T A X W A R E

News - July 2014

Taxware Inc.

Contents

►Trade Shows
►IRS Developers Conference
►E-File Review
►Support Tools

Trade Show Dates

We look forward to seeing you at various seminars and trade shows. Some of the dates haven't been finalized but below is a partial list of the upcoming seminars that we will be attending. Be sure to stop by and say hello.

- **IRS Chicago July 1st-2nd Booth 207**
- **IRS San Diego July 15th-16th Booth 662**
- **IRS New Orleans July 22nd-23rd Booth 343**
- **IRS Orlando August 26th-27th Booth 300E**
- **NATP Las Vegas Sept. 23rd-24th Booth 40**

Refer A Friend

Don't forget our customer referral bonus: Each referral from you that results in a new customer for Taxware will give you **$100** off of your next year's renewal.

The IRS hosted its annual Software Development Conference in Washington DC on Tuesday June 25th. A variety of technical subjects were covered but the conference also provided insight on a number of topics that directly affect you, the tax preparer.

Affordable Care Act

The Affordable Care Act (ACA) dominated the forms and publications discussion this year. There is still a lot of finalization in process. When we started to get into some specifics it was clear they are still working on the details. We hope the IRS covers these topics in detail at their upcoming seminars.

The key website for the ACA is www.irs.gov/aca the forms 8962 and 8965 will be used to report the exemptions and credits. The IRS wouldn't give us an exact draft date but hoped to have some draft forms released in a month or so. They made some contradictory statements about how the penalties or taxes flow back to the 1040, so I don't want to get into too many details until we have the publications. At the conference the IRS made it sound like if any penalties or fees are assessed they would send a separate notice after the return is filed and that the penalty would not flow into the 1040. We have a conference call with the IRS at the end of July to talk about the ACA and we are hoping they will be able to clarify a lot of the questions that came up.

Forms and Publications

Publication 970 and Form 8863 instructions will be revised to include better instructions for the education credits. Some of the highlights will include Pell Grant income claims on housing so some credit may be taken for zero or no income taxpayers.

Form 8829 business use of the home simplified method can only be used for one home. Once you elect to use the simplified method it must be continued for consecutive years with no section 179 allowed and limited deprecation taken. There are additional daycare exceptions that will be posted in the revised instructions.

Schedule M3 thresholds have been modified. If the entities assets and/or income exceed 10 million but are below 50 million then you have the option to only fill out part 1 of the M3. If they are over 50 million then the entire M3 will need to be filled out.

Identity Theft and Fraud

The IRS has held a discussion on identity theft and fraud for the last few conferences. Although it's an upsetting topic, I find this discussion very interesting. Hearing about the new ways these criminals are constantly trying to steal identities and tax refunds is eye opening.

As tax professionals we always need to be on guard to shred tax documents with names and SSN's on them. We need to be careful not to leave tax returns laying around our desks where a person could quickly take a picture with a camera phone in a waiting room or on a casual walk to the bathroom.

One enforcement change they are making this year is to direct deposit accounts. If a deposit is made to the same account more than three times the IRS will NOT direct deposit the money and will issue a paper refund check. The check will be issued to the name and address listed on page 1 of the 1040. They hope this will reduce fraud. If you are a preparer that has been filling out the 8888 and putting your account No. to collect your fees without going through a bank, this is illegal and will not work anymore. This will also result in your clients refund being delayed waiting for a paper check.

In tax year 2010 the IRS had about 60,000 taxpayers apply and receive an Identity Theft PIN. In 2013 1.2 million IP PINS where issued. They have provided an online IP PIN retrieval system as well as the telephone verification system. The PIN you receive online is the actual PIN, not the temporary PIN they send via mail. Although tax preparers are getting better educated about the IP PIN there is still some confusion between the 8879 signature PIN and the Identity Theft Personal Identification Number. If you have clients with IP PIN's make sure you are educated on where to enter those and the signature PIN's into the system because they are two separate PIN's. Learn more at www.irs.gov/getanippin

Signature PIN's

New guidance regarding 8879 and 8878 signatures will be posted in Publication 1345. The new guidance will include some additional signature options for the taxpayers.

Scott Dalton - Vice President Taxware Systems

E-File and Tax Season Review

By Scott Boland - E-File & Data Information Specialist

In the first week of April we had as many returns filed electronically using our A2A method as we had filed for all of 2012 tax year through the same system. We are well on track to receive and send 25% more returns through the A2A system than we did the 2012 tax year. Over 97% of returns filed through our A2A system were Individual tax returns (i.e. 1040 related or from our Wintax program).

Recently the IRS reported the following statistics:

During April 14th to April 16th, 600,000 - 700,000 returns an hour were receipted (received). The acknowledgment system has a processing limit of about 400,000 returns an hour. During the same days the peak was at about 12 million returns. In comparison and to give a point of reference the opening day volume was about 6 million.

Our A2A system received double the returns on April 14th and three times the returns on April 15th as it had in the days prior to April 14th. Below we have some advice and suggestions to help electronic filing be as smooth as possible - efiling a return should not be the hardest part of preparing a return.

E-File Suggestions

Use Schema validation. IRS rejects caused by schema validation errors can be completely eliminated by using the Schema Validation option in the program. This option is done by return and found in the validity section of a return. Validating can take seconds to do but can save minutes.

For those that struggle to understand and correct rejects we suggest you have a designated person in your office as an "**E-File expert**." Unless you are a "one man" office this can be done to some extent. It decreases the turnaround time for resubmitting a return and can make the electronic filing experience much smoother. Remember, just a couple of years ago everyone was new to the MEF system so even a novice can be more of an expert with a little time and patience. The option to View XML in the Schema Validation section can be a tool to help show specifics and is very useful, even when the reject isn't a schema related reject. NOTE: In general, rejects are either schema or business rule related.

Have clear and **specific procedures** for efiling returns. We work to keep the software flexible so it can be setup for what works best for your office. For example Station IDs in ERO Information or the ability to network the program and efile databases. However breaking from the established patterns and system defaults for your set up can cause a part of the process to not work correctly or fail.

Have patience, especially when it is the busy time of the year. Remember the IRS system has limitations. Although you are often at the mercy of your customers and their procrastination, much can be done to help lessen the impact on you. File extensions early. Recommend payment dates for balance due returns be a few days or week before the deadline. Extend returns when you can to lighten the load on April 15th.

Do not retransmit before waiting a reasonable time to get an acknowledgment. For an IRS return this can be 24-48 hours. As we saw during the April 15th period this year, that time could even double. State returns sent through the IRS should have an additional 24-48 hours.

Double check that the return is ready to send. If batch sending, then review the list of returns carefully. If you typically send returns to A2A while on the E-File information screen in a return then make sure that return is ready to send and the one you want to send. Once a return is sent to our A2A system it is going to the IRS.

Final Thoughts

We look forward to this next tax season. We are excited about the growth Taxware has experienced and the progress in systems like A2A. We continue to develop improvements and add enhancements to have these systems work smoother each year.

Support Tips and Tools

By Ryan Luce

Navigating tax software can be daunting at times. Taxware support is here to help with tips and tools to turn tedious returns into yesterday's completed pile! Our year round support staff is available to assist you with questions involving our software, but if you're working late or trudging through the weekend, these helpful tips should see you through:

Patch file won't apply: You may experience an issue where you tell the computer to apply a patch file to your program and nothing happens! You open the program and the same thing repeats itself. This is most common in computers with newer versions of the Windows Operating System (Windows Vista, Windows 7, and Windows 8). To get around this, right-click the icon you use to launch the program and choose the option 'Run as Administrator'. This will provide the program the elevated privileges it needs to apply the patch.

Best call times: During tax season, no one has time to wait. Be sure to take advantage of our extended hours (6 AM to 6 PM Monday – Friday PST) during tax season. Although call volume fluctuates throughout the day, the lowest volume periods are early morning and later evening. Don't forget that we are also open Saturday from 8 AM to 12 PM during the tax season as well. This is the best time to get those quick questions answered.

Use all the tools available to you: Taxware offers many support options in addition to telephone support. These options include dedicated support e-mail, message boards, and comprehensive self-help tools available on our website and built-in to the program.

> Support e-mail: Sending an e-mail to support@taxwaresystems.com is a great way to get your questions answered by a support technician without having to be tied up on a phone call. Your e-mail is automatically entered into our system and assigned a ticket number for easy reference and tracking.

> Message Boards: Taxware provides community message boards for users to communicate and find answers. Although these boards are monitored by Taxware support technicians, they are mainly intended to be used for communication between preparers. Questions and advice can be given or found 24/7.

> Self-help tools: For those that need immediate help or prefer to solve the problem on their own, there are a variety of self-help tools available. These can be found on the 'videos' section of the Taxware website, or by clicking 'Training' on the Master Tax Menu. Also included in each program is a comprehensive 'Help' menu that can answer many questions. In addition to this, the 1040 program also has a built-in F.A.Q. that answers **many** questions posed to the support staff each tax season. We definitely recommend checking out these options even before picking up the phone.

Fast Support: When all else fails, sometimes it is easier to be helped with a hands-on approach. Technology can make this possible. With your permission, a Taxware support technician can remotely connect to your computer to assist you with your program questions or difficulties. Often times, something that can be difficult to explain can be solved in mere moments by allowing a technician to see the problem first-hand and assist you in resolving it.

We are fortunate to be able to work with great clients that know how to do tax returns. Working with you we are able to provide excellent support. We added a lot of great new clients this year that needed a little extra start up help. That combined with the IRS late start brought the call back times at the beginning and ending of the tax season up some. Except for those days our telephone response time was zero to five minutes which is our overall support goal. We look forward to working with you again this upcoming tax season.