

 News Release

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IRS Issues E-File Guidance for Corporations and Tax-Exempt Organizations

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WASHINGTON — The Internal Revenue Service today issued guidance on steps large corporations and tax-exempt organizations can take to seek waivers from electronic filing requirements.

Notice 2005-88 establishes the bases under which taxpayers can request waivers from the electronic filing requirement:

- Where the taxpayer can not meet electronic filing requirements due to technology constraints; or
- Where compliance with the requirements would result in undue financial burden on the taxpayer.

The notice also outlines the specific steps taxpayers should follow when requesting waivers from the IRS.

“Electronic filing of tax returns is a key component to modernizing our tax system,” said IRS Commissioner Mark W. Everson. “While we have mandated electronic filing for large corporations and tax-exempt groups, we recognize that in limited specific circumstances some of these entities may not be able to meet this requirement.”

Electronic filing of tax returns by large corporations and information returns by large tax-exempt organizations is required by regulations issued in January 2005. The requirement applies to returns for taxable years ending on or after Dec. 31, 2005. For tax year 2005 returns that are due in 2006, affected corporations are those with assets of \$50 million or more that file 250 or more returns a year, including income tax, excise tax, information and employment tax returns. For tax year 2005 returns that are due in 2006, affected tax-exempt organizations are those with \$100 million or more in assets that file 250 or more returns a year.

Electronic filing has been available to corporations and tax-exempt organizations since 2004. So far this year, about 205,000 corporations have voluntarily filed their corporate income tax returns electronically, including about 1,100 corporations with assets exceeding \$10 million. In addition, the IRS has received about 3,600 electronically-filed information returns from tax-exempt organizations.

IRS has worked closely with stakeholders representing corporations and tax-exempt organizations, and software developers, in developing e-file procedures. Extensive information is available on irs.gov. Earlier this year, in response to concerns raised by

corporations, IRS issued a set of "Tax Year 2005 Directions for Corporations Required to e-file." These directions identify alternative steps corporations may take to satisfy mandatory e-file requirements without the need of a waiver.

Almost all businesses and exempt organizations already prepare their returns electronically. Increasingly, individuals, as well as businesses, are conducting most or all of their transactions with the IRS electronically, which benefits taxpayers by improving the accuracy of filed returns and speeds the processing of those returns.

For tax years ending on or after Dec. 31, 2006, the electronic filing requirement will be expanded to include the tax year 2006 tax returns of corporations and tax-exempt organizations with \$10 million or more in total assets. In addition, private foundations and charitable trusts will be required to electronically file their Form 990-PF, regardless of their asset size. Corporations and tax-exempt organizations outside of announced parameters may voluntarily electronically file.

Notice 2005-88 is posted on irs.gov and will appear in Internal Revenue Bulletin 2005-48, dated Nov. 28, 2005.