



e-File Rejects

Issues, Impacts, Solutions

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Agenda

- Taxpayer Authentication and e-Signature Background
- Taxpayer Authentication Issues Leading to e-File Rejects
 - Error Reject Codes 679 & 680
 - Impact
 - Findings
 - Software Heuristic Review
- Recommendations
- Questions



Taxpayer Authentication e-Signature Background

Task Force and GAO Report Produce Results

- Commissioner's Task Force established in 2000
 - Eliminate barriers to e-filing
 - Eliminate paper signature form
- A 2009 Government Accountability Office (GAO) report* recommended the IRS “develop and document a strategy to prevent and resolve errors causing electronically filed returns to be rejected.”
- Require Practitioner PIN & Self-Select PIN
- Mandate e-Signatures on individual income tax returns (2009)
 - Eliminate Form 8453
 - Reduce Fraud
 - Reduce Paper
 - Reallocate Resources
 - Reduce Costs
- Electronic Filing PIN Web & telephone applications (2010)

**Opportunities Exist for IRS to Enhance Taxpayer Service and Enforcement for the 2010 Filing Season (GAO-09-1026)*



Taxpayer Authentication Issues Leading to e-File Rejects

Top e-File Reject Codes

Reject Code	Volume	% of Total
679	6,113,757	24.2%
504	1,995,846	7.9%
680	1,453,813	5.7%
507	1,265,651	5.0%
522	1,203,820	4.8%
500	1,142,107	4.5%
501	1,050,583	4.2%
502	1,013,075	4.0%
541	891,271	3.5%
510	842,613	3.3%
Other	8,331,904	32.9%
Total	25,304,440	100.0%



Taxpayer Authentication Issues Leading to e-File Rejects

Error Reject Codes 679 & 680

■ Error Reject Code 679

- Primary Prior Year Adjusted Gross Income, Primary Prior Year PIN or Primary Electronic Filing PIN must match IRS records.

■ Error Reject Code 680

- Spouse Prior Year Adjusted Gross Income, Spouse Prior Year PIN or Spouse Electronic Filing PIN on the Authentication Record must match IRS records.



Taxpayer Authentication Issues Leading to e-File Rejects

Impact

Taxpayer

- **Repeated Submissions**
All ERC 679 and 680 taxpayers had to re-submit
- **Delayed Refunds**
90% (2.38 M) ERC 679 & 88% (546K) ERC 680 expected a refund
- **More Paper Returns**
10% (256K) ERC 679 & 12% (73K) ERC 680 submitted paper return
- **Greater Uncertainty**
10% (256K) ERC 679 & 4.6% (28.5K) ERC 680 did not file a return as of August 2010

IRS

- **More Staff**
Required to process rejects
- **More Processing**
Required to move rejects through to submission
- **More Paper**
Resulting from paper returns submitted after rejection
- **More Non-Filing/Compliance Issues**
Resulting from rejected returns not resubmitted

Software Developers

- **Lower Satisfaction Levels**
Resulting from rejections
- **Lower Market Share**
Resulting from migration of customers to other products
- **Higher Customer Costs**
Related to increased contacts



Taxpayer Authentication Issues Leading to e-File Rejects

Findings

Entered Information vs. IRS Records

Type	ERC 679	ERC 680
Confusion Between Authentication Fields	1,227,323 (26.7%)	265,159 (24.7%)
Entered a Number Instead of Zero in Authentication Fields	776,074 (16.9%)	236,639 (22.1%)
Transcription Error	135,234 (2.9%)	33,745 (3.1%)
Undetermined	2,454,079 (53.4%)	536,786 (50.1%)
Total Submissions	4,592,710	1,072,329



Taxpayer Authentication Issues Leading to e-File Rejects

Software Heuristic Review

- Portal Business Management Division's User Insights Branch reviewed several online tax software companies
- Evaluated IRS Issued e-File PIN and e-Signature screen(s) to identify issues
- Identified tax software companies with higher than normal volume of error reject codes associated with IRS Issued e-File PIN and e-Signature fields
- Created personas and associated return-filing tasks
- Captured recommendations (outlined in this presentation)

Heuristic Review

Expert review of a product, application or design.



Ultimate Goal

Provide feedback that will enhance the user experience and reduce error rates.



Taxpayer Authentication Issues Leading to e-File Rejects

Software Heuristic Review (Cont.)

- There is no standard name for the e-Signature field (Signature PIN, PIN Code, etc.)
- Linking to IRS.gov's IRS Issued e-File PIN application isn't always the first option provided to the taxpayer
- When linking to IRS.gov's IRS Issued e-File PIN application users are sent to the first page of the application
- There is no real differentiation between an IRS Issued e-File PIN and a signature PIN to the taxpayer
- Some screens include BOTH the IRS Issued e-File PIN and the signature PIN, which is confusing since taxpayers may not realize the difference
- Some companies ask for the signature, then the IRS Issued e-file PIN; while others ask for the IRS Issued e-File PIN, then the signature (inconsistent)
- The IRS.gov IRS Issued e-File PIN Request landing page indicates the PIN will be used to sign the return; however, the PIN is used to verify the taxpayer's identity



Recommendations

Design, Process & Content

- Call Electronic Filing PIN an IRS Issued e-File PIN
- Call Signature PIN an e-Signature (5 digit numeric)
- Provide users with a link to IRS.gov's IRS Issued e-File PIN application, THEN, the phone number
- Send taxpayers to the introduction page when linking to IRS.gov's IRS Issued e-File PIN application
 - <http://www.irs.gov/individuals/article/0,,id=213471,00.html>
- Call one a PIN and the other an e-Signature to help differentiate
- Collect the verification information (Prior Year AGI, Prior Year PIN, or IRS Issued e-File PIN) on a separate screen from the e-Signature PIN
- Create standard labels for each field
- Collect the verification information before asking for the electronic signature
- Update IRS.gov IRS Issued e-File PIN Request landing page to indicate that the IRS Issued e-File PIN is for identity verification purposes, and that return needs to be electronically signed (Update has been completed)



Recommendations

Program & Industry

IRS

- Error Reject Code 679/680 Programming
- Signature Terminology Changes
- Communication

Software Developers

- Design Changes
- Terminology Consistency
- Signature Process Consistency



Questions

- Send Industry Feedback to the IRS e-Signature e-Mail Box:
 - esignature@irs.gov