general questions during testing and the processing year. Contacts may be a Principal or Responsible Official. They may also be persons distinct from the Principals and Responsible Officials but if they are, they do not have access to private information that is only available to Principals and Responsible Officials.

A **Primary Contact** is required for each application. An **Alternate Contact** is not required, but Providers can specify one or more Alternate Contacts. It is important for a Principal or Responsible Official to change or delete Contacts when the Contacts are no longer with the firm or their position within the firm no longer warrants being a Contact.

## Delegated Users

Delegated Users are individuals authorized by the Provider to use one or more of the e-services products even though they are not a Principal or Responsible Official. A Principal or Responsible Official appoints an individual as a Delegated User on the IRS *e-file* Application available on the IRS Web site. A Delegated User should be an employee, partner, or other member of the Firm/Organization or have a business relationship with the Firm/Organization. Principals and Responsible Officials are responsible for the actions of all Delegated Users on the firm's application.

Each Delegated User needs to be on only one IRS *e-file* Application. It is not necessary for a Delegated User to be on more than one IRS *e-file* Application to access e-Services incentive products. Each Delegated User affiliated with different firms (identified by different TINs) and authorized to view and make changes to an e-file application, must be on the specific IRS *e-file* Application to be able to review and make changes to the application. Large firms with multiple Delegated Users on a single IRS *e-file* Application should limit the number of Delegated Users to 100.

A Principal or Responsible Official may authorize a Delegated User with any or all the following authorities:

- Viewing, updating, signing, and submitting IRS *e-file* Applications

- Accessing e-services incentive products (Disclosure Authorization, Electronic Account Resolution and Transcript Delivery System)
- Transmitting Forms 990, 1120, and 1120-POL through the Internet (Internet Transmitter)
- Requesting a new password (Security Manager)
- Viewing Software Developer information

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Principals and Responsible Officials with authority to Add, Delete, and Change Principal can assign Principal Consent authority to a Delegated User. A Delegated User with Principal Consent authority has the same e-file application authorities as a Principal.

It is important for a Principal or Responsible Official to change or delete Delegated Users and authorities on the IRS *e-file* Application when the authorities of the Delegated Users change or the Delegated Users are no longer with the firm or their position within the firm no longer warrants the authorities.

## Denial to Participate in IRS *e-file*

If the firm, a Principal, or a Responsible Official fails the suitability check, the IRS notifies the applicant of denial to participate in IRS *e-file* and of the date that the applicant may re-apply. In most circumstances, the denied applicant may appeal the decision through an Administrative Review as described later.

NEW

An applicant denied because a Federal or State court enjoined it from filing returns or a Federal or State legal action prohibits it from participating in IRS *e-file* may not appeal its denial. If the injunction or other legal action expires or is reversed, the denied applicant may reapply to participate in IRS *e-file*.

The IRS reviews each firm or organization, Principal, and Responsible Official listed on the IRS *e-file* Application. An applicant may be denied participation in IRS *e-file* for a variety of reasons that include but are not limited to:

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1. An indictment or conviction of any criminal offense under the laws of the United States or of a state or other political subdivision, or an active IRS criminal investigation;
2. Failure to file timely and accurate Federal, state, or local tax returns;
3. Failure to timely pay any Federal, state, or local tax liability;

The IRS reviews each firm or organization, Principal, and Responsible Official listed on the IRS *e-file* Application.



4. Assessment of penalties;
5. Suspension/disbarment from practice before the IRS or before a state or local tax agency;
6. Disreputable conduct or other facts that may adversely impact IRS *e-file*;
7. Misrepresentation on an IRS *e-file* Application;
8. Unethical practices in return preparation;
9. Assessment against the applicant of a penalty under §6695(g) of the Internal Revenue Code;
10. Stockpiling returns prior to official acceptance to participate in IRS *e-file*;
11. Knowingly and directly or indirectly employing or accepting assistance from any firm, organization, or individual denied participation in IRS *e-file*, or suspended or expelled from participating in IRS *e-file*. This includes any individual whose actions resulted in the denial, suspension, or expulsion of a firm from IRS *e-file*;
12. Knowingly and directly or indirectly accepting employment as an associate, correspondent, or as a subagent from, or sharing fees with, any firm, organization, or individual denied participation in IRS *e-file*, or suspended or expelled from participating in IRS *e-file*. This includes any individual whose actions resulted in denial, suspension, or expulsion of a firm from IRS *e-file*.
13. Enjoined from filing returns by a Federal or State court injunction or prohibited from filing returns by any Federal or State legal action that prohibits them from participation. A type of such legal action is a Federal Executive Order such as Executive Order 13224 (September 23, 2001), which involves prohibitions directed at terrorist individuals and organizations.

After an applicant passes the suitability check and the IRS completes processing the application, the IRS notifies the applicant of acceptance to participate in IRS *e-file*.

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## Acceptance

After an applicant passes the suitability check and the IRS completes processing the application, the IRS notifies the applicant of acceptance to participate in IRS *e-file*. Transmitters and Software Developers must complete testing before acceptance. The IRS assigns Electronic Identification Filing Numbers (EFINs) to all Providers and



assigns Electronic Identification Transmission Numbers (ETINs) to Transmitters, Software Providers, and Online Providers. The IRS assigns EFINs with prefix codes 10, 21, 32, 44, and 53 to Online Providers.

Authorized IRS *e-file* Providers do not have to reapply each year as long as they continue to e-file returns. However, if a Provider does not e-file returns for two consecutive years, the IRS will notify the Provider of removal from the IRS active Provider list. The IRS may reactivate a Provider if the Provider replies within sixty days and requests reactivation. Otherwise, the Provider will have to complete and submit a new application.

If the IRS suspends a Provider from participation in IRS *e-file*, the Provider may re-apply to participate in IRS e-file only after the suspension period is completed. Providers expelled or revoked from participation in IRS *e-file* usually may not reapply.

Providers do not need to submit a new IRS *e-file* Application each year to participate in IRS *e-file*. Providers are required to have the appropriate identification numbers and should review their IRS *e-file* Application at *IRS.gov* to check their status. Providers may contact e-Help, toll-free at (866) 255-0654 with questions regarding their e-file application status.

**Providers must update their application information within thirty days of the date of any changes to the information on their current application. They can make all changes using the IRS *e-file* Application at the *IRS.gov* Web site. See **Changes to Your IRS *e-file* Application below.****

## EFINs, ETINs, and Password

Providers must protect their EFINs, ETINs, and passwords from unauthorized use. Providers must never share the numbers and passwords with others, including not transferring EFINs or ETINs to another entity when transferring the business by sale, gift, or other disposition. If the IRS learns that a Provider's EFIN or ETIN is compromised, the IRS changes the number and notifies the Provider by mailing a new acceptance letter to the Provider.

The IRS mails a security letter to new Transmitters, Software Developers, and Online Providers containing their EMS password and login ID. The last two digits of the corresponding Electronic Transmitter Identification Number (ETIN) are in the letterhead.

Authorized IRS *e-file*  
Providers may use only  
other Authorized IRS *e-file*  
Providers to perform IRS  
*e-file* activities.

All Providers must include their identification numbers with the electronic return data of all returns it transmits to the IRS. If more than one Authorized IRS *e-file* Provider is involved in the origination and transmission of the return data, applicable electronic filing identification numbers (EFIN and ETIN) for each Provider must be included in the electronic return record. Online Providers must include an EFIN with a Prefix Code of 10, 21, 32, 44, or 53 with each Online Return for the filing of Individual Income Tax Returns.

## Checking Other Authorized IRS *e-file* Providers

Authorized IRS *e-file* Providers may use only other Authorized IRS *e-file* Providers to perform IRS *e-file* activities, including but not limited to origination and transmission of electronic submission. For example, Transmitters must ensure they are transmitting only for Authorized IRS *e-file* Providers. Providers should request other Providers provide information to ascertain that they are Authorized IRS *e-file* Providers. Care is necessary to safeguard IRS *e-file*.

NEW

A Provider can print a summary of its *e-file* application via e-Services at *IRS.gov* and provide it to other Providers as needed. Providers can also confirm EROs using the ERO Locator Service on *IRS.gov*. If an ERO is not on the ERO Locator Service, the ERO may still be an Authorized IRS *e-file* Provider as EROs may elect to be excluded from the ERO Locator Service.

If you need additional assistance confirming a firm is an Authorized IRS *e-file* Provider contact the IRS by calling e-Help, toll-free at (866) 255-0654. The IRS can advise if the firm is an Authorized IRS *e-file* Provider or not.

## Using Third Parties for IRS *e-file* Related Activities

Authorized IRS *e-file* Providers may associate with third parties that are not Authorized IRS *e-file* Providers for related activities, such as advertising, collection of taxpayer data and Web services, which are not *e-file* activities only if the third party agrees to adhere to all applicable requirements for participation in IRS *e-file*. The IRS may require the Provider to discontinue their association with third parties that are not adhering to IRS *e-file* requirements. The IRS may also sanction a Provider that knowingly and either directly or indirectly associates with a third party that is not adhering to applicable IRS *e-file* requirements.

## When to Submit a New Application

Applicants and Authorized IRS *e-file* Providers must submit a new application with fingerprint cards or other documentation for the appropriate individuals for any of the following:

- They never participated in IRS *e-file*
- They were previously denied participation in IRS *e-file*
- They were previously suspended from IRS *e-file*
- They have not submitted any e-file returns for more than two years
- They want to originate the electronic submission of returns from an additional location (see Adding New Business Locations)
- The structure of the business has changed, requiring use of a new or different Taxpayer Identification Number (TIN)

## Adding New Business Locations

Providers may need to submit new IRS *e-file* Applications when expanding their e-file businesses to new business locations. EROs must submit new applications for additional fixed locations from which the origination of the electronic submission of returns will occur. A fixed location is an office owned or leased by the Provider.

EROs may originate the electronic submission from other than fixed locations without submitting an application for each such location. The ERO uses the EFIN assigned to a fixed location for electronic submission of returns originated from other than fixed locations.

An application is not required for a location if tax returns are only prepared or collected at the location and forwarded to another location for origination of the electronic submission of returns.

## Acquiring an IRS *e-file* Business by Purchase, Transfer or Gift

Providers that acquire an existing IRS *e-file* business by purchase, transfer, or gift must submit a new IRS *e-file* Application and receive new Electronic Filing Identification Numbers (EFINs), and passwords when applicable. The Provider must submit an e-file application and proof of sale, transfer, or gift during the period beginning forty-five days before and ending thirty days after the acquisition date.

Providers may need to submit new IRS *e-file* Applications when expanding their e-file businesses to new business locations.



Providers that acquire an existing IRS *e-file* business by purchase, transfer or gift may not use the EFIN, other identification numbers or passwords of the previous Authorized IRS *e-file* Provider. Providers may not acquire the EFIN, other identification numbers, or passwords of another Authorized IRS *e-file* Provider by sale, merger, loan, gift, or otherwise.

When transfers occur during filing season Providers should contact the IRS prior to the acquisition for assistance in making a smooth transition. Providers interested in acquiring firms suspended, expelled, or revoked from participation in IRS *e-file* or denied acceptance to participate in IRS *e-file* should also contact the IRS. Contact IRS e-Help at (866) 255-0654 to discuss transition issues.

## Changes to Your IRS *e-file* Application

Providers should ensure that the IRS has current information by reviewing and either updating or revising their IRS *e-file* Applications. Providers may review and update or revise, as necessary, their IRS *e-file* Application information electronically on the IRS Web site via e-services. A Principal, Responsible Official, or a Delegated User authorized to revise an IRS *e-file* Application may submit all updates and revisions electronically using the firm's IRS *e-file* Application.

Providers must revise their IRS *e-file* Application within thirty days of a change of any information on the current application. It is important to update the IRS *e-file* Application with new information including but not limited to, changes to business structure, Principals, Responsible Officials, addresses, and telephone numbers. When the IRS does not have current information, it is not able to contact Providers to obtain and provide important information.

**If a Principal or Responsible Official loses their professional status, the firm must update its e-file application and provide the required fingerprints of the individual.**

The IRS removes Providers from participation in IRS *e-file* when it receives undeliverable mail back or the IRS is unable to contact the Providers. Until a Provider updates the information, the IRS rejects all returns submitted by the Provider.

**NOTE:** Changes submitted on an IRS *e-file* Application do not change the address of record for a business' tax records; just as a change to tax records do not automatically update information on a Provider's IRS *e-file* Application.

## Notifying the IRS of Changes to IRS *e-file* Application

If a Provider is unable to update its IRS *e-file* Application electronically it may notify the IRS of changes to the below information by letter, using the firm's official letterhead:

- All addresses
- All telephone and fax numbers
- e-mail addresses
- Contact persons
- Form types to be e-filed
- Transmission protocols
- Adding Federal/State e-file
- Changes to Foreign Filer information



Changes that require a firm to acquire a new Employer Identification Number (EIN) require a Provider submit a new IRS *e-file* Application.

Unless the firm is solely a Software Developer, you may also add additional Provider Options—ERO, Transmitter, Intermediate Service Provider, or Software Developer—by letter, using the firm's letterhead.

**EXCEPTIONS** – Changes that require a firm to acquire a new Employer Identification Number (EIN) require a Provider submit a new IRS *e-file* Application. Firms that change their form of organization, such as from a sole proprietorship to a corporation, generally require the firm to acquire a new EIN.

The letters must include sufficient information for the IRS to identify the application the Provider is revising. Be sure to include the appropriate EFIN and/or ETIN that applies, as well as a firm name, firm EIN or Social Security Number (SSN), and doing business as name. If the firm is controlled or owned by another Authorized IRS *e-file* Provider, the name, business address, and EFIN and ETIN (if applicable) of the controlling Authorized IRS *e-file* Provider must be included. A Principal or the Responsible Official of the firm must sign the letter. Providers can make most of the same changes by telephone. A Principal or the Responsible Official of the firm must sign the letter or call the IRS. The caller will have to provide identifying information.

Providers that sell, transfer, or otherwise discontinue an IRS *e-file* business must notify the IRS within thirty days. The easiest way to notify the IRS is to use the "Close Office" feature on IRS *e-file* Application on the IRS Web site. If notifying by letter, be

sure to include enough information to identify the correct business location. Providers may not sell or transfer EFINs, other identification numbers, or passwords when selling, transferring or otherwise discontinuing an IRS *e-file* business.

### Required Revision of the IRS *e-file* Application

The following situations are changes that require revision of the IRS *e-file* Application:

- The Authorized IRS *e-file* Provider is functioning solely as a Software Developer or Reporting Agent and intends to do business as an ERO, Intermediate Service Provider, or Transmitter
- An additional Principal or Responsible Official is being added
- A Principal or Responsible Official is changed
- A Principal or Responsible Official must be deleted

These revised applications (except when Principal or Responsible Official must be deleted) must be submitted with fingerprint cards or evidence of professional status for new Principals and Responsible Officials of the firm unless the individual is listed as a Principal or Responsible Official on the application of a Provider currently participating in IRS *e-file*.



# Participation

## Participation in IRS *e-file*

Authorized IRS *e-file* Providers (Providers) must adhere to applicable IRS *e-file* rules and requirements to continue participation in IRS *e-file*. The IRS *e-file* rules and requirements are included in Revenue Procedure 2007-40, throughout this publication, and in other IRS *e-file* publications and notices on the IRS Web site. Providers must adhere to all applicable IRS *e-file* rules and requirements regardless of where published.

Providers should familiarize themselves with the revenue procedure, the e-file publications, and e-file information on the IRS Web site *IRS.gov* to ensure compliance with requirements for participation in IRS *e-file*.

Some rules and requirements are specific to the e-file activity performed by the Provider. Additional rules and requirements specific to the Provider's e-file activity are included under each Provider Option. The list below, while not all-inclusive, applies to all Authorized IRS *e-file* Providers:

- Adhere to the advertising standards described in this publication
- NEW** ■ Clearly display the Provider's "doing business as" name at all locations and sites including Web sites at which the Provider or a third party obtains information from taxpayers for electronic filing of returns by the Provider
- Cooperate with the IRS' efforts to monitor Authorized IRS *e-file* Providers and investigate electronic filing fraud and abuse
- NEW** ■ Comply with provisions for all e-file programs, including free file and pilot programs in which the Provider participates
- Ensure against the unauthorized use of its EFIN and/or ETIN, including not transferring its EFIN or ETIN to another entity when transferring the business by sale, gift, or other disposition
- Ensure the security of taxpayer information
- Make changes to the IRS *e-file* Application as described in this publication in a timely manner

## Safeguarding IRS *e-file*

NEW

Safeguarding of IRS *e-file* from fraud and abuse is the shared responsibility of the IRS and Authorized IRS *e-file* Providers. Providers must be diligent in recognizing fraud and abuse, reporting it to the IRS, and preventing it when possible. Providers must also cooperate with the IRS' investigations by making available to the IRS upon request, information and documents related to returns with potential fraud or abuse. Additional information regarding Reporting Fraud and Abuse in IRS *e-file* is available at [IRS.gov](https://www.irs.gov).

Safeguarding of IRS *e-file* from fraud and abuse is the shared responsibility of the IRS and Authorized IRS *e-file* Providers.

Indicators of abusive or fraudulent returns may be unsatisfactory responses to filing status questions, multiple returns with the same address, and missing or incomplete schedules for income and expense documentation. A "fraudulent return" is a return in which the individual is attempting to file using someone else's name or SSN on the return or where the taxpayer is presenting documents or information that have no basis in fact. A "potentially abusive return" is a return the taxpayer is required to file but may contain inaccurate information and may lead to an understatement of a liability or an overstatement of a credit resulting in production of a refund to which the taxpayer may not be entitled.

### Safeguarding Taxpayer Information

Safeguarding taxpayer information is a top priority for the Internal Revenue Service. It is the responsibility of governments, businesses, organizations, and individuals that receive, maintain, share, transmit, or store taxpayers' personal information. Taxpayer information is information furnished in any form or manner by or on behalf of taxpayers for preparation or filing of their returns. Authorized IRS *e-file* Providers must safeguard taxpayer information from unauthorized disclosure, use, and destruction.

Authorized IRS *e-file* Providers must have security systems in place to prevent unauthorized access by third parties to taxpayer accounts and personal information. The Gramm-Leach-Bliley Act, codified at 15 U.S.C. §§ 6801-6827, and the implementing rules and regulations promulgated by the Federal Trade Commission include rules that are designed to ensure the security and privacy of taxpayer information and are applicable to Providers. Providers should become familiar with the Privacy and Security Rules and other important information regarding safeguarding personal information available at the FTC Web site [www.ftc.gov](https://www.ftc.gov).

Providers must implement security and privacy practices that are appropriate for the size, complexity, nature, and scope of their business activities. The IRS Publication 4600, *Safeguarding Taxpayer Information Quick Reference Guide for Business*, and Publication 4557, *Safeguarding Taxpayer Data A Guide for Your Business*, contain information to help non-governmental businesses, organizations, and individuals to understand and meet their responsibility to safeguard taxpayer information.

The IRS may set forth additional safeguarding requirements for Providers as it determines appropriate. The requirements will be included in revisions of appropriate e-file publications or published on the IRS Web site at *IRS.gov*.

### Registration of Web Sites with the IRS

To safeguard taxpayer information by more quickly identifying fraud schemes including phishing, the IRS requires Providers to register with the IRS all internet Web sites from which information is collected from taxpayers, either directly or through third parties, and used by the Provider for federal returns that are filed electronically.

Providers must submit the below information to the IRS prior to the Web site being accessible on the Internet, and submit any changes to previously provided information to the IRS within three (3) business days.

1. An EFIN for the Provider;
2. The name of a Principal or Responsible Official shown on the e-file application for the EFIN; and
3. The Uniform Resource Locators (URLs) of all Web sites from which the Provider collects information from taxpayers, either directly or through third parties, for electronic filing of federal returns.

Until the IRS updates the e-file application to allow applicants and Providers to include the URLs on their e-file Applications, they must submit the requested information to the IRS in an encrypted or password protected Excel spreadsheet. The Principal or Responsible Official must submit the excel spreadsheet and the password via separate e-mail messages to *efileurlreg@IRS.gov*.

### Provider Roles and Responsibilities

The roles and responsibilities of Providers relate to the e-file activity the firm is conducting. The firm identified its e-file activity by selecting the appropriate Provider Option in the IRS e-file Application. Each Provider Option is a different

Providers must implement security and privacy practices that are appropriate for the size, complexity, nature, and scope of their business activities.

role and may have different responsibilities that relate specifically to the e-file activity of the firm. Some Providers may have more than one e-file business activity. For example, an ERO may also be a Transmitter. Providers must adhere to all IRS *e-file* rules and requirements applicable to their multiple e-file roles.

**AN ELECTRONIC RETURN ORIGINATOR (ERO)** is the Authorized IRS *e-file* Provider that originates the electronic submission of a return to the IRS. The ERO is usually the first point of contact for most taxpayers filing a return using IRS *e-file*.

## The Origination of an Electronic Return

Although an ERO may also engage in return preparation, that activity is separate and different from the origination of the electronic submission of the return to the IRS. An ERO originates the electronic submission of a return after the taxpayer authorizes the filing of the return via IRS *e-file*. An ERO must originate the electronic submission of only returns that the ERO either prepared or collected from a taxpayer. An ERO originates the electronic submission by any one of the following:

- Electronically sending the return to a Transmitter that will transmit the return to the IRS
- Directly transmitting the return to the IRS
- Providing a return to an Intermediate Service Provider for processing prior to transmission to the IRS

In originating the electronic submission of a return, the ERO has a variety of responsibilities, including, but not limited to:

- Timely originating the electronic submission of returns
- Submitting any required supporting paper documents to the IRS
- Providing copies to taxpayers
- Retaining records and making records available to the IRS
- Accepting returns only from taxpayers and Authorized IRS *e-file* Providers
- Having only one EFIN for the same firm for use at one location, unless the IRS issued more than one EFIN to the firm for the same location. For this purpose, the business entity is generally the entity that reports on its return the income derived from electronic filing. The IRS may issue more than one EFIN to accommodate a high volume of returns, or as it determines appropriate.

Each Provider Option is a different role and may have different responsibilities that relate specifically to the e-file activity of the firm.

**An ERO must clearly display the firm’s “doing business as” name at all locations and sites including Web sites at which the ERO or a third party obtains information from taxpayers for electronic origination of returns by the ERO.**

**AN INTERMEDIATE SERVICE PROVIDER** receives tax information from an ERO (or from a taxpayer who files electronically using a personal computer, modem, and commercial tax preparation software), processes the tax return information, and either forwards the information to a Transmitter or sends the information back to the ERO (or taxpayer for Online Filing).

The Intermediate Service Provider has a variety of responsibilities that include, but are not limited to:

- Including its Electronic Filing Identification Number (EFIN) and the ERO’s EFIN with all return information it forwards to a Transmitter
- Serving as a contact point between its client EROs and the IRS, if requested
- Providing the IRS with a list of each client ERO, if requested
- Adhering to all applicable rules that apply to Transmitters

**An Intermediate Service Provider must clearly display the firm’s “doing business as” name at all locations and sites including Web sites at which the ERO or a third party obtains information from taxpayers for electronic origination of returns by the ERO.**

**A SOFTWARE DEVELOPER** develops software for the purposes of formatting electronic return information according to IRS *e-file* specifications and/or transmitting electronic return information directly to the IRS. IRS *e-file* specifications are in some of the e-file publications mentioned earlier.

Software Developers must pass what is referred to as either acceptance or assurance testing. If an Authorized IRS *e-file* Provider is a Software Developer that performs no other role in IRS *e-file* but that of software development, its Principals and Responsible Officials do not have to pass a suitability check during the application process.

A Software Developer has a variety of responsibilities that include, but are not limited to:

- Promptly correcting any software error causing returns to reject and distributing the correction
- Ensuring its software creates accurate returns
- Adhering to specifications provided by the IRS in publications



**A TRANSMITTER** transmits electronic tax return information directly to the IRS. A bump-up service provider that increases the transmission rate or line speed of formatted or reformatted information sent to the IRS via a public switched telephone network is also a Transmitter. The IRS accepts transmissions using a variety of telecommunication protocols.

In order to transmit electronic return data directly to the IRS, Transmitters must be equipped with both computer hardware and software that make it possible. Prior to transmitting return data to the IRS, an application requesting the “Transmitter” Provider Option must be submitted, and an EFIN, an ETIN and a password received for testing. Testing that ensures the compatibility of your transmission systems with the IRS systems must be completed to enable transmission of the electronic return data to the IRS.

A Transmitter has a variety of responsibilities that include, but are not limited to:

- Ensuring EFINs of Authorized IRS *e-file* Providers are included as required by IRS *e-file* specifications in the electronic return record of returns it transmits
- Timely transmitting returns to the IRS, retrieving acknowledgment files, and sending the acknowledgment file information to the ERO, Intermediate Service Provider or taxpayer (for Online Filing)
- Promptly correcting any transmission error that causes an electronic transmission to be rejected

**A Transmitter participating as an Online Provider must clearly display the firm’s “doing business as” name at all locations and sites including Web sites at which the Transmitter or a third party obtains information from taxpayers for electronic origination of returns by the ERO.**

## Not for Profit Providers

All requirements of an Authorized IRS *e-file* Provider apply to Not for Profit Providers, unless otherwise noted. See Publication 1345 for additional information.

## IRS Sponsored Programs

IRS sponsored programs, including Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), Outreach, Self-Help and Taxpayer Assistance Centers in IRS offices, may electronically file returns. In order to be accepted to



participate in IRS *e-file*, a VITA or TCE sponsor must obtain the permission of the IRS (and, in the case of a TCE sponsor, the permission of the IRS office that is funding the TCE program) to participate in IRS *e-file*.

## Employers Offering IRS *e-file* as an Employee Benefit

An employer may offer electronic filing as an employee benefit whether the employer chooses to transmit returns or contracts with a third party to transmit the tax returns.

## Testing

The purpose of testing is to ensure, prior to live processing, that Providers transmit in the correct format and meet the IRS electronic filing specifications; that returns have few validation or math errors; and that Providers understand the mechanics of IRS *e-file*.

All Software Developers must complete Acceptance or Assurance Testing in accordance with the applicable publication for each type of return. Communication testing is a requirement for Reporting Agents and Transmitters planning to transmit electronic returns to IRS. Most software packages (IRS accepted e-file software) have communications tests built in so that completing this requirement is relatively easy. Follow the directions in the software or documentation package. If you have problems, you should first contact either the vendor that sold you the software or the technical support operation for the software package.

A Provider can view the test status of each form it transmitted to the IRS by accessing the firm's IRS *e-file* application and clicking on the "FORMS" link. The form/format previously selected for Transmitter provider option is displayed in a table along with the status. The status is updated from "test" to "production" when required communication testing is completed. The status is set back to "test" around the end of October for Forms 1040, ETD (electronically transmitted documents), 1041. These are the only forms requiring renewed communications testing prior to each filing season. Software Developers can view the information they provided to the IRS about each of their software packages, the IRS assigned Software ID number, and the test status of a particular package.

A Provider can view the test status of each form it transmitted to the IRS by accessing the firm's IRS *e-file* application and clicking on the "FORMS" link.

If the software appears to be working correctly but you cannot complete the tests, you do not receive acknowledgment files, or experience other problems, contact e-Help at (866) 255-0654 (toll free).

## Advertising Standards

"IRS *e-file*" is a brand name. Firms accepted for participation in IRS *e-file* as EROs, Transmitters, Intermediate Service Providers, Reporting Agents and Software Developers are "Authorized IRS *e-file* Providers". Acceptance to participate in IRS *e-file* does not imply endorsement of the software or quality of services provided by the IRS, Financial Management Service (FMS), or Treasury. All Providers must abide by the following advertising standards.

An Authorized IRS *e-file* Provider must comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treasury Department Circular No. 230). This circular prohibits the use or participation in the use of any form of public communication containing a false, fraudulent, misleading, deceptive, unduly influencing, coercive, or unfair statement of claim. A Provider must adhere to all relevant Federal, state, and local consumer protection laws that relate to advertising and soliciting.

The Provider must not use improper or misleading advertising in relation to IRS *e-file*. For example, any claim concerning a faster refund by virtue of electronic filing must be consistent with the language in official IRS publications. The Provider must clearly describe that a financial institution is advancing funds as a loan or will provide the funds for other financial products. The advertisement on a Refund Anticipation Loan (RAL) or other financial product must be easy to identify, and in easily readable print. It must be clear in the advertising that the taxpayer is borrowing against the anticipated refund or obtaining funds from a financial institution, and not obtaining the refund itself from the financial institution.

A Provider must not use the IRS' name, "Internal Revenue Service," or "IRS" within a firm's name. However, once accepted to participate in IRS *e-file*, a firm may represent itself as an "Authorized IRS *e-file* Provider". If promotional materials or logos provided by the IRS are used, the Provider must comply with all IRS instructions pertaining to their use. Advertising materials must not carry the FMS, IRS, or other Treasury Seals. Advertising for a cooperative electronic filing project (public or private sector), must clearly state the names of all cooperating parties.

The IRS does not have a copyright for the IRS *e-file* logo. Use the logo only to indicate that a Provider offers this service to taxpayers or has performed it on behalf of a

The advertisement on a Refund Anticipation Loan (RAL) or other financial product must be easy to identify, and in easily readable print.



taxpayer. Providers must not use the logo to portray any other relationship between the IRS and any Provider. In using the IRS *e-file* logo, the Provider must use the following guidelines:

- Do not combine the logo with the IRS eagle symbol, the word “Federal”, or with other words or symbols that suggest a special relationship between the IRS and the logo user
- Do not place text closer than ¼ inch from the logo
- Do not overprint other words or symbols on the logo
- Do not change the letter spacing or type style

In one-color products, the logo should be printed solid, preferably PMS 285 blue. In multi-color products, the logo should be printed in solid PMS 285 blue with the lightning bolt in solid PMS 109 yellow. When using color systems other than Pantone (PMS), the colors should be as close as possible to the PMS shades.

If an Authorized IRS *e-file* Provider uses radio, television, Internet, signage, or other methods of communication to advertise IRS *e-file*, the Provider must keep a copy and provide it to the IRS upon request, the text or, if prerecorded, the recorded advertisement. Provider must retain copies until the end of the calendar year following the last transmission or use.

If an Authorized IRS *e-file* Provider uses direct mail, e-mail, fax communications, or other distribution methods to advertise, the Provider must retain a copy, as well as a list or other description of the firms, organizations, or individuals to whom the communication was sent. The Provider must retain the records until the end of the calendar year following the date sent and provide the records to the IRS upon request.

## Monitoring of Authorized IRS *e-file* Providers

The IRS monitors Authorized IRS *e-file* Providers for compliance with the revenue procedure and IRS *e-file* rules and requirements.

### Suitability

All Authorized IRS *e-file* Providers, except those that function solely as Software Developers, must pass a suitability check on the firm as well as on all Principals and Responsible Officials of the firm prior to acceptance to participate in IRS *e-file*. To safeguard IRS *e-file*, the IRS completes suitability checks regularly on Authorized



IRS *e-file* Providers, Principals and Responsible Officials. If the results of a suitability check indicate that a firm or individual does not meet and adhere to IRS *e-file* requirements the Authorized IRS *e-file* Provider may be revoked from participating in IRS *e-file* or sanctioned as explained below.

### IRS *e-file* Monitoring

IRS personnel monitor Authorized IRS *e-file* Providers through review of IRS records and during visits to Providers' offices and other locations where Providers perform IRS *e-file* activities. During monitoring visits, the IRS may investigate complaints and ensure compliance with IRS *e-file* rules. Monitoring may include, but is not limited to the following:

- Reviewing the quality of IRS *e-file* submissions for rejects and other defects
- Checking adherence to signature requirements on returns
- Scrutinizing advertising material
- Examining records
- Observing office procedures

In addition, the IRS may monitor Authorized IRS *e-file* Providers for compliance with the tax return preparer regulations, including provisions of IRC section 6695(g), which relates to the due diligence requirements for Earned Income Tax Credit claims on individual income tax returns.

NEW

### Revocation

The IRS may revoke an Authorized IRS *e-file* Provider's participation in IRS *e-file* if the firm, a Principal, or a Responsible Official is either enjoined from filing returns by a Federal Court order or is prohibited from filing returns by any Federal or State legal action that prohibits participation in e-file. A type of such legal action is a Federal Executive Order, including Executive Order 13224 (September 23, 2001), which involves prohibitions directed at terrorist individuals and organizations.

An Authorized IRS *e-file* Provider is not entitled to an administrative review process for revocation of participation in IRS *e-file* if the firm, a Principal, or a Responsible Official is revoked or denied because of a Federal Court Order enjoining filing of returns or a Federal or State legal action that prohibits participation in filing of returns. If the injunction or other legal action expires or is reversed, the revoked Provider may reapply to participate in IRS *e-file* after the injunction or other legal action expires or is reversed.



## Sanctioning

Violations of IRS *e-file* requirements may result in warning or sanctioning an Authorized IRS *e-file* Provider. The IRS may sanction any Provider that fails to comply with any requirement or any provision of this publication, as well as other publications and notices that govern IRS *e-file*. The IRS may also sanction a Provider for the same reasons that it denies an application to participate in IRS *e-file*. See Denial to Participate in IRS *e-file*. Before sanctioning, the IRS may issue a warning letter that describes specific corrective action the Provider must take. The IRS may also sanction a Provider without issuance of a warning letter.

Sanctioning may be a written reprimand, suspension or expulsion from participation from IRS *e-file*, or other sanctions, depending on the seriousness of the infraction. The IRS categorizes the seriousness of infractions as Level One, Level Two, and Level Three. Providers may appeal sanctions through the Administrative Review Process. Un-reversed suspensions make Authorized IRS *e-file* Providers ineligible to participate in IRS *e-file* for a period of either one or two years from the effective date of the sanction.

In most circumstances, a sanction is effective thirty days after the date of the letter informing the Provider of the sanction, or the date the reviewing offices or the Office of Appeals affirms the sanction, whichever is later. In certain circumstances, the IRS can immediately suspend or expel an Authorized IRS *e-file* Provider without prior warning or notice. If a Principal or Responsible Official is suspended or expelled from participation in IRS *e-file*, every entity that listed the suspended or expelled Principal or Responsible Official on its IRS *e-file* Application may also be suspended or expelled.

The IRS may list in the *Internal Revenue Bulletin*, newsletters, or other media the name and owner of any entity suspended, expelled, or revoked from participation in IRS *e-file* and the effective date of the IRS action.

### Levels of Infraction

**LEVEL ONE INFRACTIONS** — Level One Infractions are violations of IRS *e-file* rules and requirements that, in the opinion of the IRS, have little or no adverse impact on the quality of electronically filed returns or on IRS *e-file*.

The IRS may issue a written reprimand for a Level One Infraction.

**LEVEL TWO INFRACTIONS** — Level Two Infractions are violations of IRS *e-file* rules and requirements that, in the opinion of the IRS, have an adverse impact upon the quality of electronically filed returns or on IRS *e-file*. Level Two Infractions include

continued Level One Infractions after the IRS has brought the Level One Infraction to the attention of the Authorized IRS *e-file* Provider.

Depending on the infractions, the IRS may either restrict participation in IRS *e-file* or suspend the Authorized IRS *e-file* Provider from participation in IRS *e-file* for a period of one year beginning with the effective date of suspension.

**LEVEL THREE INFRACTIONS** — Level Three Infractions are violations of IRS *e-file* rules and requirements that, in the opinion of the IRS, have a significant adverse impact on the quality of electronically filed returns or on IRS *e-file*. Level Three Infractions include continued Level Two Infractions after the IRS has brought the Level Two Infraction to the attention of the Authorized IRS *e-file* Provider.

A Level Three Infraction may result in suspension from participation in IRS *e-file* for two years beginning with the effective date of the suspension year, or depending on the severity of the infraction, such as fraud or criminal conduct, it may result in expulsion without the opportunity for future participation. The IRS reserves the right to suspend or expel an Authorized IRS *e-file* Provider prior to administrative review for Level Three Infractions.

Failure to respond within thirty calendar days of the date of any denial letter or sanction letter irrevocably terminates an applicant's or Provider's right to an administrative review or appeal.

NEW

## Administrative Review

Most denied applicants and sanctioned Providers are entitled to an administrative review. The administrative review process is usually a two-step process. The denied applicant or sanctioned Provider request administrative review by the office that denied or sanctioned it. If the reviewing office affirms the denial of the sanction, the applicant or Provider may request an appeal to the IRS Appeals Office, unless the sanction was a written reprimand. Failure to respond within thirty calendar days of the date of any denial letter or sanction letter irrevocably terminates an applicant's or Provider's right to an administrative review or appeal.

### Administrative Review Process for Denial of Participation in IRS *e-file*

An applicant denied participation in IRS *e-file* usually has the right to an administrative review. An applicant may mail a written response to the address shown in the denial letter, within thirty calendar days of the date of the denial letter. The applicant's response must address the IRS' reason(s) for denial and have supporting documentation attached. During this administrative review process, the denial of participation remains in effect.



Upon receipt of an applicant's written response, the IRS reconsiders its denial of the applicant's participation in IRS *e-file*. Either the denial may be withdrawn and the applicant accepted for participation in IRS *e-file* or the affirming office will issue a second denial letter.

An applicant that receives a second denial letter is entitled to an appeal. The denied applicant must submit its appeal in writing to the attention of the Office of Appeals, by mailing the appeal to the address shown in the second denial letter within thirty calendar days of the date of the denial letter. An applicant's written appeal must contain a detailed explanation, along with documentation supporting why the IRS should reverse the denial.

### **The Administrative Review Process for Sanctioning**

An Authorized IRS *e-file* Provider has the right to an administrative review if the IRS advises of either a proposed sanction or an immediate sanction. The Provider may mail a detailed written explanation with supporting documentation, as to why the IRS should withdraw the sanction within thirty calendar days of the date of the letter to the office that issued the letter. During this administrative review process, an immediate sanction remains in effect.

Upon receipt of the Provider's written response, the IRS reconsiders and may either withdraw or affirm the sanction in writing to the Provider. If a Provider receives a letter affirming a suspension or an expulsion, the Provider may appeal to the Office of Appeals. The appeal must be in writing and mailed to the IRS office that issued the recommended sanctioning letter within thirty calendar days of the date of the letter recommending the sanction. The Provider's written appeal must contain detailed reasons, with supporting documentation, to show why the IRS should not impose the recommended suspension or expulsion.

# Helpful Hints

The below information may help to ensure continued participation in IRS *e-file*.

## Tips For Passing IRS Suitability Check

- Anticipate suitability issues and avoid them or if necessary, correct them before they become problems
- Update all addresses and phone numbers on your IRS *e-file* Application as changes occur
- Respond timely and in writing with complete explanations and documentation to any letters you receive regarding suitability

## Tips For IRS *e-file* Monitoring Visits

- Adhere to IRS *e-file* rules and requirements
- Adhere to applicable statutory and regulatory requirements
- Cooperate by meeting with the IRS investigator and providing requested information and documents
- Respond timely and in writing with complete explanations and documentation to any letters you receive because of a monitoring visit

# Appendix

Rev. Proc. 2007-40, Requirements of Participants in the IRS *e-file* Program as included in Internal Revenue Bulletin (IRB) 2007- 26, published June 25, 2007.

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## SECTION 1. PURPOSE

This revenue procedure informs Authorized IRS *e-file* Providers of their obligations to the Internal Revenue Service (the Service), taxpayers, and other participants in the IRS *e-file* Program, and combines the rules governing IRS *e-file*.

## SECTION 2. BACKGROUND AND CHANGES

**.01** Section 1.6011-1(a) of the Income Tax Regulations provides that every person subject to income tax must make a return or statement as required by the regulations. The return or statement must include the information required by the applicable regulations or forms.

**.02** Section 301.6061-1(b) of the Regulations on Procedure and Administration authorizes the Secretary to prescribe in forms, instructions, or other appropriate guidance the method of signing any return, statement, or other document required to be made under any provision of the internal revenue laws or regulations.

**.03** Section 1.6012-5 of the Income Tax Regulations provide that the Commissioner may authorize the use, at the option of a person required to make a return, of a composite return in lieu of any form specified in 26 CFR Part 1 (Income Tax), subject to such conditions, limitations, and special rules governing the preparation, execution, filing, and correction thereof as the Commissioner may deem appropriate.

**.04** Section 6011(e)(1) of the Internal Revenue Code (the Code) gives specific authority for the Service and the Treasury Department to “prescribe regulations providing standards for determining which returns must be filed on magnetic media or in other machine-readable form.” On January 12, 2005, the Service and the Treasury Department published in the Federal Register (T.D. 9175, 2005-1 C.B. 665 [70 FR 2012-01]) temporary regulations mandating the electronic filing of certain Forms 1120, 1120S, 990 and 990-PF under sections 301.6011-5T, 301.6037-2T, and 301.6033-4T. On November 12, 1999, the Service and the Treasury Department also published in the Federal Register (T.D. 8843, 1999-2 C.B. 590 [64 FR 61502]) final regulations mandating the electronic filing of certain Forms 1065 under section 301.6011-3.

**.05** This revenue procedure combines the rules governing IRS *e-file* including the rules governing electronic filing of:

(1) Form 56, *Notice Concerning Fiduciary Relationship*;

(2) Form 720, *Quarterly Federal Excise Tax Return*;

- (3) Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*;
- (4) Form 941, *Employer's QUARTERLY Federal Tax Return*;
- (5) Form 944, *Employer's ANNUAL Federal Tax Return*;
- (6) Form 990, *Return of Organization Exempt From Income Tax*;
- (7) Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*;
- (8) Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*;
- (9) Form 1040 and 1040A, *U.S. Individual Income Tax Return*, and Form 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*;
- (10) Form 1041, *U.S. Income Tax Return for Estates and Trusts*;
- (11) Form 1065, *U.S. Return of Partnership Income*;
- (12) Form 1120, *U.S. Corporation Income Tax Return*;
- (13) Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*;
- (14) Form 1120S, *U.S. Income Tax Return for an S Corporation*;
- (15) Form 2290, *Heavy Highway Vehicle Use Tax Return*;
- (16) Form 2350, *Application for Extension of Time To File U.S. Income Tax Return*;
- (17) Form 2688, *Application for Additional Extension of Time To File U.S. Individual Income Tax Return*;
- (18) Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*;
- (19) Form 7004, *Application for Automatic 6-Month Extension of Time To File Certain Business Income Tax, Information, and Other Returns*;
- (20) Form 8849, *Claim for Refund of Excise Taxes*;
- (21) Form 8868, *Application for Extension of Time To File an Exempt Organization Return*;
- (22) Form 9465, *Installment Agreement Request*; and
- (23) Any successor forms to the forms listed above, and any future forms or returns that may be filed by Authorized IRS e-file Providers.

**.06** This revenue procedure does not cover procedures governing electronic filing of Form 1040NR, U.S. Nonresident Alien Income Tax Return. For procedures governing the electronic filing of Form 1040NR, see Rev. Proc. 2000-24, 2000-1 C.B. 1133.

**.07** This revenue procedure also does not cover providers of information returns that are filed under the FIRE (Filing Information Returns Electronically) Program. See Publication 1220, *Specifications for Filing Forms 1098, 1099, 5498 and W2-G Electronically or Magnetically*. The information returns not covered by this revenue procedure include:

- (1) Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*;
- (2) Form 1098 series;
- (3) Form 1099 series;
- (4) Form 5498, *IRA Contribution Information*;
- (5) Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*; and
- (6) Form W-2G, *Certain Gambling Winnings*.

**.08** Many of the rules governing participation in IRS *e-file* are now set forth in IRS Publications. See section 5.01 of this revenue procedure.

**.09** Rev. Proc. 2005-60, 2005-2 C.B. 449, is revised by adding a new section 9 that provides that the IRS may deny an application to participate in IRS *e-file* or revoke an Authorized IRS *e-file* Provider's participation in IRS *e-file* if the firm, a Principal, or Responsible Official has been enjoined from filing returns because of a Federal or State court order or injunction or other legal action that would prevent participation in the program. In such cases the denied applicant or *e-file* provider will not be entitled to seek administrative review of the denial under the procedures set out in this revenue procedure.

### SECTION 3. DEFINITIONS

**.01** Authorized IRS *e-file* Provider. A participant in IRS *e-file* is referred to as an "Authorized IRS *e-file* Provider." The five categories of Authorized IRS *e-file* Providers are:

- (1) Electronic Return Originator. An Electronic Return Originator (ERO) originates the electronic submission of returns.
- (2) Intermediate Service Provider. An Intermediate Service Provider receives tax return information from an ERO (or from a taxpayer or tax-exempt organization that files electronically using a personal computer, modem or the Internet, and commercial tax preparation software), processes the return information, and either forwards the information to a Transmitter, or sends the information back to the ERO (or taxpayer or tax-exempt organization).

(3) Software Developer. A Software Developer develops software for the purposes of (a) formatting electronic return information according to publications issued by the Service that set forth electronic return file specifications and record layouts for tax returns; and/or (b) transmitting electronic tax return information directly to the Service.

(4) Transmitter. A Transmitter transmits electronic return information directly to the Service.

(5) Reporting Agent. A Reporting Agent is an accounting service, franchiser, bank, service bureau, or other entity that complies with Rev. Proc. 2007-38, 2007-25 I.R.B. 1442, and is authorized to perform one or more of the acts listed in Rev. Proc. 2007-38 on behalf of a taxpayer.

The five categories of Authorized IRS *e-file* Providers are not mutually exclusive. For example, an ERO can, at the same time, be a Transmitter, Software Developer, or Intermediate Service Provider depending on the function(s) performed.

**.02** Responsible Official. A Responsible Official is an individual with authority over the IRS *e-file* operation of the office(s) of the Authorized IRS *e-file* Provider, is the first point of contact with the Service, and has authority to sign revised IRS *e-file* applications. A Responsible Official is responsible for ensuring that the Authorized IRS *e-file* Provider adheres to the provisions of this revenue procedure and the publications and notices governing the IRS *e-file* Program.

**.03** Principal. The Principal for a business or organization includes the following:

(1) Sole Proprietorship. The sole proprietor is the Principal for a sole proprietorship.

(2) Partnership. Each partner who has a 5 percent or more interest in a partnership is a Principal. If no partner has at least a 5 percent or more interest in the partnership, the Principal is an individual authorized to act for the partnership in legal and/or tax matters.

(3) Corporation. The President, Vice-President, Secretary, and Treasurer are each a Principal of the corporation.

(4) Other. The Principal for an entity that is not a sole proprietorship, partnership, or corporation is an individual authorized to act for the entity in legal and/or tax matters.

## SECTION 4. ACCEPTANCE TO PARTICIPATE IN THE IRS *e-file* PROGRAM

**.01** Sole proprietors, businesses, and organizations that wish to become an Authorized IRS *e-file* Provider must apply for participation and must be accepted by the Service.

**.02** The procedures governing application to the IRS *e-file* Program are included in Publication 3112, *IRS e-file Application and Participation*.

**.03** The circumstances under which the Service may deny participation in the IRS *e-file* Program are also included in Publication 3112. An applicant who is denied participation may seek administrative review of the denial except as provided for in section 8 of this revenue procedure.

**.04** To continue participation in the IRS *e-file* Program, an Authorized IRS *e-file* Provider must adhere to all requirements of this revenue procedure and the publications and notices governing IRS *e-file*.

## SECTION 5. RESPONSIBILITIES OF AN AUTHORIZED IRS *e-file* PROVIDER

**.01** To ensure that returns are accurately and efficiently filed, an Authorized IRS *e-file* Provider must comply with the provisions of this revenue procedure and all publications and notices governing IRS *e-file*. The Service will from time to time update such publications and notices to reflect changes to the program. It is the responsibility of the Authorized IRS *e-file* Provider to ensure that it complies with the latest version of all publications and notices. The publications and notices governing the IRS *e-file* Program include:

(1) Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*;

(2) Publication 1345A, *Filing Season Supplement for Authorized IRS e-file Providers of Individual Income Tax Returns*;

(3) Publication 1346, *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*;

(4) Publication 1436, *Test Package for Electronic Filers of Individual Income Tax Returns*;

(5) Publication 1437, *Procedures for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts*;

- (6) Publication 1438, *File Specifications, Validation Criteria and Record Layouts for the Electronic Filing Program for Form 1041 U.S. Income Tax Return for Estates and Trusts*;
- (7) Publication 1438-A, (Supplement) *for the 1041 e-file Program, U.S. Income Tax Return for Estates and Trusts*;
- (8) Publication 1474, *Technical Specifications Guide For Reporting Agent Authorization and Federal Tax Depositors*;
- (9) Publication 1855, *Technical Specifications Guide for the Electronic Filing of Form 941, Employer's Quarterly Federal Tax Return*;
- (10) Publication 3112, *IRS e-file Application and Participation*;
- (11) Publication 3715, *Technical Specifications Guide for the Electronic Filing of Form 940, Employer's Federal Unemployment (FUTA) Tax Return*;
- (12) Publication 3823, *Employment Tax e-file System Implementation and User Guide*;
- (13) Publication 4162, *Modernized e-file Test Package for Forms 1120/1120S/1120F/7004*;
- (14) Publication 4163, *Modernized e-file (MeF) Information for Authorized IRS e-file Providers and Large Taxpayers (Corporations, Partnerships and Tax Exempt Organizations) for TY 2007*;
- (15) Publication 4164, *Modernized e-file (MeF) Guide for Software Developers and Transmitters*;
- (16) Publication 4205, *Modernized e-file Test Package for Exempt Organization Filings*;
- (17) Publication 4505, *Modernized e-file Test Package for Forms 1065/1065-B*;
- (18) Publication 4594, *Modernized e-file Test Package for Excise Tax e-file*;

Postings to the IRS Web site at: <http://IRS.gov> on the Internet, and published and future guidance in the Internal Revenue Bulletin and the Federal Register.

**.02** The publications and notices listed in section 5.01 supplement this revenue procedure. A violation of any provision of these publications and notices is considered a violation of this revenue procedure and may subject an Authorized IRS *e-file* Provider to the sanctions provided in section 7 of this revenue procedure.

**.03** The security of taxpayer accounts and personal information is a top priority for the Service. It is the responsibility of each Authorized IRS *e-file* Provider to have security systems in place to prevent unauthorized access to taxpayer accounts and personal information by third parties. The Gramm-Leach-Bliley Act, codified at 15

U.S.C. §§ 6801-6827, includes rules applicable to Authorized IRS *e-file* Providers that are designed to ensure the security and privacy of taxpayer information. Violation of the provisions of the Gramm-Leach-Bliley Act and the implementing rules and regulations promulgated by the Federal Trade Commission, or violations of the non-disclosure rules contained in sections 6713 or 7216 or the regulations promulgated there under, are considered violations of this revenue procedure and may subject an Authorized IRS *e-file* Provider to penalties as set forth in section 6 of this revenue procedure or sanctions provided in section 7 of this revenue procedure.

**.04** In addition to the responsibilities defined in 5.01, 5.02, and 5.03 above, additional Authorized IRS *e-file* Providers responsibilities may be defined in statutes and regulations, revenue procedures, publications, postings to the IRS Web site at: <http://IRS.gov> on the Internet, and published and future guidance in the Internal Revenue Bulletin and the Federal Register.

## SECTION 6. PENALTIES

**.01** Penalties for Disclosure or Use of Information.

(1) An Authorized IRS *e-file* Provider is a tax return preparer under the definition of section 7216(a) of the Code. Tax return preparers are subject to criminal penalties for unauthorized disclosure or use of tax return information. See section 7216 (a). In addition, section 6713 establishes civil penalties for unauthorized disclosure or use of income tax return information by tax return preparers.

(2) In certain situations, under section 7216(b)(2), disclosure of tax return information among Authorized IRS *e-file* Providers for the purpose of electronically filing a return is permissible. For example, an ERO may pass on tax return information to an Intermediate Service Provider and/or a Transmitter for the purpose of having an electronic return formatted and transmitted to the Service.

**.02** Other Preparer Penalties.

(1) Preparer penalties may be imposed against an individual or firm meeting the definition of a tax return preparer under section 7701(a)(36) and section 301.7701-15. Preparer penalties that may be imposed under appropriate circumstances include, but are not limited to, those set forth in sections 6694, 6695, and 6713. Caution: The regulations cited in this section 6.02 do not reflect amendments to the definition of tax return preparer made by the Small Business and Work Opportunity Act of 2007.

(2) Under section 301.7701-15(d)(1), Authorized IRS *e-file* Providers are not tax return preparers for the purpose of assessing most preparer penalties as long as their services are limited to “typing, reproduction, or other mechanical assistance in the preparation of a return or claim for refund.”

(3) If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters the tax return information in a non-substantive way, this alteration will be considered to come under the “mechanical assistance” exception described in section 301.7701-15(d)(1), and will not cause an Authorized IRS *e-file* Provider to become a tax return preparer. A non-substantive change is a correction or change limited to a transposition error, misplaced entry, spelling error, or arithmetic correction.

(4) If an ERO, Intermediate Service Provider, Transmitter, or the product of a Software Developer alters tax return information in a way that does not come under the “mechanical assistance” exception, such Authorized IRS *e-file* Provider may be held liable for tax return preparer penalties.

**.03** Other Penalties. In addition to the above specified provisions, the Service may impose all appropriate preparer, non-preparer, and disclosure penalties against an Authorized IRS *e-file* Provider as warranted under the circumstances.

## SECTION 7. MONITORING AND SANCTIONING AN AUTHORIZED IRS *e-file* PROVIDER

**.01** The Service will monitor Authorized IRS *e-file* Providers for compliance with the rules governing IRS *e-file*. The Service may sanction an Authorized IRS *e-file* Provider for violating any provision of this revenue procedure or the publications and notices governing IRS *e-file*.

**.02** Sanctions that the Service may impose upon an Authorized IRS *e-file* Provider for violations described in section 7.01 of this revenue procedure include a written reprimand, suspension or expulsion from the program, and other sanctions, depending on the severity of the infraction. Publication 3112 describes the infraction categories and the rules governing the imposition of sanctions.

## SECTION 8. ADMINISTRATIVE REVIEW PROCESS

**.01** An applicant that has been denied participation in IRS *e-file* (see section 4.03 of this revenue procedure) has the right to an administrative review (except as provided in Section 9, below). During the administrative review process, the denial of participation remains in effect.

**.02** An Authorized IRS *e-file* Provider may seek administrative review for any sanction the Service may impose under section 7 of this revenue procedure.

**.03** Publication 3112 describes the procedures regarding administrative review of a denial of participation in IRS *e-file* and any sanction imposed by the Service.

## **SECTION 9. DENIAL OF APPLICATION OR REVOCATION OF AN AUTHORIZED IRS *e-file* PROVIDER'S PARTICIPATION IN IRS *e-file* DUE TO COURT INJUNCTION OR OTHER LEGAL ACTION**

**.01** The Service may deny an Application to participate in IRS *e-file* or revoke an Authorized IRS *e-file* Provider's participation in IRS *e-file* if the Provider, a Principal, or Responsible Official is enjoined from filing returns because of a Federal or State court injunction.

**.02** The Service may deny an application or revoke an Authorized IRS *e-file* Provider's participation in IRS *e-file* if the Provider, Principal, or Responsible Official is prohibited from filing returns by any Federal or State legal action that would prohibit them from participation. A type of such legal action would be a Federal Executive Order such as Executive Order 13224 (September 23, 2001), which involves prohibitions directed at terrorist individuals or organizations. An organization described in this Executive Order would not be given IRS *e-file* privileges.

**.03** If an Authorized IRS *e-file* Provider's participation in IRS *e-file* is revoked under this section, the Authorized IRS *e-file* Provider is not entitled to the Administrative Review Process set forth in Section 8 and cannot administratively appeal a revocation of its participation in IRS *e-file*. Nor can an applicant appeal its denial to participate in the program. If, however, the injunction or other legal action expires or a reviewing court reverses it, the enjoined Authorized IRS *e-file* Provider or denied applicant may reapply to participate in IRS *e-file* after the injunction or other legal action expires or the appellate decision reversing the injunction becomes final.

## **SECTION 10. PILOT PROGRAMS**

**.01** The Service regularly conducts pilot programs to introduce new technology into the IRS *e-file* Program. These pilot programs are usually conducted within a limited geographic area or within a limited taxpayer or practitioner community. The Service establishes rules for participating in these pilot programs and embodies these rules

in an implementing document typically referred to as a “Memorandum of Understanding” or “Memorandum of Agreement.” Pilot participants must agree to the provisions of the implementing document in order to participate in the pilot program.

**.02** An implementing document supplements this revenue procedure, but does not supersede it.

**.03** A violation of a provision of an implementing document is considered a violation of this revenue procedure and may subject the participant to sanctions (see section 7 of this revenue procedure).

## **SECTION 11. EFFECT ON OTHER DOCUMENTS**

Rev. Proc. 2005-60, 2005-2 C.B. 449, is superseded.

## **SECTION 12. EFFECTIVE DATE**

This revenue procedure is effective June 25, 2007.

## **SECTION 13. INTERNAL REVENUE SERVICE OFFICE CONTACT**

All questions regarding this revenue procedure should be directed to the Service. The telephone number for this purpose is (202) 283-0261 (not a toll-free number).

## **SECTION 14. DRAFTING INFORMATION**

The principal author of this revenue procedure is Michael E. Hara of the Office of Associate Chief Counsel (Procedure & Administration). For further information regarding this revenue procedure, contact Michael E. Hara at (202) 622-4910 (not a toll-free call).



Department of the Treasury  
**Internal Revenue Service**

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