



2011

# **Modernized e-File (MeF) Support Industry and State Adoption**

**Robert Bedoya, ETARC, Director,  
e-Channel Support**

**Melodye Mitchell, ETARC, Chief,  
E-Channel Support**



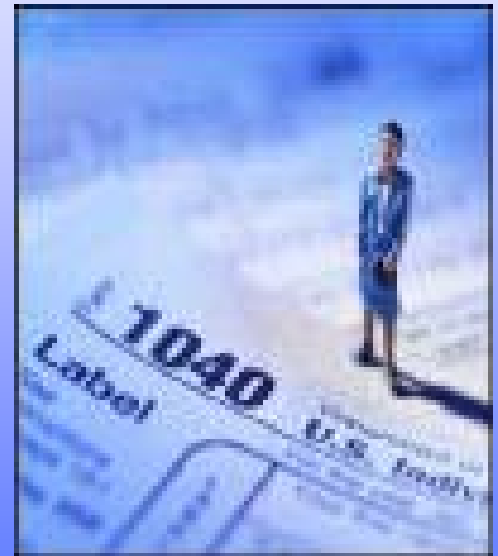
# Session Objective

## Objective

- IRS would like to better understand the factors influencing state and industry participation in hope of establishing more effective partnerships and improve adoption rate.

## Background

- The new Modernized Electronic Filing (MeF) system processed over 11 million 1040 returns this year.
- IRS processed over 100 million 1040 returns this filing season. Next year we expect to exceed to 80% e-File goal set by congress.
- States currently receive the majority of their state returns through the Fed-State program.
- IRS is on schedule to retire the 1040 Legacy e-File system in October 2012.





# Key Messages

## **1040 Legacy Shutdown:**

IRS will deploy the last phase of the 1040 Modernized e-File (MeF) program for Filing Season 2012. MeF Release 7 will enable electronic filing of all 1040 forms and schedules. In preparation for increased Industry and State participation, the IRS expanded the MeF disaster recovery capabilities and implemented a number of improvements to increase system stability and performance. Filing Season 2012 is the last year that Legacy 1040 e-File and 1040 MeF will operate in parallel. Industry and States should be aware that the IRS is on schedule to permanently shutdown (retire) the Legacy 1040 e-File system in October 2012. The IRS is committed to working with Industry and States as they develop and execute their plans to migrate to the MeF platform.

## **Volume Control Message:**

IRS has no plans to impose any kind of volume controls on Transmitters or States who send returns to Modernized e-File (MeF) during Filing Season 2012. IRS made significant changes to its infrastructure and applications prior to Filing Season 2011 resulting in little unscheduled downtime and greatly improved system performance. IRS is continuing to execute its performance improvement plan in preparation for Filing Season 2012 with the objective of maintaining its performance goals of making acknowledgements available within 5 minutes during non peak days/hours and within 2 hours during peak days/hours.



# 1040 MeF Industry/State Snapshot

Date Range: 1/1/2011 to 5/25/2011

Number of Transmitters that Support each State	States Participating in MeF	Transmitter 1	Transmitter 2	Transmitter 3	Transmitter 4	Transmitter 5	Transmitter 6	Transmitter 7	Transmitter 8	Transmitter 9	Transmitter 10	Transmitter 11	Transmitter 12	Transmitter 13	Transmitter 14
2	AL	Y		Y											
1	AR	Y													
6	CO	Y	Y	Y	Y		Y	Y							
1	CT	Y													
5	GA	Y	Y	Y		Y			Y						
3	ID		Y	Y	Y										
3	IL			Y			Y	Y							
3	IN	Y	Y		Y										
10	KS	Y	Y		Y	Y	Y	Y	Y	Y	Y		Y		
3	LA		Y		Y	Y									
1	MD											Y			
2	ME	Y		Y											
6	MI	Y	Y	Y	Y	Y	Y								
4	MO	Y		Y	Y	Y									
3	MT		Y		Y	Y									
1	ND	Y													
6	NE	Y	Y	Y	Y	Y		Y							
1	OH		Y												
5	OK	Y	Y		Y	Y	Y								
7	OR	Y	Y	Y	Y	Y	Y			Y					
1	PA	Y													
4	RI		Y	Y	Y		Y								
2	SC	Y		Y											
7	UT	Y	Y	Y	Y		Y	Y	Y						
3	VA	Y		Y	Y										
6	WI	Y	Y	Y	Y	Y			Y						
0	WV														
States Supported		19	15	15	15	10	8	5	4	2	1	1	1	0	0



# State Factors which Encourage Industry Support

Based on industry comments at eFile Symposium

- States with eFile mandates or states with high volume of electronically filed returns without an eFile mandate attract industry support
  - Currently 37 states participate in Fed-State E-file
  - 25 of the 37 have mandates requiring practitioners to e-file.
  - In the aggregate, more than half of all state returns are received electronically today.
- States which impose additional requirements above the TIGERS or NACTP standards lower their priority for industry support. Additional development time may be required to address possible design constraints.
- Post schemas early to allow vendors sufficient time for development and testing.
  - Posting schemas after August 2011 does not allow sufficient time for development
- Encourage vendors to test throughout the season, communicate test results timely, and provide feedback on test conditions which fail
- Make contact information and state information readily accessible on website
- States which support federal perfection period attract vendor support
- Respond to vendor requests timely. Effective communication is critical to success.



# States/Municipalities Not MeF Production-Ready

State Name	MOU Signed	Plans to Support MeF for Filing Season 2012
Arizona	N	Y
Delaware	Y	Y
<b>District of Columbia</b>	<b>N</b>	<b>N</b>
Hawaii	N	Y
Iowa	Y	Y
Kentucky	Y	Y
Minnesota (Indep) Ω	N	Y
Mississippi	N	Y
<b>New Hampshire</b>	<b>N</b>	<b>N</b>
New Jersey	N	Y
New Mexico	Y	Y
New York	N	Y
<b>New York City</b>	<b>N</b>	<b>N</b>
North Carolina	N	Y
<b>Vermont</b>	<b>Y</b>	<b>N</b>



# State Readiness Updates

- Arizona decided to defer participating in MeF until 2012 at which time all the IRS forms are expected to be converted. They did not want to sign the 1040 MOU until closer to 2012. Currently accepting only Legacy returns.
- Delaware expects to test with vendors in early fall and begin production in 2012. MeF has a signed 1040 MOU.
- DC is mostly unresponsive to requests for information. Instructions on applying for MeF were provided in December of 2010, but they never began the application process.
- Hawaii is hoping to begin a pilot in August 2011 if they can find vendors to support them. If that goes well, they would begin production in January 2012. Submitted MOU package for signature 4/26.
- Iowa currently participates in 1120 and 1065. They expect to go live with 1040 mid year. MeF has a signed 1040 MOU. Currently accepting only Legacy returns.
- Kentucky is testing. They plan to go live after April 18th. MeF has a signed 1040 MOU.
- Minnesota is starting to look at MeF Fed/State for the 1040 beginning in January of 2012. They plan to make the switch at that time provided the IRS stays on its current schedule to support a full form set and full volume next year. Considering supporting MeF only.
- Mississippi is live for 1120 and 1065. They plan to implement 1040 in January 2012.
- New Hampshire does not have an individual income tax but they do take in certain forms such as Schedule C. They applied in July 2010 but have been quiet since then.
- New Jersey is testing. They plan to implement 1040 mid year (possibly June). New Jersey submitted the 1040 MOU package for signature 5/23.
- New Mexico plans to implement 1040 at some point in 2011 but could not give a specific timeframe. We have a signed 1040 MOU.
- New York State is live for 1120 and 1065. They plan to implement 1040 in September 2012. New York submitted the 1040 MOU package for signature 5/23.
- North Carolina plans to implement 1040 in January 2012. They have not started testing yet. Currently supports Legacy eFile only. Beginning with tax year 2012, NC expects to support MeF only. NC has resource concerns in supporting 2 systems.
- Vermont has not started testing and does not have an expected date. Vermont has notified vendors that have submitted a letter of participation that testing of MeF will be delayed. MeF has a signed 1040 MOU.



# Incentives

What incentives do you recommend for IRS to offer that would encourage earlier adoption of MeF?





# Additional Guidance

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- **Modernized e-File (MeF) Program Information**  
<http://www.irs.gov/efile/content/0,,id=171945,00.html>
- **Modernized e-File (MeF) Status Page**  
<http://www.irs.gov/efile/article/0,,id=168537,00.html>
- **Modernized e-File (MeF) User Guides and Publications**  
<http://www.irs.gov/efile/article/0,,id=171946,00.html>

## External Partners

- **National Association of Computerized Tax Processors (NACTP)**  
<http://www.nactp.org/>
- **Tax Implementation Group for E-Commerce Requirements Standardization (TIGERS)**  
<http://www.statemef.com/>
- **Federation of Tax Administration (FTA)**  
<http://www.taxadmin.org/>



# General Discussion

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Comments and Questions