

Date: February 10, 2012
To: ERO
Cc: TCS, SC, NLT, NTC, TC
From: Veronica Coates, National Technology Manager, AARP Foundation Tax-Aide
Subject: ERO Bulletin 2012-08: Additional TaxWise 2011 Information

Linked/Unlinked Clarification

We have been asked to clarify the information that we sent out earlier on linked and unlinked returns.

A Linked return is a MeF state submission that is coded so that the IRS will only send it to the state if the federal return submission to which it refers has been accepted by the IRS.

An Unlinked return is a Legacy state submission, or a MeF state submission that is coded so that the IRS will send it to the state regardless of the status of any federal return.

A state determines whether or not to accept linked and/or unlinked state returns.

TaxWise 2011, both online (TWO) and desktop (TWD), is using MeF for federal e-files for all states, with some exceptions. Those exceptions are based on the forms used in a specific return (such as Form 8453) and are not based on the state from which the federal return is filed. TaxWise 2011 is currently using MeF for state returns for the following states: Alabama, Arkansas, Colorado, Idaho, Illinois, Indiana, Kansas, Michigan, Missouri, Oklahoma, and Wisconsin.

There are other states that are using the MeF return processing method, but they have not yet been fully setup with CCH. Additional states will likely be added to the linked state list as the tax season progresses. Georgia and Ohio are currently the furthest along in being added as linked states.

Returns prepared for California and Massachusetts and for states not participating in MeF or not programmed for MeF in the TaxWise software will default to "state only," which is another way of saying "unlinked." Returns prepared for states programmed in the TaxWise software for submission through MeF will default to linked. If the volunteer does not want to link a state return to a federal return, they will need to mark the state return "unlinked" prior to creation of the efile. To do this, check the box on the state return that says "Check here if this return qualifies for MeF and you want to file it as unlinked." To link the state return to the federal return, leave that box unchecked.

If you submit both the federal and the linked state MeF e-files to the TaxWise Electronic Filing Center in the same batch, it is possible that the state e-file will be processed by the IRS before the federal e-file to which it is linked. If that happens, the state submission will be rejected with Error Reject Code STATE-901 or STATE-902, without sending it to the state. If the IRS has subsequently accepted the federal return, you will need to resubmit the state e-file by opening the return, running diagnostics, creating the state e-file and sending the e-file. Each time the IRS rejects a federal return, they will also reject any state returns that may be linked to that federal submission.

Married Filing Jointly (MFJ) Decedent Returns

Due to the way TaxWise 2011 and IRS MeF are now handling of the Main Information Sheet (MIS) and Form 8879 PIN signature blocks when the Primary Taxpayer (TP) is indicated as deceased, requires the deceased taxpayers PIN information to be completed (located on the Main Information Sheet). This also requires you to open the 8879 and override the blank date field for the deceased with the current date.

This problem can be avoided by preparing the return with the surviving spouse as the Primary Taxpayer (TP) on the (Married Filing Jointly) MFJ return. By doing this another problem may be avoided with carry forward data if the current year return is filed with the Primary Taxpayer (TP) as deceased, then any ProForma data carried forward to the following year will be filed under the SSN of the deceased. **But the return for that following year may list only the surviving spouse.** If the surviving spouse's SSN is then entered into the Start a New Return dialog, the ProForma carry-forward data from this year will not be found.

Note: You receive the following validation error message when running diagnostics on a return:

The 'AddressLine2' element is invalid - The value '% Firstname Lastname' is invalid according to its datatype 'StreetAddressType' - The Pattern constraint failed.

This can occur when the **In Care Of** information is entered correctly on **Name Line 2** with a % sign followed by a space and then the **name** when using Forms 1040A or 1040EZ.

Hyphenated Names

The only characters allowed are alpha, ampersand (&), hyphen (-), less-than sign (<), and space. The left-most position must be an alpha character. The less-than sign replaces the intervening space to identify the primary taxpayer's last name. It cannot be preceded by or followed by a space.

The hyphen (-) is the only special character allowed for the PersonNameControlType.

John <u>Lea</u> -Smith	LEA-	b. The hyphen (-) is the only special character allowed in the PersonNameControlType. Note: When a taxpayer's last name contains an apostrophe ('), ignore/disregard the apostrophe when establishing the Name Control.
Thomas A. <u>El-Oak</u>	EL-O	
Rana <u>Al-Smadi</u>	AL-S	
John <u>O'Neil</u>	ONEI	
Ann <u>O'Spruce</u>	OSPR	
Mark <u>D'Magnolia</u>	DMAG	
John <u>O'Willow</u>	OWIL	

Refunds

Currently e-filed returns with expected refunds, should expect a refund to be issued 10 – 21 days after the IRS accepts the return.

Outstanding State ACKs

There are still problems with States are having issues getting data from the IRS MeF system. This issue affects all software vendors, including CCH SFS/TaxWise. CCH SFS/TaxWise is continuing to work closely and in conjunction with the IRS and State Agencies to help ensure all State returns get through the IRS to the applicable state(s). Please do not re-submit these returns as they are already in the systems.

CCH SFS/TaxWise currently has over 240,000 outstanding state ACKs to be processed this includes all partners as well as their commercial users.

Carry Forward Issue

An issue was discovered that involves sites that changed their site address without changing their EFIN this season. The carry forward information was over-riding the default information on the Form 8879. CCH says this problem was resolved in both TWO and desktop with an update earlier this week and will no longer occur as new returns are prepared.