

 Fact Sheet

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2008 IRS E-File

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Most taxpayers and tax preparers this year will use [IRS e-file](#) to file their tax returns or get extensions of time to file. In the process they will not have to send a single scrap of paper to the Internal Revenue Service.

The IRS expects the total number of individual tax returns, both electronic and paper, to be about 138 million in 2008. And it expects e-file returns to exceed last year's record of almost 80 million taxpayers.

E-filers enjoy these benefits:

- **Faster refunds.** With [IRS e-file](#), taxpayers get refunds in half the time it takes to file a paper tax return and receive a refund check. E-filers who choose Direct Deposit can receive their refund in as few as 10 days.
- **Paperless.** Instead of using tax preparation software and then printing out the return and mailing it to the IRS, let this be the year to go paperless and e-file.
- **File now, pay later easy payment options.** Taxpayers can file early and pay later by scheduling an [electronic funds withdrawal](#) to be debited on or before April 15, 2008. Taxpayers can also pay by [credit card](#) when they e-file their returns. By enrolling in the [Electronic Federal Tax Payment System](#), taxpayers can make all federal tax payments online or by phone.
- **More accurate returns.** Get the full benefit of e-file. In addition to the error checks built into return preparation software, additional checks are done during the transmission of e-file returns. These additional checks reduce the chance of getting an error letter from the IRS.
- **Quick electronic confirmation.** E-filers are notified that their returns have been received.
- **Time-saving electronic signatures.** A taxpayer eliminates paperwork by creating his or her own Personal Identification Number (PIN) and filing a paperless return using tax preparation software or a tax professional. There is nothing to mail to the IRS.
- **Convenient Federal/State e-filing** — Taxpayers in 38 states and the District of Columbia can [e-file their federal and state tax returns in one transmission](#) to the IRS. The IRS forwards the state data to the appropriate state tax agency. In 2007, 41 million taxpayers filed federal-state electronic returns in Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho,

Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia, Wisconsin and the District of Columbia.

E-file is available through Oct. 15, 2008.

E-file Options

Free Internet Filing. For the 2008 filing season, 95 million individual taxpayers (70 percent of the total) will be eligible for [IRS Free File](#). Taxpayers must have an adjusted gross income of \$54,000 or less to be eligible.

The Free File program is a free federal tax preparation and electronic filing program for eligible taxpayers developed through a partnership between the IRS and the Free File Alliance. The Alliance is a group of private-sector tax preparation companies that was launched in 2003. More than 18 million taxpayers have used Free File. The program is accessible only through IRS.gov. New and repeat users must access Free File only through IRS.gov. Otherwise, the e-file provider might charge them a fee.

Taxpayers eligible for the Earned Income Tax Credit (EITC) can use Free File to file their returns and claim this credit. Some companies offer their Free File software in Spanish. Some will e-file Form 4868, Application for Automatic Extension of Time to File U.S. Income Tax Return, for free. While some companies offer free state income tax preparation and e-filing services, others may charge fees for state tax return preparation and e-filing. Look for details on eligibility requirements on IRS.gov beginning in mid-January 2008.

Low-Cost Filing. The IRS partners with many private sector tax preparation businesses that prepare and e-file Federal, and in most cases, state income tax returns, at a nominal charge to the taxpayer. Some of the companies offer Spanish versions of online and downloadable software. There is no income limitation. Taxpayers not eligible for Free File should see the [listing of these companies](#) beginning in mid-January 2008.

Personal Computer. Taxpayers can easily prepare and e-file their own tax returns. A computer with Internet access and IRS-approved tax preparation software are necessary. This software is available on the Internet for online use or download and in retail stores for offline use.

In addition to error checks built into the tax preparation software, additional checks are done during the transmission process. So, it is important to e-file the return once you have completed it to get all the benefits e-file offers. E-filing a return reduces the chances of an error or receiving a notice from IRS. If a problem is found during the preparation or transmission process, the taxpayer can correct it and resend. Taxpayers also receive acknowledgement that their returns were received by the IRS.

- In 2007, 22.3 million taxpayers e-filed their returns from home, 11 percent more than the year before.

Taxpayers can also take the easy way to pay all their business and individual federal taxes by enrolling in [Electronic Federal Tax Payment System](#) (EFTPS). EFTPS is a separate service offered by the U.S. Department of Treasury that is free, secure and easy to use. The enrollment process takes seven to 10 days. EFTPS allows taxpayers to make payments 24 hours a day, seven days a week from anywhere there is a telephone or Internet connection. Refer to [Publication 3611](#) for details. Better yet, call EFTPS Customer Service at 1-800-555-4477 or visit www.eftps.gov.

Since launching in 1996, EFTPS has processed more than 679 million electronic payments totaling more than \$16 trillion.

Paid Tax Preparer. Many people rely on tax preparers to handle their returns, and most tax preparers offer e-file. You should ask your tax preparer to electronically file your return. Also, ask for Direct Deposit if you are due a refund. Taxpayers who e-file and use direct deposit can receive a refund in as little as 10 days. Taxpayers who owe can file early and pay later using electronic payment options such as electronic funds withdrawal and credit cards and avoid the last minute rush to file.

- Authorized providers e-filed 55.7 million returns in 2007, up 8.2 percent from the previous year.

Volunteer Tax Preparer. [Several volunteer programs](#) offer free tax preparation service. The Volunteer Income Tax Assistance (VITA) Program offers free tax help for low to moderate income taxpayers. The Tax Counseling for the Elderly (TCE) Program provides free tax help to older taxpayers. Call the IRS at 1-800-829-1040 for information about a location near you. Information on TCE sites operated by AARP is available at 1-888-AARP NOW (888-227-7669).

E-file Extension of Time to File. Taxpayers can e-file or Free File [Form 4868](#), Application for Automatic Extension of Time to File U.S. Income Tax Return, to get an automatic six-month extension of time to file. No explanation or signature is required. Taxpayers can also submit an electronic payment when e-filing a Form 4868 via electronic funds withdrawal or credit card. Although Form 4868 allows an extension of time to file, it does not extend the time to pay. Penalty and interest charges may apply to any tax not paid by the due date of the return.

Electronic Signatures: Personal Identification Numbers (PINS)

For the 2008 Filing Season, all returns e-filed by practitioners will be signed electronically. Taxpayers can select one of the following options for signing an e-file return:

Self-Select PIN. The [Self-Select Personal Identification Number](#) method of e-file allows taxpayers to electronically sign their e-filed return by entering a five-digit PIN. The five-digit PIN can be any five numbers except all zeros. To self-select a PIN, the taxpayer needs to know his original prior year Adjusted Gross Income or the PIN from his prior year (Tax Year 2006) tax return/document and date of birth.

Paperless filing is available to those who prepare their own returns using tax preparation software or those who use a tax professional. On a joint return, two PINs are required, acting as electronic signatures for both people.

- The Self-Select PIN Program began in 2001. By 2007, self-select PINs were used to e-file 16.6 million returns, up 15 percent over the prior year.

IRS.gov has more information about [self-select PINs](#)

Practitioner PIN. Beginning with the 2008 filing season, [tax practitioners must electronically sign](#) e-file individual income tax returns using either a Self-Select PIN or a Practitioner PIN. A Self-Select PIN allows a taxpayer to electronically sign her e-filed return by selecting a five-digit PIN. A Practitioner PIN is used when a taxpayer completes [Form 8879](#), IRS e-file Signature Authorization, authorizing an Electronic Return Originator (ERO) to input an electronic signature on behalf of the taxpayer. The ERO retains Form 8879 and does not mail it to the IRS.

Taxpayers and tax practitioners will no longer submit paper signatures for e-filed returns using Form 8453, U.S. Individual Income Tax Transmittal. Instead, a [newly designed Form 8453](#) will be used only to transmit certain supporting paper documents that are required to be submitted to the IRS with e-filed returns. Supporting documents are required in only a few unusual circumstances. For the vast majority of taxpayers e-file means no paper is sent to the IRS.

- Fifty-six million taxpayers e-filed through a paid preparer and used a self-select PIN or a practitioner PIN in 2007.

IRS.gov has more information about [practitioner PINs](#), including a list of [frequently asked questions](#).

Direct Deposit

One electronic transaction that is available to both e-filers and those filing a traditional paper tax return is Direct Deposit. Almost 60 percent of all refunds were directly deposited in 2007.

Using Direct Deposit is easy. Paper return filers just enter bank account and routing numbers in the boxes provided on Form 1040, 1040A or 1040EZ. There is an illustration explaining how to choose direct deposit in the tax return instructions. Taxpayers can split their deposits in up to three different accounts. Most e-file and tax preparation software allows taxpayers to split refunds. Paper return filers need to file [Form 8888](#), Direct Deposit of Refund to More Than One Account, to split a refund among different accounts.

Taxpayers who choose Direct Deposit will get their refunds faster than those who receive a paper check. Taxpayers who both e-file and use direct deposit will receive their refunds even faster. Also, a refund that is directly deposited in a savings or checking account cannot be stolen or lost in the mail.

During 2007, 60.5 million refunds were directly deposited, up from 56.7 million in 2006. That's an increase of seven percent. The average Direct Deposit refund in 2007 was \$2,250. In 2007, \$228.9 billion was directly deposited, an increase of about 6.9 percent over the prior year.

Related Information:

- IRS [e-File](#)
- Pay taxes by [Electronic Funds Withdrawal](#) or [Credit Card](#)
- [Electronic Federal Tax Payment System](#)
- [Publication 3611](#), Easy Ways to Pay Electronically
- [Federal/State e-file for Taxpayers](#)
- [Free File](#) — Most taxpayers qualify
- Find [Low-Cost e-file Providers](#)
- [Volunteer Tax Preparers](#) — Volunteer Income Tax Assistance as well as options for the elderly and military personnel
- [Form 4868](#), Application for Automatic Extension of Time to File U.S. Individual Income Tax Return
- Electronic Signatures — [Self-Select Personal Identification Number](#)
- Tax Practitioner PIN Requirement — [See Q&As](#).
- [Form 8879](#), IRS e-file Signature Authorization
- [Form 8453](#), U.S. Individual Income Tax Transmittal for an e-file Tax Return
- [Form 8888](#), Direct Deposit of Refund to More than One Account