
Procedures for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041 for Tax Year 2001



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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

FOR TAX YEAR 2001

PUBLICATION 1437

(Revised December 2001)

INTERNAL REVENUE SERVICE

INTERNAL REVENUE SERVICE

MISSION STATEMENT

PROVIDE AMERICA'S TAXPAYERS TOP QUALITY SERVICE BY HELPING THEM UNDERSTAND AND MEET THEIR TAX RESPONSIBILITIES AND BY APPLYING THE TAX LAW WITH INTEGRITY AND FAIRNESS TO ALL.

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SECTION 1 INTRODUCTION

Purpose This publication is designed to provide the general requirements and procedures for the Electronic/Magnetic Media Filing of Form 1041, U.S. Income Tax Return for Estates and Trusts. It should be used in conjunction with Publication 1438, File Specifications, Validation Criteria, Record Layouts for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041, for Tax Year 2001.

Revisions IRS will no longer issue this publication annually. A complete publication will be revised on an as needed basis. This will help IRS reduce its printing costs.

Change Page If any information contained in this publication changes before its revision, a change page(s) may be issued. All new information or changes will be denoted by a vertical bar “|” in the right margin. Any information that is changed, added or deleted in this publication will also be relayed via the Electronic Filing Bulletin Board.

Electronic Filing Bulletin Board The Electronic Filing System Bulletin Board provides general and specific program information on the Electronic Filing Program. The system Bulletin Board operates seven days a week. The Bulletin Board System is unavailable at 4:00 am Eastern Time for approximately 30 - 60 minutes for maintenance.

Bulletin Board Access Filers using an asynchronous modem (14.4 BPS or less) and communication software can access the Bulletin Board by dialing: (859) 292-0137.

If you need assistance with accessing the Electronic Filing System Bulletin Board, you may call the Bulletin Board help line on (859) 292-5031.

SECTION 1 INTRODUCTION, continued

Communications Protocol The communication software should have the following protocol:
Full Duplex, No parity, 8 data bits, 1 stop bit, and ANSI Terminal Emulation.

Mailing Instructions All mail that includes a remittance for payment of electronically filed Form 1041 balance due returns **MUST** be mailed to the following address:

Internal Revenue Service
P O Box 21028 DP 2720
Philadelphia, PA 19114-0528

The above address will not accept Federal Express mail. For Federal Express mail you must use the following address which is used for non-remittance mail:

Internal Revenue Service
ELF Processing Support Section DP 2720
11601 Roosevelt Blvd.
Philadelphia, PA 19154

Requests for Information Requests for additional copies of this publication, forms, Publication 1438 and updates to the program should be addressed to the IRS Returns Operations Office address at the end of this section or the Philadelphia Submission Processing Center. You may also call 1-800-829-3676.

SECTION 1 INTRODUCTION, continued

Requests for Information, continued

Inquiries for the Philadelphia Submission Processing Center, which processes Form 1041 electronic or magnetic media tax returns, should be addressed to:

Internal Revenue Service
Philadelphia Submission Processing Center
Attn: ELF Processing Support Section - DP 2720
11601 Roosevelt Blvd.
Philadelphia, PA 19154

Updates to the publications and news regarding electronic and magnetic media filing may also be obtained by accessing the Philadelphia Submission Processing Center Bulletin Board at 215-516-7625. **See SECTION 9, Page 24 (Electronic Filing Procedures)**, for more information about the Bulletin Board. For additional information or assistance you may call the ELF Processing Support Section at 1-800-829-6945 or 215-516-7533 (not a toll free number).

Questions, Suggestions or Concerns

If you have any questions, suggestions or comments regarding this publication, or are aware of any errors (typographical, technical or usage), please let us know. Call or write:

Internal Revenue Service W:E:DEF:DFB
Diversified Electronic Filing Division
5000 Ellin Road, Room C4-232
Lanham, Maryland 20706
(202) 283-4157

SECTION 2 GENERAL INFORMATION

Century Date

The Internal Revenue Service (IRS) processing system has changed to reflect the standard format established by the National Institute of Standards and Technology (NIST) for Century Date. The Century Date is for all electronic year dates, whether exchanged with non-IRS organizations or part of the internal IRS systems.

All electronically prepared and transmitted tax returns submitted to the IRS after January 1, 1998 must be developed following these guidelines:

- All year date formats have expanded representations from 2-digits to 4-digits, and must be contiguous (i.e. YYYYMMDD, or 20011231, YYYYMM, or 200112, YYYYMM, or 200112).
- No special characters are to be stored in any fields to represent the century (i.e. Roman Numerals).

NOTE: Refer to Publication 1438 for specific information on formatting dates.

Methods of Filing

The electronic/magnetic media filing of Forms 1041 includes returns filed on magnetic media (magnetic tape or floppy diskette) Electronic returns are filed over telephone lines from the Participant's communications device (for modem) into the IRS Reception device at the Philadelphia Submission Processing Center. (IRS uses a Dial-up communications device to receive Form 1041 tax returns.)

SECTION 2

GENERAL INFORMATION, continued

Programming

Technical programming information, as well as file specifications, validation criteria and record layouts needed by transmitters and software developers to participate in this program are provided in Publication 1438, File specifications, Validation Criteria, Record Layouts for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041, for Tax Year 2001. This publication is updated annually.

Effective Date

These procedures are effective January 1, 2002.

Processing

Processing of Form 1041 returns includes the following Calendar / Fiscal Year endings:

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

NOTE: If the due date falls on a Saturday, Sunday or holiday, it becomes the next workday.

Participants

Prospective participants must complete Form 9041, Application/Registration for Electronic/Magnetic Media Filing of Business 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. **(See SECTION 6 for further information regarding the acceptance and testing procedures.)**

SECTION 3 COMPOSITION OF THE RETURN

Tax Return Data

U.S. Income Tax Return for Estates and Trusts, Form 1041, for electronic/magnetic media filing consists of tax return data transmitted to the IRS using electronic or magnetic media and of required paper documents, 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.

Accepted Form and Schedules

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 C (Form 1040)	Profit or Loss From Business
Schedule C-EZ (Form 1040)	Net Profit From Business
Schedule D (Form 1041)	Capital Gains and Losses
Schedule E (Form 1040)	Supplemental Income and Loss
Schedule F Form 1040)	Profit or Loss From Farming
Schedule H (Form 1040)	Household Employment Taxes
Schedule J (Form 1041)	Accumulation Distribution for a Complex Trust
Schedule K-1 (Form 1041)	Beneficiary's Share of Income, Deductions, Credits, Etc.

SECTION 3**COMPOSITION OF THE RETURN, continued**

**Accepted
Forms and
Schedules,
continued**

Form 1116	Foreign Tax Credit
Form 2210	Underpayment of Estimated Tax by Individuals, Estates and Trusts
Form 2210-F	Underpayment of Estimated Tax by Farmers and Fishermen
Form 2439	Notice to Shareholder of Undistributed Long- Term Capital Gains
Form 3468	Investment Credit
Form 4136	Credit for Federal Tax Paid on Fuels
Form 4255	Recapture of 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 4970	Tax on Accumulation Distribution of Trusts
Form 4972	Tax on Lump-Sum Distributions
Form 6198	At-Risk Limitations
Form 6252	Installment Sale Income
Form 8271	Investor Reporting of Tax Shelter Registration Number

SECTION 3

COMPOSITION OF THE RETURN, continued

Accepted Forms and Schedules, continued

Form 8582	Passive Activity Loss Limitations
Form 8582-CR	Passive Activity Credit Limitations
Form 8801	Credit for Prior Year Minimum Tax - Individuals, Estates and Trusts
Form 8824	Like-Kind Exchanges
Form 8829	Expenses for Business Use of Your Home

Paper Part Of Return

Form 8453-F, U.S. Estate or Trust Income Tax Declaration and Signature for Electronic and Magnetic Media Filing, 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 11, Signature Form Procedures, of this publication for more information.** Other documents containing required signatures or supporting information 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.

The paper part of the return may also include any other documents that are:

- not required by the IRS;
 - not IRS forms or schedules; or
 - not covered in Section 3, under Accepted Forms and Schedules, and are voluntarily included by the fiduciary/participant as supporting material.
-

SECTION 4 EXCLUSIONS

Types of Returns

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

- Amended returns;
 - Returns containing forms or schedules not listed in Section 3, under Accepted Forms and Schedules;
 - Returns for any calendar year ending before fiscal year returns ending during any month after August 31 of the current year;
 - Returns submitted by a person not accepted by the Service for electronic or magnetic media filing;
 - Delinquent returns (except returns covered by the extension provision);
 - 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;
 - Returns with a power of attorney attached; (If IRS already had a power of attorney on file, the return is eligible for electronic and magnetic media filing.)
 - Short period returns due to change of accounting period;
 - Returns with more than one Schedule D, Form 2210, 2210F, 2439, 3468, 4136, 4797, 4952, 8582, 8582-CR, or 8801;
 - Tentative returns;
 - Family trust returns (except those filed by a bank);
 - Bankruptcy estate returns;
-

SECTION 4 EXCLUSIONS, continued

- Returns with refund amounts equal to or greater than \$10,000,000;
 - Fiscal Year Returns with extension dates after December 31 of the current year;
-

SECTION 5 METHODS OF PARTICIPATION

Types of Participants

An Electronic/Magnetic Media participant can be classified under one or more of the categories listed below, depending on what specific function(s) the participant performs relating to the fiduciary of IRS:

RETURN ORIGINATOR: A firm, organization, or individual who deals directly with the taxpayer and either:

- 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
- collects prepared tax returns, including Forms 8453-F, from taxpayers that wish to have their returns electronically or magnetically filed.

SOFTWARE DEVELOPER: Develops software for the purposes of:

- preparing returns;
 - formatting returns according to IRS electronic / magnetic media return specifications; and/or
 - transmitting the returns directly to IRS. A developer may also sell its software.
-

SECTION 5

METHODS OF PARTICIPATION, continued

Types of Participants, continued

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.

FIDUCIARY: A fiduciary can take part in the electronic /magnetic media program directly in the following manner:

- Develop their own preparation software.
- Transmit the return electronically.
- Send the return on magnetic media.
- Furnish Form 8453-F.
- Use another firm's software or transmission services.

SERVICE BUREAU: A service bureau is a firm, organization or individual who receives tax returns from accepted electronic / magnetic media participants for formatting, but does not collect returns directly from the taxpayer nor transmit the returns directly to the IRS.

SECTION 6

APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES

Pre-Application

IRS sends the following items to any person interested in participating in the electronic / magnetic media filing of Form 1041 tax returns:

- Form 9041, Application/Registration for Electronic/Magnetic Media Filing of Business Returns;
-

SECTION 6

APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES, continued

Pre- Application, continued

- Publication 1437, Procedures for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041;
 - Publication 1438, File Specifications, Validation Criteria, and Record Layouts for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041, for Tax Year 2001.
-

Form 9041, Application

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 Submission Processing Center.

To ensure that the application is processed timely, the IRS 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. PSC will accept applications by mail or fax.

- The Philadelphia Submission Processing Center FAX number is (215) 516-2052 (not a toll-free number). Include the following address on your FAX Cover Sheet:

Philadelphia Submission Processing Center
ELF Processing Support Section DP 2720

- The mailing address is:

Internal Revenue Service
Philadelphia Submission Processing Center
ATTN: ELF Processing Support Section DP 2720
11601 Roosevelt Blvd.
Philadelphia, PA 19154

SECTION 6

APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES, continued

Form 9041 Application, continued

Applicants must indicate on Form 9041 the type of return (e.g. Form 1041 or 1065) 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 reverse side of 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 Submission Processing Center only.

Participants already accepted into the program in the previous year do not need to send in another application unless information given earlier has changed or is incomplete. However, participants must call the Philadelphia Submission Processing Center to notify IRS of their intentions to participate in the current tax year program. The telephone number is 1-800-829-6945 or (215) 516-7533 (not a toll-free number).

The Philadelphia Submission Processing Center will assign an Electronic Transmitter Identification Number (ETIN) to new applicants. The applicant will be notified in writing of their ETIN. ETINs are permanently assigned unless notified by the Service.

Entity Review Process

All participants must submit entity information about the Forms 1041 they intend to file before they can be accepted. 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.

SECTION 6

APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES, continued

Entity Review Process, continued

IRS computer programs will review the entity data to resolve any discrepancies before live date is submitted. Verification of entity data reduces the number of unprocessable returns.

The entity review process is scheduled to start August 1. Entity information may be submitted either electronically or on magnetic tape or diskette.

Entity review should 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.

See Publication 1438 for additional information and record layouts for the Entity Review Process.

Testing Requirements

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 into the program. Testing is required even if the participant took part in the program previously.

Applicants who develop software may test between January 1 and April 15 of the current year.

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.

SECTION 6

APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES, continued

Testing Requirements, continued

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.

The test file must be submitted 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.

Form 1041 applicants that are ready to test should notify the Philadelphia Submission Processing Center, ELF Processing Support Section at 1-800-829-6945 or (215) 516-7533 (not a toll-free number). The Philadelphia Submission Processing Center will notify each applicant when the test will take place.

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.

Improperly labeled diskettes/tapes will be returned unprocessed to the filer. See Publication 1438 for labeling instructions.

SECTION 6 APPLICATIONS, ENTITY REVIEW PROCESS, TESTING AND ACCEPTANCE PROCEDURES, continued

Acceptance 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.

When applicants are accepted into the program, the Philadelphia Submission Processing 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.

SECTION 7 TRANSMISSION OF LIVE DATA: REQUIREMENTS AND RESPONSIBILITIES

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

Revocation 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:

- Publication 1437 - Procedures for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041.
- Publication 1438 - File Specifications, Validation Criteria, and Record Layouts for Electronic and Magnetic Media Filing of U.S. Income Tax Returns for Estates and Trusts, Form 1041, for Tax Year 2001.

SECTION 7**TRANSMISSION OF LIVE DATA: REQUIREMENTS
AND RESPONSIBILITIES, continued**

**Integrity
And
Accuracy**

Participants must maintain a high degree of integrity and accuracy in order to participate in the program.

Security

Participants are responsible for the security of all transmitted data.

Compliance

All participants must comply with the requirements and specifications described in Publications 1437 and 1438. They must follow the file specifications, record layouts and data control criteria included in Publication 1438.

**Return
Acceptance**

IRS accepts Form 1041 tax returns filed electronically or on magnetic media only from those applicants who have been officially accepted by the Philadelphia Submission Processing Center, ELF Processing Support Section.

**Improperly
Labeled
Diskettes**

As stated in Section 6, under testing requirements, improperly labeled diskettes/tapes will be returned unprocessed to the filer. See Publication 1438 for labeling instructions.

**Received
Date**

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

SECTION 7

TRANSMISSION OF LIVE DATA: REQUIREMENTS AND RESPONSIBILITIES, continued

Legally Filed Return

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

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

Amended / Corrected Return

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.

Signature

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.

Consistency Tests

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.

SECTION 7

TRANSMISSION OF LIVE DATA: REQUIREMENTS AND RESPONSIBILITIES, continued

Error Correction/ Resubmission

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

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

Software Developers

In addition to the requirements outlined in **SECTION 6, Testing Testing Requirements**, software developers must:

- 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
 - distribute their software corrections expeditiously to all the users who participate in this program.
-

SECTION 7

TRANSMISSION OF LIVE DATA: REQUIREMENTS AND RESPONSIBILITIES, continued

End of Filing Period Transmission

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

- 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 Submission Processing Center.
 - 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 Submission Processing Center for further instructions.
-

Late Filed Returns

Fiduciaries who expect to file tax returns after the return due date should apply for an extension according to the instructions for Form 1041.

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

Normal interest and penalty provisions will apply.

Change of Address

If the trustee/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 Submission Processing Center.

SECTION 8 ACKNOWLEDGMENT PROCESS

Acknowledgment Report 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 Submission Processing Center 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.

Post Transmission Problems Transmitters should immediately contact the Philadelphia Submission Processing Center at (215) 516-7533 (not a toll-free number) if any of the following occurs:

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

Additional Information Detailed information regarding the acknowledgment process for this program can be found in Publication 1438.

**Magnetic
Tape**

IRS can usually process any compatible tape files. Compatible tape files must meet the following criteria:

- Type of tape - 0.5 inch (12.7mm) wide, computer-grade, magnetic tape on reels of up to 2400 feet (731.52m)
- Tape thickness - 1.0 or 1.5 mils
- Reel diameter - 10.5 inch (26.67cm), 8.5 inch (21.59cm), or 7 inch (17.78cm)
- Recording - 6250 or 1600 bits per inch density
- Parity - Odd
- Interrecord gap - 3/4 inch
- Recording - 9 channel EBCDIC (Extended Binary Coded Decimal Interchange Code) or ASCII (American Standard Code for Information Interchange)
- Track - 9 track unlabeled tape
- Record format - Fixed or variable
- File format - Standard Interchange (Variable blocked format) Records cannot span reels or volumes.

A physical label should be affixed to the exterior of each tape. See Publication 1438 for an example of the label and more information. Signed Forms 8453-F and any related paper documents must be enclosed in the parcel with the tapes.

SECTION 9

ELECTRONIC/MAGNETIC MEDIA SPECIFICATIONS, continued

Floppy Diskettes

Diskettes must meet the following criteria:

Type of diskettes and size:

- 5 1/4 - soft-sectored, double-sided, double-density, 360 KB capacity; or, double-sided, high-density 1.2MB capacity
- 3 1/2 - double-sided, double-density, 720 KB capacity; or, double-sided, high density 1.44MB capacity

Diskette format - standard MS/DOS 2.1 or higher

Record format - fixed or variable

File format - Standard Interchange (Variable blocked format) Records cannot span diskettes.

Character code - 9 channel (ASCII)

A physical label should be affixed to the exterior of each diskette. See Publication 1438 for an example of the label and more information. Signed Forms 8453-F and any related paper documents must be enclosed in the parcel with the diskettes.

SECTION 9

ELECTRONIC/MAGNETIC MEDIA SPECIFICATIONS, continued

Electronic Filing Procedures

Forms 1041 can be transmitted to the IRS by way of the Philadelphia Submission Processing Center Bulletin Board. It can be accessed via dial-up telephone lines at speeds from 2,400 to 56,000 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)

Filers who wish to transmit via modem must coordinate a test transmission with the Philadelphia Submission Processing Center. Please call PSC ELF Processing Support Section at 1-800-829-6945 or (215) 516-7533 (not a toll-free number).

SECTION 10

FEDERAL/STATE REQUIREMENTS

General Description

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.

SECTION 10 FEDERAL/STATE REQUIREMENTS, continued

Data Conduit 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.

Return Rejection 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 Philadelphia Submission Processing 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.

State Return Packet 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.

SECTION 10 FEDERAL/STATE REQUIREMENTS, continued

State Return Packet, continued

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.

Form 8821

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.

Requirements for Electronic Filing

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

- The state return must be electronically filed with the federal return through the Philadelphia Submission Processing Center.
 - The return must be filed between January 15, 2002 and April 15, 2002.
-

Overpayments

When preparing electronic returns, fiduciaries may elect to have their overpayments:

- applied to their 2002 estimated tax,
 - sent to them in the form of a refund check, or
 - split - part applied to their 2002 estimated tax and the remainder issued in the form of a refund check.
-

SECTION 10 FEDERAL/STATE REQUIREMENTS, continued

Exclusions From Electronic Filing

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

- amended returns,
 - returns filed for a tax period other than January 1, 2001 - December 31, 2001
 - returns for part-year residents of a state, or cities associated with that particular state,
 - returns reporting liabilities for nonresident earnings tax for cities associated with the particular state,
 - returns for decedents with Social Security Numbers in the following ranges:

000-00-0000 through 001-00-9999
691-00-0000 through 699-99-9999
764-00-0000 through 999-99-9999
 - returns with a Power of Attorney currently in effect in which the refund is to be sent to a third party, or
 - returns with any correspondence requesting special consideration or procedures.
-

Return Sequence Order

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

Acknowledgment Report

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

SECTION 11 SIGNATURE FORM PROCEDURES (FORM 8453-F)

Purpose of Form 8453-F

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

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

Required Signatures

The same signatures are required on Form 8453-F that are that are required on a paper return. All Forms 8453-F must be signed no later than the day of transmission.

Fiduciary's Authorization

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.

Multiple Tax Return Listing

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.

**SECTION 11 SIGNATURE FORM PROCEDURES (FORM 8453-F),
continued**

**Multiple Tax
Return
Listing,
continued**

The signature listing may also be submitted on magnetic tape or diskette following the criteria in **SECTION 9**. 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.

**Form 8453-F
and Form 1041**

Form 8453-F must accompany each Form 1041 filed on magnetic tape or floppy diskette, and be included in the same package. **(See SECTION 13, Method of Delivery, for delivery instructions.)**

Postmark Date

If returns are sent electronically, the package that contains Forms 8453-F must be postmarked no later than the day of the electronic transmission.

**Substitute
Form 8453-F**

Participants must use the official Form 8453-F or an approved substitute 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, W:CAR:MP:FP: F:CD
1111 Constitution Avenue, NW
Washington, DC 20224

SECTION 11**SIGNATURE FORM PROCEDURES (FORM 8453-F),
continued**

**Rejected
Data**

If the IRS rejects the tape, diskette or electronic part of the return and the participant retransmits the return on electronic/magnetic media, a new Form 8453-F must be filed if any of the following amounts on the retransmitted return differ from the amount originally reported, as follows:

<u>Amount Item</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

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.

**Resubmissions
on Paper**

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 Submission Processing Center.

**SECTION 11 SIGNATURE FORM PROCEDURES (FORM 8453-F),
continued**

**Failure to
File
Penalties** 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.

SECTION 12 BALANCE DUE RETURNS: TAX PAYMENTS

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

- 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.
 - As a remittance sent with a balance due return. This
procedure is explained in this section under **Balance Due
Returns**.
 - 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).
-

EFTPS **Form 1041 payments (estimated, balance due, and subsequent)
can be made through the Electronic Tax Payment System
(EFTPS). Contact an EFTPS Financial Agent at
800-555-4477 or 800-945-5300 for information.**

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

SECTION 12

BALANCE DUE RETURNS: TAX PAYMENTS, continued

Balance Due Returns

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

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

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.

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

Remittance Registers

The Remittance Register gives information that identifies the transmitter and summarizes the remittance information. An example of the Remittance Register appears in Publication 1438.

A Remittance Register must be submitted to the Philadelphia Submission Processing 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 13 for shipping and packaging instructions.)**

Paper Remittance Registers

If a "paper" remittance register is being filed, **two (2) copies** of the 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.

SECTION 12 **BALANCE DUE RETURNS: TAX PAYMENTS,
continued**

**Electronic /
Magnetic
Media
Remittance
Registers**

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 13 **WHERE TO SEND MAGNETIC TAPES, DISKETTES AND
PAPER ATTACHMENTS**

**Packaging
Instructions**

The participant must associate the items described in **SECTION 3, Paper Part of Return**, with the related signed Forms 8453-F in addition to any related Form 8453-F Multiple Returns Tax Return Information Listing.

The signed Forms 8453-F must be arranged in the same order the records appear in the tax return file transmitted to the IRS. The batch of forms should be secured with a rubber band or string.

Envelopes or cartons may be used, as volume or preference dictates, to send signature forms, magnetic tapes, and diskettes to the IRS at the address specified in **SECTION 13**. 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.

SECTION 13 **WHERE TO SEND MAGNETIC TAPES, DISKETTES
AND PAPER ATTACHMENTS, continued**

**Shipping and
Packaging**

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

- the signed Form 8453-F
 - Form 8453-F Multiple Returns Tax Return Information Listing (If applicable, must be attached to the signed Form 8453-F.)
 - all other paper attachments corresponding to each tax return (If applicable, must be attached to the signed Form 8453-F.)
 - the magnetic tapes or floppy diskettes (except for returns filed electronically)
-

**Method of
Delivery**

The method of delivery is optional. However, to expedite receipt of tapes, diskettes and paper attachments directly to the ELF Processing Support Section, 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 ELF Processing Support Section and the letter will be returned to you.

**Mailing
Address**

Participants must send all electronic / magnetic media data, all Forms 8453-F, and all other materials as described in **SECTION 3, Paper Part of Return**, and **SECTION 12, Balance Due Returns**, of this publication to IRS at the following address:

Internal Revenue Service
Philadelphia Submission Processing Center
ATTN: ELF Processing Support Section - DP 2720
11601 Roosevelt Blvd
Philadelphia, PA 19154

**SECTION 13 WHERE TO SEND MAGNETIC TAPES, DISKETTES
AND PAPER ATTACHMENTS, continued**

Mailing Address 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 2720
Philadelphia, PA 19114-0528

SECTION 14 DISTRIBUTION OF COPIES

Participant's Copy 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.

Client's Copy The participant should advise clients to keep copies of all materials filed with the Philadelphia Submission Processing Center. The copy of the electronic or magnetic media part of the return can be a copy of the 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 computer media copy must be composed carefully to avoid violating disclosure rules.

NOTE: Anyone who receives a copy will be given **ONLY** the information he or she is entitled to receive.

SECTION 14 DISTRIBUTION OF COPIES, continued

Acknowledgment Copy The participant should keep any Acknowledgment Reports received from the Philadelphia Submission Processing 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 apply, as specified in the Internal Revenue Code.

Fiduciary's Copy 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 Submission Processing Center.

IRS Copies 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.

The transmitter must give IRS access to all materials required in order to comply with these procedures.

SECTION 15 ADVERTISING STANDARDS

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.

SECTION 15 ADVERTISING STANDARDS, continued

Endorsement 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 16 MONITORING

Requirements Participants must conform to the requirements of these procedures.

Submissions Philadelphia Submission Processing Center will monitor each participant's submissions to ensure that quality is kept at an acceptable level and will counsel the participant if necessary.

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

SECTION 16 MONITORING, continued

Suspension

The following conditions can lead to suspension:

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

Penalties

Treasury Regulations take precedence over any item stated in these procedures.

Electronic and 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).

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.

Counseling

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

SECTION 17 ADMINISTRATIVE REVIEW

Participation Applicants who have been denied participation, or participants who have been suspended, have the right to administrative review.

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

Internal Revenue Service
Office of the Director of Practice PC:E:P
1111 Constitution Avenue, NW
Washington, DC 20224

SECTION 18 VENDOR LIST

Requests 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 filing program. **This list is intended for information purposes only and does not imply that IRS endorses or approves the vendors and/or products or services provided.**

Address Participants who contact the IRS at the address listed below will be provided with hard copies of the vendor list. **IRS will not provide any vendor information over the telephone.**

Internal Revenue Service
Philadelphia Submission Processing Center
ATTN: ELF Processing Support Section - DP 2720
11601 Roosevelt Blvd.
Philadelphia, PA 19154

SECTION 19 EFFECT ON OTHER DOCUMENTS

Revisions This revision supersedes any Publication 1437 previously issued.

Publication 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 2001. This publication is updated annually.

SECTION 20 DISTRICT OFFICE ELECTRONIC FILING COORDINATORS

This listing has been eliminated from this publication. It is now available on our website: www.irs.gov/elec_svs/eta-coord.html and is updated as needed.
