

E-FILE -- A PROVEN ALTERNATIVE

Filing a federal tax return electronically has never been simpler or more convenient. Twenty-five million taxpayers took advantage of IRS's e-file options last year. They learned that filing through an authorized practitioner, over the telephone or on-line is fast, safe and virtually error-proof.

Beginning with the 1999 tax filing season, the IRS is launching a number of programs that will make e-filing even more rewarding. Two new taxpayer signature pilots will provide a totally paperless experience for some electronic filers. Also new this year, taxpayers filing electronically can pay any balance due with a credit card or direct debit from their checking or savings account.

Aside from ease of filing, TeleFile, e-file using a practitioner, or e-file using a personal computer offer such benefits as:

- **Faster refunds:** IRS e-file is the quickest way to get refunds. Taxpayers receive refunds in half the time as paper returns -- even faster with direct deposit.
- **More accurate returns:** IRS e-file returns are more accurate and reduce the chance of getting an error letter from the IRS.
- **Quick electronic confirmation:** The IRS e-file options provide acknowledgment that the return has been accepted. The TeleFile system gives callers a confirmation number while they're on the phone to let them know that they have completed the filing of their returns. With e-filing, taxpayers know their return made it to the IRS.
- **Ease of payment:** Form 1040 e-filers with a balance due can pay their taxes with a credit card. Taxpayers using an authorized IRS e-file provider, tax preparation software or TeleFile can pay all or a portion of their tax bill by credit card using a touch-tone phone. Mastercard cards, American Express or Discover/NOVUS cards will be accepted. In almost all tax preparation software, taxpayers will be able to chose to pay by pre-authorizing a debit from a checking or savings account. Whatever the method of electronic payment, it is now easier than ever to file and pay at the same time--avoiding a trip to the post office. Taxpayers also have the opportunity to "file now and pay later."

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Taxpayers with a balance due can e-file in January, receive confirmation, then delay actual payment until April 15.

- **No paper:** This year, eligible taxpayers will be able to sign their returns with an alternative method that eliminates the need to mail a paper signature to the IRS. The IRS is distributing over 8 million postcards with e-file Customer Numbers (ECN) to taxpayers who prepare their own returns using tax preparation software and file from their home computers. These taxpayers will use the ECN codes as their electronic signatures. In addition, approximately 8,100 practitioners will participate in a pilot where taxpayers will chose a Personal Identification Number to use when filing through a tax preparer.

TELEFILE

Nearly 6 million people learned last year that TeleFile, the IRS' telephone filing system, is the easiest way to file a return. Eligible TeleFile users receive a special tax package allowing them to file their taxes quickly and easily any hour of the day or night. Instead of tax forms, this package has a worksheet which becomes the TeleFile Tax Record and a personal identification (PIN) that acts as the taxpayer's signature. If there are no changes to the name or address that the IRS has printed on the Tax Record and the taxpayer is otherwise eligible, TeleFile is the easiest way to file. Those who are due a refund may have it deposited directly to a checking or savings account.

With a Touch-Tone phone, TeleFilers enter interest income, any unemployment compensation and wages, tax withheld and employer identification number from each W-2 Form. Those taking advantage of direct deposit also enter a bank routing number and account number. The telephone call takes about 10 minutes. The IRS figures the adjusted gross income, standard deduction, exemption, taxable income, tax, and any earned income credit. Plus any refund or tax due, while the taxpayer is on the phone. Refunds will be sent in half the time as a paper return--even earlier for direct deposit--and any tax due can be paid by April 15, 1999.

This year, taxpayers in Indiana and Kentucky will be able to file both their federal and state returns with a single phone call using TeleFile.

E-FILING USING A TAX PROFESSIONAL

E-filing in which authorized participants send tax filing data for their clients to the IRS from their computers is available for balance due as well as refund returns. This means if taxpayers owe money, they can file returns earlier while still making tax payments by April 15, 1999. For refund taxpayers, e-filing means a faster refund, with the option of having it deposited directly into their bank accounts.

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Taxpayers can prepare their own returns and have professionals e-file it, or they can have a professional prepare and e-file their returns.

First tested in 1986, e-filing through a professional grew to over 17 million individual returns in 1998.

Many taxpayers in 35 states and the District of Columbia can file their federal and state tax returns electronically in one transmission to the IRS. The IRS forwards the state data to the appropriate state tax authority. This federal-state electronic filing is available in Alabama, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, 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, Virginia, West Virginia, Wisconsin and the District of Columbia. Last year over 6 million e-filers filed their state returns with their federal returns.

E-FILING USING A PERSONAL COMPUTER

Taxpayers who have a modem and personal computer can e-file their tax returns directly from home. Participating tax preparation software programs or tax preparation Internet websites include an e-file option through a contract transmitter.

To e-file from home, a taxpayer transmits a completed tax return file to a transmitter, which converts the file from the tax preparation software's or Internet services' format to the IRS's format. The transmitter then sends the converted return file to the IRS. The IRS will notify the taxpayer through the transmitter whether or not the return is accepted. In 1998, nearly one million e-filers sent their returns via their home computers.

Interested computer users can get a list of participating software companies through the IRS website at: www.irs.ustreas.gov or directly by modem at 703-321-8020. Through partnerships with the private sector, the IRS website also provides direct links to selected tax software firms' who offer low- or no-cost filing options.

A PROVEN PRODUCT

The benefits of e-file are clear.

- a fast refund in half the time -- even faster with direct deposit
- faster processing and better accuracy
- acknowledgment of receipt within 48 hours

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One out of every 5 taxpayers chose e-filing last year. No matter which e-file method taxpayers select, the track record is proven -- e-file provides secure, accurate, fast and easy income tax filing.

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