

Enrolled Agents (EAs) are federally-authorized tax practitioners who have technical expertise in the field of taxation and are licensed to represent taxpayers before the Internal Revenue Service at all administrative levels for audits, collections, and appeals. In addition, Enrolled Agents are the only tax practitioners required by federal law to maintain their expertise through continuing professional education. When you need up-to-date tax assistance, see an Enrolled Agent.

Enrolled Agents - The Tax Professionals

E-Filing Technology and the IRS

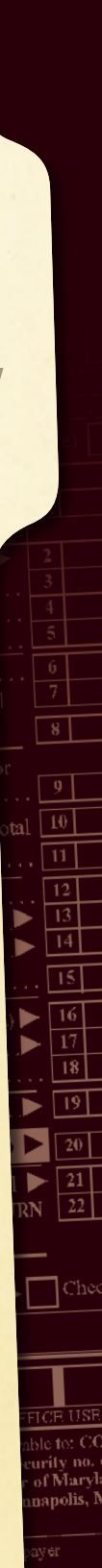


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E-Filing Technology

and the IRS

WHAT IS E-FILING?

E-filing is the term used by the Internal Revenue Service to refer to the electronic filing of tax returns. It began as a pilot project in 1986, and Congress has set a goal that 80% of taxpayers will file their tax returns electronically by 2007.

The greatest benefit of e-filing is the speed at which you can receive a refund compared to paper returns. When coupled with direct deposit, you can receive your refund in as few as 7 days.

Another good reason to e-file is that many tax returns do get lost in the mail and never make it to the IRS. Your tax preparer receives an acknowledgment from the IRS within 24 hours of electronically filing your return, which they typically print. The acknowledgment is better than "Certified Mail, Return Receipt" since it not only tells your preparer the IRS received your return, but that it was processed as well.

Even if you owe taxes, e-filing makes good sense, since you can file now and pay later. If you owe a balance, you can e-file in January but delay payment until April 15.

HOW PAPER RETURNS ARE PROCESSED

If you mail in a paper return, it goes through the following process:

- ▶ The U.S. Post Office delivers your return.
- ▶ Your return is opened, and hand-sorted by category.
- ▶ Your return is manually numbered, coded, and edited.
- ▶ Finally, your return is manually keypunched (sometimes incorrectly) and stored on magnetic tape at an IRS service center. These tapes are then processed weekly for the preparation of refund checks.

THE E-FILING ADVANTAGE

- ▶ With e-filing, the transmission process is as quick as a phone call.
- ▶ The IRS computers receive your data directly from your tax professional.
- ▶ An electronic validity check is performed to verify, among other things, the direct deposit and Social Security numbers.
- ▶ Accepted returns are input electronically to the same tape system as paper returns, so there is much less chance of error.
- ▶ The process is completed within the same day.
- ▶ The transmitter receives an acknowledgment from the IRS that your tax return has been received within 24 hours of the initial transmission.

WHO CAN E-FILE?

In 2005, virtually all forms and schedules can be e-filed, so the answer is: almost everyone! A completed Form 8453 U.S. Individual Income Tax Declaration for Electronic Filing may be needed to authorize electronic transmission of your return. However, using the new self-created PIN process, all you need are a few facts from your last tax return and you can file a totally paperless return.

DIRECT DEPOSIT

Direct deposit is a free government service that enables you to have your tax refund deposited directly into your checking or savings account—the fastest and safest way to receive your refund. Payments are sent by electronic funds transfer, thereby eliminating the need to print and mail checks.

COMMON MYTHS ABOUT E-FILING

Myth #1: If I e-file, I'm more likely to be audited by the IRS.

Fact: E-filed returns tend to have a higher accuracy rate and fewer problems than paper returns. There's no greater likelihood that an e-filed return will be audited. In fact, fewer mistakes on e-filed returns make them less likely to trigger a call or letter from the IRS.

Myth #2: I only need to e-file if I'm due a refund or want a Refund Anticipation Loan.

Fact: E-filing is an ideal way for many taxpayers to file their taxes. You'll benefit from fast and efficient processing of your return, regardless of whether you're due a refund or owe the IRS. Taxpayers who e-file their returns don't have to pay any taxes to the IRS until April 15 regardless of when their tax returns are submitted.

Myth #3: I can e-file only if I have a "simple" tax return.

Fact: E-filing can be used on most returns today. While it was true several years ago that not every form could be e-filed, for 2005, virtually every form can be e-filed.

Myth #4: E-filing is still experimental. It's better to wait until the "bugs" are worked out before I try using it for my own return.

Fact: E-filing has grown rapidly in recent years. Last year, for instance, roughly 60 million tax returns were e-filed.

Myth #5: My Enrolled Agent will charge me more to e-file than to submit a paper return.

Fact: Some Enrolled Agents may charge a bit extra for this service. However, many others don't charge at all to e-file tax returns for their clients. A growing number of Enrolled Agents are actually charging more for filing a paper return versus e-filing.