

Date: January 19, 2012

To: ERO

Cc: TCS, SC, NLT, NTC, TC

From: National Technology Committee, AARP Tax-Aide

Subject: ERO Bulletin 2012-03: Modernized e-File, Linked vs. Unlinked State Returns

There are two attachments from the IRS one is an explanation on Modernized e-File (MeF) for TaxWise 2011; it includes an explanation on the e-filing of State Income Tax Returns with questions and answers on this topic. The second attachment is an updated document for legacy (ERC) reject codes for MeF

New Required Default

It has been discovered this week that a Validation Error is being created with some State returns if the **Preparer Name field** on the **Main Information** page is blank. To eliminate the potential for this error you need to default "AARP Foundation" in this field for both TWO and TaxWise Desktop.

Reminder: Don't forget to include the "S" when you default the SIDN on Line 15 of the Prep Use Form.

Modernized eFile (MeF) vs. Legacy Federal Return Processing

Most of our returns will use the new (MeF) process this year. The software makes the selection automatically, and you cannot choose the processing method. There are a very few circumstances that will require the older Legacy processing. One example that will trigger Legacy processing is if you check the box at the top of the Schedule D to permit using Form 8453 to submit a list of transactions with a summary(s) in lieu of entering individual transactions in the Capital Gains Worksheet.

Amended and Prior Year Return e-filing

MeF will eventually permit the e-filing of amended Federal Returns, but not this year. MeF will also eventually permit the e-filing of new Federal Returns for two prior years. This year we will only be permitted to e-file last years (TY2010) Federal returns that contain the forms that were acceptable for MeF processing last year. When you complete the return in TaxWise 2010, the program will tell you if the return can be e-filed. The TaxWise 2010 Desktop software will require a new update, which should be available soon to permit e-filing. We will publish a Tech Bulletin when this update becomes available.

Linked vs. Unlinked State Tax Returns

In summary, for the TY2011, there are currently 29 States that have converted to MeF for processing state tax returns, but TaxWise has only tested and accepted ten of these states to date. In addition to these ten states, there are two states that accept returns directly from TaxWise, which are not forwarded through the IRS. These two states, California and Minnesota, are unaffected by the

linked vs. unlinked processing. CCH intends to aggressively test additional states over the next few months. We will be advised as other states are accepted and added to the linked state list.

Both the IRS and the National Technology Committee recommend that state tax returns be submitted together for both linked and unlinked state returns. It simplifies the administration for the ERO, and the risk of a Federal reject affecting the state return for unlinked states is very low. Remember that like last year, for unlinked state returns you will receive an acknowledgement from the IRS when they forward the return to the state, and then a second acknowledgement from the state after they process the return. If the federal return is rejected and the State return was sent as unlinked, you need to review the state return to insure the rejected item does not impact the state return. If it requires a change to the State return, you must do so by amending the state return.

EIN Finder Update

We are finalizing documentation and account access and plan to send out this information next week.