



Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

2006 IRS E-file

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More and more Americans are choosing e-file, which lets them electronically file an accurate tax return or get an extension of time to file without sending any paper to the Internal Revenue Service.

More than 68 million Americans chose IRS e-file in 2005 — 11 percent more than the year before. The total number of individual tax returns in calendar year 2006 is expected to grow to nearly 135 million, and the IRS expects a record number of e-filers this year.

E-filers enjoy these benefits:

- **Faster refunds** – With IRS e-file, taxpayers can get their refunds in half the time of filing a paper tax return and receiving a refund check, even faster with Direct Deposit.
- **More accurate returns** – IRS computers quickly and automatically check for errors or other missing information, making e-filed returns more accurate and reducing the chance of getting an error letter from the IRS.
- **Quick electronic confirmation** – E-filers receive an acknowledgment that the IRS has received their returns.
- **Time saving electronic signatures** – Taxpayers can eliminate paperwork by creating their own Personal Identification Number (PIN) and filing a completely paperless return using their tax preparation software or tax professional. There is nothing to mail to the IRS.
- **Easy payment options** – E-filers with a balance due can schedule a safe and convenient electronic funds withdrawal from their bank account, or pay with a credit card, or enroll in the Electronic Federal Tax Payment System (EFTPS) to make subsequent payments by phone or Internet.
- **Convenient Federal/State e-filing** – Taxpayers in 37 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 2005, 27 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.

Taxpayers who choose e-file have a number of options.

Free Internet Filing

For the 2006 filing season, 93 million individual taxpayers will be eligible for IRS Free File. Taxpayers must have an adjusted gross income under about \$50,000 to be eligible. Tax software companies and the federal government are teaming up to offer free online tax preparation and electronic filing services to eligible taxpayers. Free services are accessible through irs.gov. Eligibility requirements will be on IRS.gov beginning in mid-January 2005.

Free File is made possible through a partnership between the IRS and the Free File Alliance, LLC, a consortium of participating tax software companies. Free File services are provided to eligible taxpayers at no charge.

Using a Personal Computer

Taxpayers with a computer, a modem or Internet access and tax preparation software can e-file their tax returns from home any time, day or night. To do so, a taxpayer sends a completed, electronic tax return to a transmitter. The transmitter converts the file to an IRS-approved format and then sends it to the IRS. Within 48 hours, the IRS notifies the taxpayer through the transmitter whether or not the return is accepted.

In 2005, 17.1 million taxpayers e-filed their returns from home, 17 percent more than the year before.

Using an Authorized Provider

Computer filing through an authorized provider has been the core of e-filing since its debut in 1986. Using this method, tax professionals send clients' returns electronically to the IRS. Some prepare their clients' returns and send them, others take returns prepared by their clients, enter the data, then e-file it with the IRS.

Authorized providers filed 48 million returns in 2005, up 11 percent from the previous year.

E-filing an Extension of Time to File

Taxpayers will be able to e-file an extension request using a single IRS form (Form 4868) to get an automatic six-month extension of time to file. No explanation or

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signature is required. Taxpayers with an extension must still pay any taxes they owe by Monday, April 17, 2006.

E-file is totally paperless for taxpayers who use an electronic signature option. In 2006, taxpayers can select one of the following options for signing their e-filed return:

Self-Select PIN (Personal Identification Number)

The Self-Select Personal Identification Number (PIN) 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. Receipt of the taxpayer's PIN eliminates the requirement for Form 8453. The Self-Select PIN method requires the entry of each taxpayer's date of birth and prior year original adjusted gross income, which are used to authenticate the taxpayer. On a joint return, two PINs are required, acting as electronic signatures for both people.

The Self-Select PIN Program began in 2001, but by 2005, self-select PINs were used to e-file 15 million returns, up 25 percent over the prior year.

Practitioner PIN

The Practitioner PIN is an additional electronic signature option for taxpayers who use an electronic return preparer. Taxpayers using a tax professional can sign their return electronically by completing an e-file signature worksheet. The worksheet authorizes an electronic return preparer to enter a taxpayer's PIN as a signature.

36.9 million Taxpayers e-filed through a paid preparer and used a self-select PIN or a practitioner PIN in 2005.

Using an electronic signature option saves a few steps. For taxpayers expecting a refund, e-file with direct deposit saves time.

Direct Deposit

Direct Deposit is available to both e-filers and those filing a paper return. About 49 percent of refunds were directly deposited in 2004, representing half of all refunds.

Choosing direct deposit is easy; paper return filers just enter their account number and routing number 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.) Those who choose direct deposit will get their refunds faster than those who receive a paper check. Also, a refund that is directly deposited in a savings or checking account cannot be stolen or lost in the mail.

During 2005, 52.7 million refunds were directly deposited, up from 49.3 million during 2004, an increase of almost 7 percent. The average direct deposit refund in 2005 was \$2,544. In 2005, \$134.1 billion was deposited electronically, an increase of about 11 percent over the prior year.

The e-file section of IRS.gov has more information about IRS e-file, free internet filing, the self-select PIN, the practitioner PIN and private sector partnerships.