

Procedures For Electronic and Magnetic Media Filing of U.S. Income Tax Return for Estates and Trusts Form 1041



Department of the Treasury
Internal Revenue Service

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PROCEDURES FOR ELECTRONIC AND MAGNETIC MEDIA FILING
OF
U.S. INCOME TAX RETURN FOR ESTATES AND TRUSTS
FORM 1041

PUBLICATION 1437

(Revised October 1996)

INTERNAL REVENUE SERVICE

NOTICE OF CHANGES

Major changes to the Publication (dated October 1995) are:

Section	Change
iv	Fed/State Requirements have been added as Section 3.
2.05(2)	Returns filed with Schedule F, Profit or Loss From Farming, and Form 4835, Farm Rental Income and Expenses, will now be accepted electronically.
2.07	Trust returns filed under Section 642(I) of the Internal Revenue Code have been added to the program.
3	New section for Federal/State Requirements.
8.06	Added symbols for Substitute Forms Coordinator.
10.01	Added new mailing instructions for remittances.
15.02	Updated symbols for Director of Practice.

USER COMMENT PAGE

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DESCRIPTION OF PROBLEM: (Please include page number)

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SECTION 1. PURPOSE

The purpose of this procedure is to specify the requirements that apply to the electronic and magnetic media filing of Form 1041, U.S. Income Tax Return for Estates and Trusts.

SECTION 2. FORM 1041: MAGNETIC TAPE FILING, FLOPPY DISKETTE FILING, AND ELECTRONIC FILING

.01 The electronic/magnetic media filing of Forms 1041 includes returns filed on magnetic media (magnetic tape or floppy diskette) or electronically. Electronic returns are filed over telephone lines from the participant's communications device (or modem) into the IRS reception device at the Philadelphia Service Center. (IRS uses a dial-up communications device to receive Form 1041 tax returns.)

.02 Processing of Form 1041 returns include the following Calendar/Fiscal year endings:

- (1) Fiscal year participants - Fiscal years ending January through August of the current year
- (2) Calendar year participants - Calendar year ending December 31 of the prior year

.03 Prospective participants must complete Form 9041, Application for Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns. Applicants must agree to follow all requirements and specifications in this publication and all related publications. They must also successfully complete testing to be accepted in the program.

.04 IRS reserves the right to revoke the electronic or magnetic media filing privilege of any participant who does not maintain an acceptable level of quality or who deviates from the procedures and specifications set forth in the following documents:

- (1) Publication 1437 - Procedures for Electronic and Magnetic Media Filing of U.S. Income Tax Return for Estates and Trusts, Form 1041, and
- (2) Publication 1438 - File Specifications, Validation Criteria, and Record Layouts for Electronic and Magnetic Media Filing of Estate and Trust Returns, Form 1041, for Tax Year 199X.

.05 Composition of the return:

- (1) An electronic or magnetic media return consists of Form 1041 tax return data transmitted to the IRS using electronic or magnetic media and of required paper documents which contain information that cannot be transmitted, such as signatures, documents prepared by third parties, etc. Summarizing, the tax return must contain the same information as a comparable return filed entirely on paper documents.

- (2) Form 1041 data transmitted on electronic or magnetic media is limited to entries from:

Form 1041	U.S. Income Tax Return for Estates and Trusts
Schedule D (Form 1040)	Capital Gains and Losses
Schedule E	Supplemental Income and Loss
Schedule F (Form 1040)	Profit or Loss From Farming
Schedule J (Form 1041)	Accumulation Distribution for a Complex Trust
Schedule K-1 (Form 1041)	Beneficiary's Share of Income, Deductions, Credits, Etc.
Form 1116	Foreign Tax Credit

Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts
Form 3468	Investment Credit
Form 4562	Depreciation and Amortization
Form 4684	Casualties and Thefts
Form 4797	Sales of Business Property
Form 4835	Farm Rental Income and Expenses
Form 4952	Investment Interest Expense Deduction
Form 6198	At-Risk Limitations
Form 8271	Investor Reporting of Tax Shelter Registration Number
Form 8582	Passive Activity Loss Limitations
Form 8801	Credit For Prior Year Minimum Tax - Individuals, Estates, and Trusts
Form 8824	Like-Kind Exchanges

(3) The paper part of the return consists of:

- (a) Form 8453-F, U.S. Estate or Trust Income Tax Declaration and Signature for Electronic and Magnetic Media Filing. This form is required for all returns and must contain all signatures that would have been required if the return had been filed on paper. Consult SECTION 8 of this publication for more information.

- (b) Other documents containing required signatures or supporting information. These items must be attached to the signed Form 8453-F when it is sent to the service center. An example is a photocopy of the original power of attorney form (IRS must already have a power of attorney on file), for a return filed under power of attorney.

- (c) Any other documents that:
 - (i) are not required by IRS,
 - (ii) are not IRS forms or schedules, or
 - (iii) are not covered in (a) or (b) above, and are voluntarily included by the fiduciary/participant as supporting material.

.06 EXCLUSIONS - The following types of returns are excluded from the electronic and magnetic media filing of Form 1041:

- (1) Amended returns;
- (2) Returns containing forms or schedules not listed in Subsection 2.05(2);
- (3) Returns for any calendar year ending before December 31 of the prior year or for fiscal year returns ending during any month after August 31 of the current year;
- (4) Returns submitted by a person not accepted by the Service for electronic or magnetic media filing;
- (5) Delinquent returns (except returns covered by the extension provision);
- (6) Returns with dollars and cents entries -- only whole dollar amounts are accepted. Round entries to whole dollars only upon output. Computed percentage distributions on Schedules K-1 may not balance due to this rounding;

- (7) Returns with a power of attorney attached; (If IRS already has a power of attorney on file, the return is eligible for electronic and magnetic media filing.)
- (8) Short period returns due to changes of accounting period;
- (9) Returns with more than:
 - (a) one Schedule D
 - (b) one Schedule E
 - (c) one Form 2210, 3468, 4797, 4835, 4952, 8582, or 8801.
- (10) Tentative returns;
- (11) Family estate trust returns (except those filed by a bank);
- (12) Bankruptcy estate returns;
- (13) Returns with refund amounts equal to or greater than \$1,000,000;
- (14) Fiscal Year Returns with extension dates after December 31 of the current year;
- (15) Returns filed with Household Employment Taxes since Schedule H (Form 1040) is not an acceptable electronic form.

.07 INCLUSIONS - Beginning this filing season, Trust returns filed under Section 642(I) of the Internal Revenue Code can be filed electronically.

SECTION 3. FEDERAL / STATE REQUIREMENTS

.01 GENERAL DESCRIPTION

- (1) The general concept is to emulate current operations used for the electronic filing of federal tax returns and modify these operations where necessary to accommodate the transmission of state tax return data to the state. The tax return data must be placed into a format for transmission as specified by the IRS and the state. It is the intent of the IRS to function primarily as a data conduit with respect to state tax data. The term "data conduit" is used to define a process to receive, temporarily store, and then make available for state retrieval the state return packet associated with a federal return that has been accepted by the IRS as processable.

- (2) If the federal tax return is rejected due to error conditions specified in Publication 1438, the associated state return packet will be rejected. If a state return packet is rejected, then the associated federal return will also be rejected. If the error(s) is of such a nature that it can be corrected and the return(s) processed, both return documents may be retransmitted to the IRS service center. The transmitter may elect to retransmit the federal tax portion of a rejected return and then file the state return using state tax paper forms.

- (3) After the receipt acknowledgment has been provided to the transmitter, the IRS is responsible for making the accepted return packet available to the state agency. Once the state agency has successfully completed the transmission session and received the return packet, the responsibility for data integrity is that of the state agency. Should subsequent errors of any type be detected during state processing, they are resolved between the state agency and the fiduciary using normal state paper procedures.

- (4) Form 8821, Tax Information Authorization, allows the state to retrieve the Federal Form 1041 and attachments along with the state return from the bulletin board and must be filed with the IRS. One form must accompany each transmission.

(5) Requirements for Electronic Filing

In order to file a state electronic Fiduciary Income Tax Return the following conditions must be met:

- (a) The state return must be electronically filed with the federal return through the IRS' Philadelphia Service Center.
- (b) The return must be filed between January 15, 1997 and April 15, 1997.
- (c) The return must be requesting a refund, reporting zero tax due or be an information return. When preparing electronic returns, fiduciaries may elect to have their overpayments:
 - (i) applied to their 1997 estimated tax,
 - (ii) sent to them in the form of a refund check, or
 - (iii) split - part applied to their 1997 estimated tax and the remainder issued in the form of a refund check.

(6) Exclusions from Electronic Filing

Returns meeting any of the following criteria may not be filed electronically:

- (a) balance due returns,
- (b) amended returns,
- (c) returns filed for a tax period other than January 1, 1996 - December 31, 1996,

- (d) returns for part-year residents of a state, or cities associated with that particular state,
- (e) returns reporting liabilities for nonresident earnings tax for cities associated with that particular state,
- (f) returns for decedents with Social Security Numbers in the following ranges:
 - 000-00-0000 through 001-00-9999
 - 650-00-0000 through 699-99-9999
 - 729-00-0000 through 999-99-9999
- (g) returns with a Power of Attorney currently in effect in which the refund is to be sent to a third party, or
- (h) returns with any correspondence requesting special consideration or procedures.

.02 RETURN SEQUENCE ORDER

A state return must be received immediately following the federal return and preceding the summary record.

.03 ACKNOWLEDGMENT REPORT

IRS acknowledges receipt of state data with federal Form 1041 and passes this data on to the appropriate state for further validation.

NOTE: ALL OTHER FEDERAL FORM 1041 REQUIREMENTS APPLY TO FED/STATE. RECORD LAYOUTS AND REJECT CONDITIONS ARE LOCATED IN PUBLICATION 1438, SECTIONS 9 AND 10.

SECTION 4. ELECTRONIC/MAGNETIC MEDIA FILERS

.01 The parties involved with electronic/magnetic media filing are categorized below. They are not mutually exclusive.

- (1) RETURN ORIGINATOR. A firm, organization, or individual who deals directly with the taxpayer and either:
 - (a) prepares tax returns, including Forms 8453-F, U.S. Estate or Trust Income Tax Declaration and Signature for Electronic and Magnetic Media Filing, for taxpayers who wish to have their returns electronically or magnetically filed; or
 - (b) collects prepared tax returns, including Forms 8453-F, from taxpayers who wish to have their returns electronically or magnetically filed.

- (2) SOFTWARE DEVELOPER. Develops software for the purposes of:
 - (a) preparing returns;
 - (b) formatting returns according to IRS electronic/magnetic media return specifications; and/or
 - (c) transmitting the returns directly to IRS. A Software Developer may also sell its software.

- (3) TRANSMITTER. Transmits electronic returns, or sends returns contained on magnetic tape or diskette, directly to the Internal Revenue Service. A transmitter may also accept tax returns from other accepted Return Originators and directly transmit them to IRS.

.02 An ELECTRONIC/MAGNETIC MEDIA PARTICIPANT can be classified under one or more of the categories listed above, depending on what specific function(s) the participant performs relating to the fiduciary or IRS.

SECTION 5. APPLICATION, TESTING AND ACCEPTANCE PROCEDURES

.01 Application Procedures

- (1) IRS sends the following items to any person interested in participating in the electronic/magnetic media filing of Form 1041 tax returns:
 - (a) Application Form 9041, Application for Electronic/Magnetic Media Filing of Business and Employee Benefit Plan Returns;
 - (b) Publication 1437, Procedures for Electronic and Magnetic Media Filing of U.S. Income Tax Return for Estates and Trusts, Form 1041, and
 - (c) Publication 1438, File Specifications, Validation Criteria, and Record Layouts for Electronic and Magnetic Media Filing of Estate and Trust Returns, Forms 1041, for Tax Year 199X. Publication 1438 will be published annually.

- (2) The first step to participate in the electronic or magnetic media filing of Form 1041 is to complete the application, Form 9041. New participants must complete the form and forward it to the Philadelphia Service Center. To ensure that the application is processed in time, the service center should receive the form no later than 60 calendar days before the return due date or the extended due date. However, applications will be accepted at any time throughout the filing season. The Philadelphia Service Center will accept applications by mail or by FAX.

- (a) The Philadelphia Service Center FAX number:
(215) 516-2052 (not a toll-free number).

Include the following address on your FAX
Cover Sheet:

Philadelphia Service Center
Magnetic Media Unit D.P. 115

- (b) The mailing address is:

Internal Revenue Service
Philadelphia Service Center
ATTN: Magnetic Media Unit - D.P. 115
11601 Roosevelt Blvd.
Philadelphia, PA 19154

- (3) Applicants must indicate on Form 9041, the types of returns they intend to file. If they intend to participate in more than one electronic/magnetic media filing program, they must send applications to the appropriate service centers to the addresses indicated on the application form. An estimate of the volume of returns to be transmitted must also be included. Form 1041 tax returns transmitted to IRS via electronic or magnetic media may be sent to the Philadelphia Service Center only.
- (4) Participants already accepted to participate in the program do not need to send in another application unless information given earlier has changed or is incomplete. Participants must nevertheless call the Philadelphia Service Center to notify IRS of their intentions to participate in the current tax year program. The Philadelphia Service Center telephone number is 1-800-829-6945 or (215) 516-7533 (not a toll-free number).

.02 Entity Review Process:

- (1) All participants must submit entity information about the Forms 1041 they intend to file before

they are accepted as participants. It must be submitted between August 1 of the prior year and April 15 of the current year and must be completed prior to Form 1041 testing. We suggest that you complete entity testing as early as possible. Entity information involves Form 1041 line items such as the name of estate/trust/grantor and the Employer Identification Number.

- (2) IRS computer programs will review the entity data to resolve any discrepancies before live data is submitted. Verification of entity data reduces the number of unprocessable returns.
- (3) The entity review process is scheduled to start August 1. Entity information may be submitted either electronically or on magnetic tape or diskette.
- (4) Transmitters who file electronically and elect to receive the results of their entity data by way of the Philadelphia Service Center Bulletin Board must use the Entity Record Layout for Electronically Transmitted Data as shown in Publication 1438.
- (5) Transmitters who do not elect to receive their entity results electronically will use the Entity Record Layout (for other than Electronically Transmitted Data) in Publication 1438.
- (6) Entity review must be completed prior to the submission of Form 1041 test tapes. Failure to submit entity information could result in the revocation of the electronic/magnetic media filing privilege.
- (7) See Publication 1438 for additional information and record layouts for the Entity Review Process.

.03 Testing requirements

- (1) All participants must successfully test each year to ensure that their software produces Form 1041 tax return records that conform to IRS data specifications. Testing must be done before participants are accepted in the program. Testing is required even if the participant took part in the program previously.
- (2) Applicants who develop software may test between January 1 and April 15 of the current year.
- (3) Applicants who intend to participate in the electronic/magnetic media program as transmitters must submit a Form 1041 tax return test file. A test file must contain a minimum of 50 and no more than 500 Form 1041 tax returns based on the file specifications and record layouts included in Publication 1438. The test data corresponding to Form 1041 tax returns and related attachments must be similar to the kinds of returns that the applicant expects to file during live processing. For example, if an applicant submits test tax returns that include Form 1041, Schedule D and Schedules K-1, IRS will authorize the applicant to file electronic/magnetic media Forms 1041 with these schedules only. In addition, the applicant must submit the test file using the same medium that will be used to file live returns electronically or on magnetic media. It is recommended that live return test data be used in order to accomplish actual Form 1041 live processing results.
- (4) The applicant must also submit a hardcopy of a fastprint of the first and last 100 records of test data, 100 characters per line. If the applicant tests with magnetic tape or floppy diskettes, the fastprint containing the tax return test data must be in the same package with the tape or diskettes.

- (5) Form 1041 applicants that are ready to test should notify the Philadelphia Service Center Magnetic Media Unit at 1-800-829-6945 or (215) 516-7533 (not a toll-free number). The Philadelphia Service Center will notify each applicant when the test will take place.
- (6) If software packages and communication systems are used by more than one transmitter, they need to pass an acceptance test only once each year. The system must provide the same software capabilities and, if applicable, identical data communications capabilities to all the users. Communication systems and software packages that have tested successfully may then be used by all accepted participants.
- (7) Improperly labeled diskettes/tapes will be returned unprocessed to the filer. See Publication 1438 for labeling instructions.

.04 Acceptance Procedures

- (1) IRS reviews Form 1041 tax return test transmissions and gives feedback to the applicant. The IRS will notify each applicant of any errors encountered in the transmission. The applicant must then correct the errors before retransmitting the test file.
- (2) When applicants are accepted into the program, the Philadelphia Service Center issues a letter to the applicant granting official acceptance to participate. Acceptance is valid only for the year, forms, and schedules specified in the acceptance letter.

- (3) The Philadelphia Service Center will assign an Electronic Transmitter Identification Number (ETIN) to new applicants who successfully complete the testing process. ETINs are permanently assigned unless notified by the Service.

SECTION 6. TRANSMISSION OF LIVE DATA: REQUIREMENTS AND RESPONSIBILITIES

.01 All participants must comply with the requirements and specifications described in Publications 1437 and 1438.

.02 Participants must maintain a high degree of integrity and accuracy to participate in the electronic/magnetic media filing of tax returns.

.03 IRS accepts Form 1041 tax returns filed electronically or on magnetic media only from those applicants who have been officially accepted by the Philadelphia Service Center Magnetic Media Unit.

.04 The date the electronic or magnetic transmission is received by IRS is the receipt date of the return if the return is acknowledged as accepted by IRS.

.05 Participants must follow the file specifications, record layouts and data control criteria included in Publication 1438.

.06 Participants are responsible for the security of all transmitted data.

.07 A Form 1041 tax return is considered a legally filed electronic or magnetic media return when both of the following occur:

- (1) the corresponding signature form (must have the required information and signatures),

Form 8453-F, is received, either along with the magnetic media records or postmarked no later than the electronic transmission date; and

- (2) the electronic/magnetic media tax return records successfully pass through the IRS preprocessing system and are acknowledged as accepted.

.08 After IRS accepts an electronic/magnetic media return, it cannot be recalled or intercepted in process. An amended or corrected return must be filed on paper, if either the transmitter or the fiduciary wants to change any entries after a return has been accepted. The amended or corrected return must be mailed to the IRS Service Center where the original paper return would have been filed.

.09 The Form 8453-F must always be signed by the person authorized to sign the paper tax return, and by the paid preparer, if applicable. Before sending the return to IRS, the transmitter must obtain the required signatures on the Form 8453-F.

.10 A Form 1041 tax return must meet all the consistency tests required as specified in this publication and in Publication 1438. The fiduciary or paid preparer must correct the source material prior to transmission. If the transmitter corrects any material, he or she becomes the return preparer.

.11 Errors that cause electronic/magnetic media tax returns to be rejected must be expeditiously corrected to ensure timely filing.

- (1) All rejected/duplicate returns must be resubmitted within seven (7) days of receipt of the Acknowledgment Report. Returns not received within the seven (7) days could be considered "late filed".
- (2) If there is a problem in refiling the rejected returns within the seven (7) days, contact the Philadelphia Service Center.

.12 Software developers must:

- (1) correct software errors that cause electronic/magnetic media returns to be rejected, (these errors must be corrected as soon as possible so the returns can be filed in a timely manner); and
- (2) distribute their software corrections expeditiously to all the users who participate in this program.

.13 For electronic/magnetic media returns transmitted at the end of the filing period:

- (1) To provide IRS enough time to acknowledge returns transmitted before the return due date, participants are allowed up to 7 calendar days to successfully retransmit returns that were rejected when initially transmitted on time. Retransmitted Form 1041 tax returns on electronic/magnetic media must be transmitted to the Philadelphia Service Center.
- (2) If, by the 7th day after the return was due, an acknowledgment of acceptance has not been received for any previously filed or retransmitted return, the participant must immediately contact the Philadelphia Service Center for further instructions.

.14 Fiduciaries who expect to file tax returns after the return due date should apply for an extension according to the instructions on Form 1041. An extension of time to file does not grant an extension to pay tax. Normal interest and penalty provisions will apply.

.15 If the trust/estate or the fiduciary changes its address after the tax return has been filed with this program, Form 8822, Change of Address, should be filed with the Philadelphia Service Center.

.16 If the electronic/magnetic media filing system becomes inoperable for a potentially long period of time, IRS will provide contingency instructions to all participants.

.17 As stated in the testing requirements, improperly labeled diskettes/tapes will be returned unprocessed to the filer. See Publication 1438 for labeling instructions.

SECTION 7. ELECTRONIC/MAGNETIC MEDIA SPECIFICATIONS

.01 Magnetic tape specifications

- (1) IRS can usually process any compatible tape files. Compatible tape files must meet the following criteria:
 - (a) Type of tape - 0.5 inch (12.7mm) wide, computer-grade, magnetic tape on reels of up to 2400 feet (731.52m)
 - (b) Tape thickness - 1.0 or 1.5 mils
 - (c) Reel diameter - 10.5 inch (26.67 cm), 8.5 inch (21.59cm), or 7 inch (17.78cm)
 - (d) Recording density - 6250 or 1600 bits per inch
 - (e) Parity - Odd
 - (f) Interrecord gap - 3/4 inch
 - (g) Recording mode - 9 channel EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Code for Information Interchange);

- (h) Track - 9 Track unlabeled tape;
 - (i) Record format - Fixed or variable
 - (j) File format - Standard Interchange
(variable blocked format)
Records cannot span reels
or volumes.
- (2) A physical label should be affixed to the exterior of each tape container. See Publication 1438 for an example of the label and more information.
- (3) Signed Forms 8453-F and any related paper documents must be enclosed in the parcel with the magnetic tapes.

.02 Floppy diskettes

- (1) Diskettes must meet the following criteria:
- (a) Type of diskettes and size:
 - (i) 5 1/4 - soft-sectored, double-sided, double-density, 360 KB capacity; or, double-sided, high-density 1.2MB capacity
 - (ii) 3 1/2 - double-sided, double-density, 720 KB capacity; or, double-sided, high-density 1.44MB capacity
 - (b) Diskette format - standard MS/DOS 2.1 or higher
 - (c) Record format - fixed or variable

- (d) File format - Standard Interchange
(variable blocked format)
Records cannot span
diskettes.
 - (e) Character code - 9 channel (ASCII)
- (2) A physical label should be affixed to the exterior of each diskette. See Publication 1438 for an example of the label and more information.
- (3) Signed Forms 8453-F and any related paper documents must be enclosed in the parcel with the diskettes.

.03 Electronic filing procedures

- (1) Forms 1041 can be transmitted to the IRS by way of the Philadelphia Service Center Bulletin Board. It can be accessed via dial-up telephone lines at speeds from 2,400 to 28,800 bps. The speed is automatically negotiated for connection at the speed of the calling modem. Standard Asynchronous protocols that may be used are:
- P - Prompted ASCII
 - C - ASCII, XON after <CR> rcvd
 - A - ASCII, XOFF/XON flow control
 - X - XMODEM
 - O - XMODEM-1k
 - Y - YMODEM (Batch)
 - G - YMODEM-g (Batch)
 - S - SEALink
 - K - KERMIT
 - W - SuperKERMIT (Sliding Windows)
 - Z - ZMODEM-90(Tm)
- (2) Filers who wish to transmit via modem must coordinate a test transmission with the Philadelphia Service Center. Please call PSC Magnetic Media Unit at 1-800-829-6945 or (215) 516-7533 (not a toll free number).

SECTION 8. SIGNATURE FORM PROCEDURES (FORM 8453-F)

.01 Forms 8453-F must accompany Form 1041 tax returns filed on magnetic tape or floppy diskette. The same signatures are required on Form 8453-F that are required on a paper return. All Forms 8453-F must be signed no later than the day of transmission.

.02 A Form 8453-F multiple-return signature listing may be used if a person is authorized to sign more than one Form 1041. Up to 5,000 Form 1041 tax returns (transmitted as a continuous series input file), may be submitted with a Form 8453-F multiple-return signature listing.

.03 The signature listing may also be submitted on magnetic tape or diskette following the criteria in SECTION 7. However, a paper listing of the information contained on the magnetic tape or diskette must accompany the tax return submission. Record elements for the multiple-return paper listing and Record Layouts for the Form 8453-F multiple-return information listing are contained in Publication 1438.

.04 If the participant is not the fiduciary, the participant must get the fiduciary's authorization to file the returns on magnetic tape, floppy diskette, or electronically; and, if applicable, to transmit the returns through a third party transmitter. The fiduciary gives this authorization by signing Form 8453-F.

.05 A Form 8453-F, properly signed and containing the required information, serves the following purposes:

- (1) authenticates the return;
- (2) provides a transmittal for any associated paper documents that may be stapled to the declaration;
- (3) authorizes the participant to transmit via a third-party transmitter; and
- (4) authorizes the participant to transmit the return on behalf of the fiduciary.

NOTE: Parties involved in the transmission of Form 1041 tax returns, using electronic or magnetic media, may be liable for failure to file penalties because of missing, incomplete, or unsigned signature forms.

.06 Participants must use the official Form 8453-F or an approved substitute form that duplicates the official form in format, language, content, color, and size. Use of unapproved forms could result in suspension from the program. Participants must send a sample of the proposed substitute to the following address for approval before they use a substitute form:

Internal Revenue Service
Substitute Forms Coordinator T:FP:S
1111 Constitution Avenue, N. W.
Washington, D. C. 20224

.07 Signature requirements for rejected files or rejected tax returns:

(1) It is not necessary to send a new Form 8453-F for retransmitted Form 1041 tax returns.

(a) A new Form 8453-F is required when any of the following amounts on the retransmitted return differs from the amount originally reported, as follows:

<u>Amount:</u>	<u>Differs by:</u>
Total income [Form 1041, line 9]	More than \$25
Total tax [Form 1041, line 23]	More than \$5
Tax due [Form 1041, line 27]	Any amount
Overpayment [Form 1041, line 28]	Any amount

(b) However, if a new Form 8453-F is not required, the transmitter must submit a photocopy of the original Form 8453-F and

mark it "Retransmitted." If the return is being retransmitted electronically or on magnetic media, attach a copy of the Acknowledgment Report page on which the resubmitted return appeared.

- (2) If the transmitter resubmits the return on paper, he or she should attach to the paper return both the relevant part of the Electronic/Magnetic Media Acknowledgment Report and a letter explaining what happened. The paper return should be filed at the Philadelphia Service Center.

.08 The participant must associate the items described in SECTION 2.05(3)(b) and (c), with the related, signed Forms 8453-F in addition to any related Form 8453-F Multiple Returns Tax Return Information Listing.

.09 The participant must arrange the signed Forms 8453-F in the same order the records appear in the tax return file transmitted to the IRS. Forms 8453-F with multiple-return signatures can be sent in the same batch with other Forms 8453-F. The participant should secure the batch of forms with a rubber band or string.

.10 The participant may use envelopes or cartons, as volume or preference dictates, to send signature forms, magnetic tapes, and diskettes to IRS at the address specified in SECTION 10. If the returns are filed on magnetic tape or diskette, the signature forms must be sent in the same package. If the returns are sent electronically, the parcel of signature forms must be postmarked no later than the date of the electronic transmission.

.11 Shipping and packaging instructions: The order of items in the package must be as follows:

- (1) The signed Form 8453-F.
- (2) Form 8453-F Multiple Returns Tax Return Information Listing, if applicable.

- (3) The rest of the paper attachments corresponding to each tax return.

NOTE: ITEMS (2) AND (3), IF APPLICABLE, MUST BE ATTACHED TO THE SIGNED FORM 8453-F.

- (4) The magnetic tapes or floppy diskettes (except for returns filed electronically).

.12 Method of delivery is optional. However, to expedite receipt of tapes, diskettes, and paper attachments directly to the Magnetic Media Project Office, it is suggested that overnight or express mail be used. If a return receipt is required, enclose a letter to be date stamped and signed by the Magnetic Media Project Office and the letter will be returned to you.

SECTION 9. BALANCE DUE RETURNS: TAX PAYMENTS

.01 Payments for electronic/magnetic media Form 1041 tax returns can be made in any of the following ways:

- (1) As estimated tax payments, with Form 1041-ES, Estimated Income Tax for Estates and Trusts. The payments should be submitted according to Form 1041-ES instructions.
- (2) As a remittance sent with a balance due return. This procedure is explained below in paragraphs 9.02 through 9.05.
- (3) As a remittance sent after the return is filed, but by the return due date (i.e., the return can be transmitted prior to the return due date however the remittance does not have to be submitted until the return due date).

NOTE: An extension of time to file does not grant an extension to pay tax.

.02 All balance due returns (with or without payments) must be transmitted separately from returns with no balance due.

Note: Returns containing a money amount on line 27 (Tax Due), Page 1 of Form 1041 are considered balance due returns.

.03 Balance Due Returns: Multiple returns may be covered by one payment in the form of a paper check. One check may cover all the returns (not to exceed 5,000) on a magnetic tape reel, floppy diskette or electronic transmission. The transmitter's ETIN and EIN must appear on the check.

.04 If the returns are filed electronically, the participant must make arrangements, in writing and in advance, with the Philadelphia Service Center.

.05 A Remittance Register must be submitted to the Philadelphia Service Center with the paper check. The Remittance Register and check can be submitted at the same time the returns are submitted or after the returns are submitted but no later than the return due date. (See SECTION 8.10 for shipping and packaging instructions.) The Remittance Register gives information that identifies the transmitter and summarizes the remittance information. An example of the Remittance Register appears in Publication 1438.

- (1) If a "paper" remittance register is being filed, two (2) copies of this register must be submitted with the check. For the Remittance Register to be acceptable, the information must be identical to the way it appears in Publication 1438. Also, a copy of the "paper" register must be submitted prior to filing a "live" paper remittance register to allow a review of the format.

- (2) The Remittance Register can also be submitted on the same medium as the return. If you elect to submit the Remittance Register electronically/magnetically, you must successfully test your register to ensure that your software produces a register that conforms to the IRS data specifications. This procedure is explained in Publication 1438.

SECTION 10. WHERE TO SEND MAGNETIC TAPES, DISKETTES, AND PAPER ATTACHMENTS

.01 Participants must send all electronic/magnetic media return data, all Forms 8453-F, and all other materials as described in SECTION 2.05 3(b) and (c) and SECTION 9 of this publication to IRS at the following address:

Internal Revenue Service
Philadelphia Service Center
ATTN: Magnetic Media Unit - D.P. 115
11601 Roosevelt Blvd
Philadelphia, PA 19154

NOTE:

EXCEPTION: ALL MAIL THAT INCLUDES A REMITTANCE FOR PAYMENT OF ELECTRONICALLY FILED FORM 1041 BALANCE DUE RETURNS MUST BE MAILED TO THE FOLLOWING ADDRESS: (excluding Federal Express Mail)

Internal Revenue Service
P O Box 21028 DP 115
Philadelphia, Pa. 19114-0528

SECTION 11. DISTRIBUTION OF COPIES

.01 To be kept by the transmitter: The transmitter must keep a copy of the return, including the Form 8453-F. The copy of the magnetic media part of the return may be kept on computer media. In addition, the participant should keep any Acknowledgment Reports received from the Philadelphia Service Center for a minimum of 3 months to facilitate inquiries. If the participant is also the paid preparer or the fiduciary, the normal retention periods for tax return information, as specified in the Internal Revenue Code, will apply.

.02 To be provided to the fiduciary: If the transmitter and the fiduciary are not the same, the transmitter must give the fiduciary a copy of all material that is filed with the Philadelphia Service Center as described in SECTION 2.05(2) and (3), and SECTION 8. In addition, the participant should advise any client to retain copies of materials that the client provided to the transmitter. The copy of the electronic/magnetic media part of the return, described in SECTION 2.07(2), can be replicas of official forms or in a format designed by the participant, in which each data item refers to the line entries on the official forms. The copy can be on computer media. The copy must be composed carefully to avoid violating disclosure rules: anyone who receives a copy must be given ONLY the information he or she is entitled to receive.

.03 To be provided to IRS on request:

- (1) The transmitter must promptly satisfy the Service's requests to resolve problems relating to missing, incomplete or unsigned Forms 8453-F and must provide copies of those forms within 3 workdays of request.
- (2) The transmitter must give IRS access to all materials required in order to comply with these procedures.

SECTION 12. ACKNOWLEDGMENT PROCESS

.01 IRS acknowledges each transmission of a file of electronic/magnetic media returns within 7 workdays. The acknowledgment is a hardcopy printout of a report that specifies which returns the IRS has accepted, rejected, or recorded as duplicates. Filers can receive the Acknowledgment Report as a hardcopy printout or the hardcopy format in an ASCII file by way of the Philadelphia Service Center (PSC) Bulletin Board. The IRS will mail the Acknowledgment Report to the transmitter, or if the participant requests, the report may be sent by FAX if the document is 5 pages or less.

.02 Transmitters should immediately contact the Philadelphia Service Center at telephone number (215) 516-7533 if any of the following happens:

- (1) The transmitter does not receive the hardcopy Acknowledgment Report within 7 workdays;
- (2) The transmitter receives acknowledgments for returns that were not transmitted;
- (3) The transmitter receives the Acknowledgment Report but it does not include all of the returns transmitted.

.03 Detailed information regarding the acknowledgment process for this program is in Publication 1438.

SECTION 13. ADVERTISING STANDARDS

.01 Advertising restrictions: Preparers and transmitters shall comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treasury Department Circular No. 230), with respect to their capability to file electronic/magnetic media returns.

.02 IRS endorsement must not be implied. Acceptance to participate in the program does not mean that the Internal Revenue Service endorses the computer software or quality of services provided. Therefore, any public communication in which a participant's electronic/magnetic media filing capability is referenced, whether through publication or broadcast, must clearly indicate that IRS acceptance of the participant for electronic/magnetic media filing does not constitute an endorsement or approval of the quality of tax preparation services provided.

SECTION 14. MONITORING

.01 The IRS monitors each participant's submissions to ensure that quality is kept at an acceptable level. IRS will counsel the participant, if necessary.

.02 Participants must conform to the requirements of these procedures.

.03 If a participant does not maintain an acceptable level of quality, the electronic/magnetic media filing authorization may be revoked.

.04 The following conditions can lead to suspension:

- (1) Deterioration in the format of submissions.
- (2) Unacceptable cumulative error rate.
- (3) Violation of advertising standards.
- (4) Unethical practices in return preparation.
- (5) Untimely, incomplete, illegible, altered or missing Forms 8453-F; or unapproved substitute Forms 8453-F.
- (6) Misrepresentation on the participant's application (Form 9041).
- (7) Other facts or criteria that would adversely reflect on the electronic/magnetic media program.

.05 Penalties:

- (1) Treasury Regulations take precedence over any item stated in these procedures.
- (2) Electronic/magnetic media participants are subject to a criminal penalty for disclosure or use of tax return information, as described in Treasury Regulation 301.7216-1(a).
- (3) Other preparer penalties pertaining to individuals or firms who meet the definition of an income tax return preparer are covered under I.R.C. Section 7701(a)(36) and Treasury Regulation 301.7701-15.

.06 IRS will counsel suspended participants about the requirements for reacceptance in the program.

SECTION 15. ADMINISTRATIVE REVIEW

.01 An applicant who has been denied participation, or a participant who has been suspended, has the right to administrative review.

.02 Requests for administrative review of ineligibility or suspension decisions should be directed to:

Director of Practice PC:E:P
Internal Revenue Service
1111 Constitution Ave., N.W.
Washington, D.C. 20224

SECTION 16. VENDOR LIST

.01 A list of vendors who support electronic/magnetic media filing of Form 1041 returns will be provided by IRS upon request. This list will include transmitters and software developers who have been accepted as participants in the electronic/magnetic media filing program. This list is intended for information purposes only and it does not imply that IRS endorses or approves the vendors and/or products or services.

.02 Participants who contact the IRS at the address listed in SECTION 19.01 will be provided with hard copies of the vendor list. IRS will not provide any vendor information over the telephone.

SECTION 17. EFFECT ON OTHER DOCUMENTS

This publication supersedes any Publication 1437 previously issued.

SECTION 18. EFFECTIVE DATE

These procedures are effective January 1, 1997.

SECTION 19. CONTACT INFORMATION AND PROGRAM UPDATES

.01 Requests for additional copies of this publication, copies of Form 9041, Form 8453-F, Publication 1438 and updates to the program should be addressed to:

Internal Revenue Service
Philadelphia Service Center
ATTN: Magnetic Media Unit - D.P. 115
11601 Roosevelt Blvd.
Philadelphia, PA 19154

.02 Updates to the publications and news regarding electronic and magnetic media filing may also be obtained by accessing the Philadelphia Service Center Bulletin Board at 215-516-7625. See SECTION 7.03 (page 20) for information about the Bulletin Board. For additional information or assistance you may call the Magnetic Media Unit at 1-800-829-6945 or 215-516-7533 (not a toll free number).

SECTION 20. DISTRICT OFFICE ELECTRONIC FILING COORDINATOR LIST

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
ALABAMA 500 22nd St., South Stop 315 Birmingham, AL 35233	Mary Green	205-731-1186
ALASKA 949 E. 36th Anchorage, AK 99510	Marie Lozano	907-271-6458
ARIZONA 210 E. Earll Dr. Stop 6400 PX Phoenix, AZ 85012-2623	Terri Wedepohl	602-207-8337
ARKANSAS 700 W. Capitol St. Little Rock, AR 72204	Paul Cheek	501-324-5702
CALIFORNIA Laguna Niguel P.O. Box 30210 Laguna Niguel, CA 92607-0210	Gindy Barnard	714-643-4069
Los Angeles 300 N. Los Angeles St. Room 5202 Los Angeles, CA 90012	Gordon Meyers	213-894-6506
Sacramento P.O. Box 2900, Stop 5615 North Highlands, CA 95660	Prudy Hearn	916-978-6300
San Francisco 1221 Broadway Stop OA612 Oakland, CA 94612	Deborah Torres	510-637-2475

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
CALIFORNIA (CONT'D) San Jose 55 South Market St. HQ6600 San Jose, CA 95113	Lou Jutzi	408-494-8119
COLORADO 600 17th St., Stop 6610 DEN Denver, CO 80202-2490	Terry Donohoue	303-446-1662
CONNECTICUT 135 High St., Stop 115 Hartford, CT 06103	Michael Kingsley	203-240-4151
DELAWARE 409 Silverside Rd - Rm 152 Wilmington, DE 19809	Donna J. Robertson	302-791-4504
DISTRICT OF COLUMBIA	See information under Maryland	
FLORIDA Ft. Lauderdale One N. University Dr. Room A270, Stop 6030 Ft. Lauderdale, FL 33324	William Joyner	305-423-7625
Jacksonville 400 W. Bay St., Stop 6430 Jacksonville, FL 32202	Jan Wishart	904-232-1730 1-800-829-1040 Ext. 84992
GEORGIA 401 W. Peachtree St. Room 1531, Stop 205D Atlanta, GA 30365	Janey Hauk	404-331-7517
HAWAII 300 Ala Moana Blvd. Honolulu, HI 96813	Gail Bonilla	808-541-1219

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
IDAHO 550 W. Fort St., Box 041 Boise, ID 83724	Laurel Morgan	208-334-1324
ILLINOIS Chicago P.O. Box 1132, DPN 32-8 230 S. Dearborn St. Chicago, IL 60604	Ruth Cameron	312-886-1571
Springfield 320 W. Washington St. Springfield, IL 62701	Eva Holman	217-527-6366
INDIANA P.O. Box 44211, Stop 60B 575 N. Pennsylvania St. Indianapolis, IN 46244	Eloise Erickson	317-226-6015
IOWA P.O. Box 1337, Stop 30-2 Des Moines, IA 50305	Patricia DeTimmerman	515-284-4274
KANSAS 271 W. 3rd St. Stop 6610 Wichita, KS 67202	Sharon Wurl	316-352-7611
KENTUCKY P.O. Box 1216, Stop 531 Louisville, KY 40201	Pam Scott	502-582-6259
LOUISIANA F. Edward Herbert Bldg. 600 S. Maestrii Pl. New Orleans, LA 70130	Paulette Windon	504-558-3008
MAINE 68 Sewall St., Room G2 Augusta, ME 04330	Cathy Walker	207-622-8518

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
MARYLAND 31 Hopkins Plaza, Room 615A Baltimore, MD 21201	Karen Mayr	410-962-1801
MASSACHUSETTS P.O. Box 9008 Attn: PAO/EFC JKF Federal Office Bldg. Boston, MA 02203	Jennifer Toth	617-424-5311
MICHIGAN P.O. Box 330500, Stop 12 2448 McNamara Bldg. 477 Michigan Ave. Detroit, MI 48226-2597	Kristy Clayton	313-226-2262
MINNESOTA 316 N. Robert St., Stop 6500 St. Paul, MN 55101	Michelle Benson	612-290-3379
MISSISSIPPI 100 W. Capitol St. Stop 33 Jackson, MS 39269	Janice Ray	601-965-4133
MISSOURI 1222 Spruce Stop 612 St. Louis, MO 63103	Carolyn Chapman	314-539-2161
MONTANA 301 S. Park Federal Bldg., 2nd Floor Helena, MT 59626-0016	Barbara Shaffer	406-449-5375
NEBRASKA 106 S. 15th St. Stop 27 Omaha, NE 68102	Bruce Morrison	402-221-3501

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
NEVADA 4750 W. Oakey Blvd. Las Vegas, NV 89102	Joel Klein	702-455-1030
NEW HAMPSHIRE 80 Daniel St. Portsmouth, NH 03801	Tina Ouelette	603-433-0519
NEW JERSEY 425 Raritan Center Pkwy. Edison, NJ 08818 Attn: TPS:TPE	Denise Perry	201-645-6690
NEW MEXICO 5338 Montgomery Blvd. NE Albuquerque, NM 87109-1311	Donna Stayton	505-837-5515
NEW YORK Albany Leo O'Brien Federal Bldg. Clinton Ave. & N. Pearl St. Albany, NY 12207	Shelly Willette	518-431-4494
Brooklyn 10 Metrotech Center 625 Fulton St. Brooklyn, NY 11201	Barbara Goins	718-488-2914
Buffalo P. O. Box 1040 Niagara Square Station Buffalo, NY 14201	Jack Klien	716-551-5037
Manhattan 120 Church St. P.O. Box 3036 Manhattan, NY 10007	Fred Thaggard	212-436-1026

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
NORTH CAROLINA 320 Federal Pl., Room 116 Greensboro, NC 27401	Veda Howell	919-378-2185
NORTH DAKOTA 653 Second Ave., North P.O. Box 2461 Fargo, ND 58108	Jan Engebretson	701-239-5213
OHIO Cincinnati 550 Main St., Room 3114 Cincinnati, OH 45201	Wilma Beigel	513-684-2400
Cleveland 1240 E. Ninth St. P.O. Box 99184 Cleveland, OH 44199	Suzanne Schlifer	216-522-7751
OKLAHOMA 55 N. Robinson Stop 6410 OKC Oklahoma City, OK 73102	Christy Favors	405-297-4125
OREGON 1220 SW Third Ave., 11th Floor Portland, OR 97208	Kathy Howell	503-326-7256
PENNSYLVANIA Philadelphia 600 Arch Street, Rm 6424 Attn: EFS Coordinator Philadelphia, PA 19106	Sharon King	215-597-8842
PITTSBURGH P.O. Box 2488, Rm 1133 Pittsburgh, PA 15230	Andy Kociban	412-644-4950

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
RHODE ISLAND 380 Westminster Mall, Room 419 Providence, RI 02903	Janice Moore	401-528-4276
SOUTH CAROLINA 1835 Assembly St., MDP 17 Columbia, SC 29201	Betty Hawkins	803-765-5133
SOUTH DAKOTA 115 Fourth Ave., SE Aberdeen, SD 57401	Gwen Gross	605-226-7269
TENNESSEE 801 Broadway, Room 481 P.O. Box 1107, MDP 37 Nashville, TN 37203	Betty Martin	615-736-7319
TEXAS Austin 300 E. 8th St. Stop 6610 AUS Austin, TX 78701	Linda Donaho	512-499-5181
Dallas 1100 Commerce St. Stop 6605 DAL Dallas, TX 75242	Thelma Reagor	214-767-3755
Houston 8701 S. Gessner Stop 6401 HAL Houston, TX 77074	Keith DeCoster	713-773-7435
UTAH 465 S. 400 East, Stop 6600 Salt Lake City, UT 84111	Bobbie Butters	801-524-6957

<u>OFFICE</u>	<u>COORDINATOR</u>	<u>TELEPHONE</u>
VERMONT 199 Main St. Courthouse Plaza Burlington, VT 05401	Mark Moye	802-860-2076
VIRGINIA P.O. Box 10049, Room 5223 Richmond, VA 23240	Susan Andrews	804-771-8048
WASHINGTON 915 Second Ave., Room 3298 Seattle, WA 98174	Brian Cahill	206-220-5766
WEST VIRGINIA 425 Juliana St. P.O. Box 1138 Parkersburg, WV 26102	Rebecca Phillips	304-420-6600
WISCONSIN 310 West Wisconsin Ave., ME132 Milwaukee, WI 53203	Gerri Ness	414-297-3385
WYOMING 308 W. 21st St. Stop 6610 CHE Cheyenne, WY 82001	Delora Webster	307-772-2173
ACI INTERNATIONAL IN:C:TPS 950 L'Enfant Plaza SW Prom Level Washington, DC 20024	Karen Winslow	202-874-1480

