

 Fact Sheet

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## IRS e-File and Other Electronic Options for 2009

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Most taxpayers and tax preparers this year will use [IRS e-file](#) to file their tax returns or get extensions of time to file. During this process, they will not have to send a single scrap of paper to the Internal Revenue Service.

The IRS expects the total number of individual tax returns, both electronic and paper, to reach about 140 million in 2009. And it expects e-file returns to exceed last year's record of nearly 90 million taxpayers.

E-filers enjoy these benefits:

- **Faster refunds.** With IRS e-file, taxpayers get refunds in half the time it takes to file a paper tax return and receive a refund check. E-filers who choose direct deposit can receive their refund in as few as 10 days.
- **Paperless.** A taxpayer eliminates paperwork by creating his or her own Personal Identification Number (PIN) and filing a paperless return using tax preparation software or a tax professional. There is nothing to mail to the IRS.
- **File now, pay later options.** Taxpayers can file early and pay later by scheduling an [electronic funds withdrawal](#) any time through April 15, 2009. Taxpayers can also pay by [credit or debit card](#) when they e-file their returns. By enrolling in the [Electronic Federal Tax Payment System](#), taxpayers can make all federal tax payments online or by phone.
- **More accurate returns.** In addition to the error checks built into return preparation software, additional checks are done during the transmission of software enabled e-file returns. These checks reduce the chance a taxpayer will receive an error letter from the IRS.
- **Quick electronic confirmation.** E-filers are notified that their returns have been received.
- **Convenient Federal/State e-filing.** Taxpayers in 38 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 2008, 46 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.

E-file is available from Jan. 16, 2009 through Oct. 15, 2009.

### **E-file Options**

**Free File.** The IRS [Free File](#) program is a free federal online tax preparation and electronic filing program for eligible taxpayers developed through a partnership between the IRS and the Free File Alliance LLC, a group of private-sector tax preparation companies. The program enables eligible taxpayers to use commercial tax software for free. And for the first time in 2009, it will also offer Free File Fillable Tax Forms, similar to their paper counterparts, that any taxpayer, regardless of income level, can fill out and file electronically on IRS.gov. Nearly all taxpayers are eligible to use Free File Fillable Tax Forms, regardless of income.

Since the inception of Free File, more than 24 million taxpayers have taken advantage of this free program. Nearly five million taxpayers used Free File in 2008. This was a 24 percent increase over the prior year. The program is accessible only through IRS.gov. Both new and returning taxpayers must access Free File through IRS.gov. Otherwise, the e-file provider may charge them a fee.

For the 2009 filing season, 98 million individual taxpayers (70 percent of all taxpayers) will be eligible to use Free File. Taxpayers must have an adjusted gross income of \$56,000 or less to be eligible for the program. Free File is available in both English and Spanish on IRS.gov.

While some companies offer free state income tax preparation and e-filing services, others may charge a fee for state tax return preparation and e-filing. Look for details on eligibility requirements on IRS.gov beginning in mid-January 2009.

**Low-Cost Filing.** The IRS partners with many private sector tax preparation businesses that prepare and e-file federal, and in most cases, state income tax returns, at a nominal charge to the taxpayer. Some of the companies offer Spanish versions of online and downloadable software. There is no income limitation. Taxpayers not eligible for Free File should see the listing of these companies beginning in mid-January 2009.

**Personal Computer.** Taxpayers can easily prepare and e-file their own tax returns. A computer with Internet access and IRS-approved tax preparation software are necessary. This software is available on the Internet for online use or download and in retail stores for offline use. Some companies offer their software content in Spanish as well, and this year some off-the-shelf software will permit taxpayers to file their federal returns for free.

In addition to error checks built into the tax preparation software, additional checks are done during the transmission process. So it is important to e-file the return once you have completed it to get all the benefits e-file offers. E-filing a return reduces the

chances of an error or receiving a notice from IRS. If a problem is found during the preparation or transmission process, the taxpayer can correct it and resend.

Taxpayers also receive acknowledgement that their returns were received by the IRS.

- In 2008, 26.9 million taxpayers e-filed their returns from home, 19.4 percent more than the year before.

**Paid Tax Preparers.** Many people rely on tax preparers to handle their returns, and most tax preparers offer e-file. You should ask your tax preparer to electronically file your return. Also, ask for direct deposit if you are due a refund. Taxpayers who e-file and use direct deposit can receive a refund in as little as 10 days. Taxpayers who owe can file early and pay later using electronic payment options such as electronic funds withdrawal and credit cards and avoid the last minute rush to file.

- Authorized providers e-filed 63 million returns in 2008, up 9.6 percent from the previous year.

**Volunteer Tax Preparers.** [Several volunteer programs](#) offer free tax preparation service. The Volunteer Income Tax Assistance (VITA) Program offers free tax help for low to moderate income taxpayers.

**Tax Counseling for the Elderly.** The TCE program provides free tax help to older taxpayers. Call the IRS at 1-800-906-9887 for information about a location near you. Information on TCE sites operated by AARP is available at 1-888-AARP NOW (888-227-7669).

**E-file Extension of Time to File.** Any taxpayer, regardless of income level, can e-file or Free File [Form 4868](#), Application for Automatic Extension of Time to File U.S. Income Tax Return, to get an automatic six-month extension of time to file. No explanation or signature is required. Taxpayers can also submit an electronic payment when e-filing a Form 4868 via electronic funds withdrawal or credit card. Although Form 4868 allows an extension of time to file, it does not extend the time to pay. Penalty and interest charges may apply to any tax not paid by the due date of the return.

### **Electronic Signatures: Personal Identification Numbers (PINS)**

For the 2009 Filing Season, all taxpayers who e-file are required to sign their federal individual income tax returns using a Personal Identification Number (PIN). The IRS eliminated Form 8453-OL, U.S. Individual Income Tax Declaration for an IRS *e-file* Online Return, as a paper signature document for taxpayers using online tax preparation software. Taxpayers will use Form 8453, U.S. Individual Income Tax Transmittal, to transmit required paper forms or certain supporting paper documents. This new requirement makes electronic filing of Forms 1040 more secure and paperless.

Taxpayers use the Self-Select PIN method to sign online returns. The Self-Select PIN method is one of two types of electronic signature methods. Both methods allow taxpayers to use a (PIN) to sign the return. Taxpayers can either enter their own PINs or authorize the Electronic Return Originator (ERO) to enter their PIN for them. If

taxpayers authorize the ERO to enter their PINs, they must sign [Form 8879](#), IRS *e-file* Signature Authorization.

**Self-Select PIN Method.** The Self-Select PIN method allows taxpayers to electronically sign their IRS *e-file* return by selecting a five-digit PIN. The PIN is any five numbers, except all zeros. As part of the authentication process, taxpayers need to include their prior year original adjusted gross income (AGI) or their prior year PIN. On a joint return, both spouses are required to enter a PIN as their electronic signature.

- The Self-Select PIN electronic signature method began in 2001. By 2008, self-select PINs were used on 19.5 million e-file returns online, up 16.5 percent over the prior year.
- IRS.gov has more information about [Self-Select PIN Method](#).

**Practitioner PIN Method.** Since the 2008 filing season, taxpayers using an Electronic Return Originator (ERO) must electronically sign IRS *e-file* individual income tax returns using either a Self-Select PIN or a Practitioner PIN. Taxpayers using the Practitioner PIN method to sign their returns by entering a five-digit PIN do not include the adjusted gross income or PIN from the prior year.

If taxpayers use the Practitioner PIN method, they must sign Form 8879, IRS *e-file* Signature Authorization. The ERO retains Form 8879, and does not mail it to the IRS.

- Sixty-three million taxpayers used e-file through a paid preparer and used a self-select PIN or a practitioner PIN in 2008.

IRS.gov has more information about the Practitioner PIN method. It includes a list of frequently asked questions about the [Self-Select PIN Method for e-File](#).

Taxpayers may call the IRS toll-free help line at 1-800-829-1040 for assistance if they are unable to access their Tax Year 2007 return information. The IRS advises taxpayers to keep a copy of the signed tax return for their records to assist with authenticating next year's electronic return.

### Direct Deposit

More taxpayers chose to receive their refunds through direct deposit during 2008. The agency made 66 million direct deposit payments in 2008, up 8 percent from 61 million payments at the same time in 2007.

Using direct deposit is easy. Paper return filers just enter bank account and routing numbers 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.

Taxpayers can split their deposits in up to three different accounts. Most e-file and tax preparation software allows taxpayers to split refunds. Paper return filers need to file Form 8888, Direct Deposit of Refund to More Than One Account, to split a refund among different accounts.

Taxpayers who choose direct deposit will get their refunds faster than those who receive a paper check. Taxpayers who both e-file and use direct deposit will receive their refunds even faster. Also, a refund that is directly deposited in a savings or checking account cannot be stolen or lost in the mail.

Overall, the IRS issued 107 million tax refund payments in 2008, up almost 2 percent from 105 million refund payments for the same time in 2007. As of Oct. 31, the average refund for 2008 was \$2,371, up 4 percent from \$2,280 at the same time in 2007. In 2008, nearly \$180.5 billion was directly deposited, an increase of almost 9 percent over the prior year.

### **Electronic Federal Tax Payment System**

Taxpayers can pay all their business and individual federal taxes by enrolling in the Electronic Federal Tax Payment System (EFTPS). EFTPS is a separate service offered by the U.S. Department of Treasury that is free and secure. The enrollment process takes seven to 10 days. EFTPS allows taxpayers to make payments 24 hours a day, seven days a week from anywhere there is a telephone or Internet connection. Refer to [Publication 3611](#), Easy Ways to Pay Electronically, for details. Better yet, call EFTPS Customer Service at 1-800-555-4477 or visit [www.eftps.gov](http://www.eftps.gov).

Since launching in 1996, EFTPS has processed more than 809.3 million electronic payments totaling more than \$18.9 trillion.

#### **Related Information:**

- [IRS e-File](#).
- Pay Taxes by [Electronic Funds Withdrawal](#) or [Credit or Debit Card](#).
- [Electronic Federal Tax Payment System](#).
- [Federal/State e-file for Taxpayers](#).
- [Free File](#) — Most taxpayers qualify.
- [Volunteer Tax Preparers](#) — Volunteer Income Tax Assistance as well as options for the elderly and military personnel.
- [Form 4868](#), Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.
- Electronic Signatures — [Self-Select Personal Identification Number](#).
- [Form 8879](#), IRS e-file Signature Authorization.
- [Form 8453](#), U.S. Individual Income Tax Transmittal for an e-file Tax Return.
- [Publication 3611](#), Easy Ways to Pay Electronically.