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Introduction

Electronic IRS is the portal to the many online options available on www.irs.gov. The IRS wants to make it easier for you to help your members and their workers join the majority of taxpayers who are preparing and filing their tax returns electronically.

Through Electronic IRS, your employees can take advantage of Free File, a free online tax preparation and filing program for taxpayers who have an adjusted gross income of \$54,000 or less in 2007. Free File is offered by the IRS and the Free File Alliance LLC, a group of industry-leading tax preparation software companies. It is safe, accurate and simple to use and is only available at www.irs.gov. For employees who earn more than \$54,000, *e-file* offers the choice of using IRS-approved software or authorized tax preparers.

The attached documents, short articles and outreach tools, are designed to inform your members about all the options Electronic IRS provides for tax preparation, safe and secure payment and fast refunds. To help get you started, these outreach packages include the following:

→ *e-file* Background Information:

- *e-file* Fact Sheet—One-page overview of *e-file* advantages, procedures
- *e-file* FAQ—Answers common questions taxpayers ask about *e-file*

→ Free File Background Information:

- Free File Fact Sheet—One-page overview of Free File benefits
- Free File FAQ—Frequently asked questions about Free File

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- Direct Deposit—Explains the steps taxpayers must take to have a tax refund deposited in their bank accounts
- Three Easy Ways to Pay—Outlines three ways employees can pay their taxes online
- Safety and Security—Explores how employees and members can follow safe practices when filing returns and paying taxes online
- Spread the Word—Tell your members Free File is free
- Spread the Word—Tell your members Free File is free [Spanish version]
- Twenty-somethings can electronically prepare and file their taxes for free

→ *e-file*/Free File Media Tools

- Payroll Stuffers—Provided in both English and Spanish
 - Downloadable PDFs for Free File payroll stuffer
 - Downloadable PDFs for *e-file* payroll stuffer
- Audio/Video Messages
 - Web Video Clips from David Williams [available soon]
 - Radio Public Service Announcements [available soon]

Feel free to use these ready-to-place articles and payroll stuffers in your online or printed newsletters and member correspondence. More than ever, taxpayers are taking advantage of the many benefits of Electronic IRS. Together, we can extend those benefits to your members and their workers through the use of electronic tools that are paperless, easy-to-use, safe and secure.



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***e-file* Fact Sheet**

- FACT ...** The IRS processed more than 89 million tax returns electronically in 2007.
- FACT ...** In 2007, more than 80 million individual taxpayers (or almost 60 percent of the U.S. population) e-filed.
- FACT ...** More than 9.5 million business returns were filed electronically in 2007.
- FACT ...** 120,000 tax professionals use IRS e-Services, a web-based suite of services to help prepare, research and submit tax returns electronically.
- FACT ...** More than 1.4 million taxpayers enrolled in the IRS Electronic Federal Tax Payment System (EFTPS) in fiscal year 2007.
- FACT ...** IRS received 3.4 million credit card payments in 2007.
- FACT ...** During 2007, 61.4 million refunds were directly deposited.
- FACT ...** In 2007, the average Direct Deposit refund was \$2,698.
- FACT ...** 1.5 million tax payments were made via electronic funds withdrawal from bank accounts in 2007.



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e-file Frequently Asked Questions

Q: What is e-file?

A: IRS e-file is the program that allows taxpayers and tax preparers to send federal and most state tax returns electronically through software programs or online. Software programs are available for purchase in stores, through online companies and with most tax preparers.

To e-file, tax return information is entered into the computer program, checked for completeness and then transmitted electronically to the IRS via modem, broadband and Internet connection.

Q: Is there a charge to e-file?

A: The IRS does not charge a fee to file electronically. However, many software providers and tax preparers do charge a fee for processing returns electronically.

Q: What are the benefits of using e-file?

A: IRS e-file has quickly become the most used option for filing individual and business tax returns, as it offers so many more benefits than filing with a paper return:

- e-file is more accurate than paper filing and has an error rate of less than 1 percent, thereby reducing the possibility that taxpayers will receive an error letter from the IRS.
- e-file offers the option of Direct Deposit so refunds come in as little as 10 days.
- e-file offers the convenience of filing tax returns early and delaying payment up until the due date.
- e-file allows federal and state returns (for most states) to be filed at the same time.
- e-file acknowledges receipt of the tax return by email within 48 hours of submission
- e-file saves paper.

- e-file is safe and secure.
- e-file is easy to use.

Q: I prepare my taxes using tax preparation software. Then I print the forms and mail them to the IRS. Do I get the same benefits as someone who submits their return electronically?

A: No. Forms that are electronically prepared, but then printed and mailed, are treated the same as forms prepared by hand. The IRS must re-key the information, which may increase the chance for transcription errors. Also, it takes weeks longer for the IRS to contact paper filers about errors or provide a tax refund.

Q: If I e-file do I need to submit Forms W-2, W-2G, W-2GU and Form 1099-R to the IRS?

A: No. The requirement to attach Forms W-2, W-2G, W-2GU and Form 1099-R has been eliminated for an e-filed return.

However, taxpayers should keep records of these attachments with a copy of their tax return.

Q: Why are forms more accurate when they are e-filed?

A: There are several reasons:

- Electronically submitted forms are automatically checked by the IRS. If there is an error or missing information, the IRS will send back the form and allow the taxpayer or tax preparer to make the changes and resubmit the form.
- Data can be saved from year to year, dramatically reducing the chance of transcription errors.
- Data goes into the IRS system exactly as it was submitted. No re-keying of information is necessary.
- Most tax software detects math errors and other common mistakes before the return is filed. The IRS does additional checks as well on e-filed returns.

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Q: Is there a greater chance that e-filers will be audited?

A: No. There is no greater chance of being audited if taxpayers *e-file*.

Q: Why do refunds come more quickly with IRS *e-file*?

A: Because data goes directly into the system, it speeds up the processing time for each tax return. And if taxpayers elect to have their refunds deposited directly into their bank accounts, the time it takes to receive a refund is dramatically decreased from weeks to as little as 10 days.

Q: How can I pay electronically if I owe?

A: If there is a balance due on the tax return, taxpayers can still file electronically through *e-file* and then schedule a payment for the tax due date. Payments can be made via automated withdrawal from a checking account, by credit card or by enrolling in the Treasury's free Electronic Federal Tax Payment System (EFTPS) to make the balance due payment and any subsequent estimated tax payments electronically (by phone or online).

Q: Which tax preparers can e-file taxes on behalf of clients?

A: Tens of thousands of tax preparers nationwide are "Authorized *e-file* Providers." Taxpayers can check with their tax preparer or visit Electronic IRS at www.irs.gov to find one in their area.



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Free File Fact Sheet

Description

The Free File program is a free federal tax preparation and electronic filing program for eligible taxpayers developed through a partnership between the Internal Revenue Service (IRS) and the Free File Alliance LLC, a group of private sector tax preparation companies.

Purpose

Free File allows taxpayers earning \$54,000 or less to file their federal tax returns for free—that means no cost and no hidden fees. Qualified taxpayers must enter the Free File program through the IRS website at www.irs.gov. While Free File partners are allowed to charge a fee for state returns, some also offer free state filing. Check with your Free File partner to see if you can file your state taxes for free, as well. Use the “Guide Me to a Company” tool on www.irs.gov to determine which partners offer state tax preparation and e-filing services for your state. Fees for filing state income tax returns may apply.

Eligibility

Those who earned \$54,000 or less in 2007 may use Free File this year. That means 70 percent of all filers—97 million taxpayers—can take advantage of the program. Taxpayers who used Free File in the past and qualify again this year must use the IRS website, www.irs.gov, if they want to use Free File again this year. Offers from any other source or location are not Free File.

Program Benefits

Free File is easy to complete, as well as safe and secure. Also, you will receive a fast refund, in as little as 10 days when you use Direct Deposit. The software programs are constantly updated to give you the most up to date information to complete your return accurately. If you qualify for the Earned Income Tax Credit (EITC), you can use Free File to claim your credit and to prepare and file your return.

Fast Facts

- To date, more than **19 million** have prepared and submitted their tax returns through Free File.
- **96%** of those who used the program found it “easy to use.”
- **98%** said they would recommend Free File to others.
- **95%** who used Free File said they would use it again.

Availability

Free File is available 24 hours a day, seven days a week, starting in mid-January 2008. It is available in English and Spanish.

More Information

Visit www.irs.gov. Check the Free File Alliance company’s website for customer service options, such as a help desk phone number, online assistance or an e-mail address.



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What is Free File?

Free File is a free federal income tax preparation and electronic filing program for eligible taxpayers, developed through a partnership between the Internal Revenue Service (IRS) and the Free File Alliance LLC. The Alliance consists of private sector tax preparation companies.

For 2008, taxpayers who earn \$54,000 or less may take advantage of the Free File program. This means 70 percent of all taxpayers—97 million people—are eligible to Free File. Taxpayers can access the program starting mid-January 2008. Free File is available in Spanish.

Who is Eligible to Use Free File?

Free File is available to taxpayers whose adjusted gross income was \$54,000 or less in 2007.

Is the Free File Program Really Free?

Yes, the Free File program is 100% free for qualifying taxpayers to electronically prepare and file their federal income taxes. There are no hidden fees or software costs. Taxpayers must enter through the IRS website, www.irs.gov to use Free File. Taxpayers who used Free File in the past and qualify again must use www.irs.gov if they want to Free File again this year.

What are the Benefits of Using Free File?

Free File is completely paperless as well as easy-to-use, safe and secure.

Those who meet the income requirement may prepare and file their federal income taxes completely FREE of charge. The program is available online 24 hours a day, seven days a week. Upon electronic submission of your federal tax return, you will generally receive a refund in half the time—in as little as 10 days with Direct Deposit. Free File is available in Spanish.

Is Free File Secure?

Yes, tax return information is protected through encryption. Companies offering the Free File Program must attain a third-party privacy and security certification as well as comply with all federal rules and regulations on taxpayer privacy. For example, these rules prohibit the use of tax return data for purposes not specifically authorized by the taxpayer. The IRS monitors each company to make sure that it meets the privacy and security regulations.

Free File uses proprietary software approved by the IRS and your federal tax return is transmitted through the established **IRS e-file** system using secure technologies. After you send your return, you will receive an email from the tax preparation company to let you know that the IRS received your return.

What is the difference between Free File and *e-file*?

IRS e-file lets taxpayers electronically file an accurate tax return or get an extension of time to file without sending any paper to the Internal Revenue Service. Taxpayers may use **IRS e-file** through their tax preparer, over-the-counter software or Internet programs. The IRS does not charge for **IRS e-file**, but some tax preparers and software manufacturers may charge a fee.

More than 80 million Americans chose **IRS e-file** last year—the total number of individual tax returns this year is expected to be about 136 million, and the IRS expects a record number of e-filers this year. E-filers enjoy these benefits:

1. Faster refunds, in as little as 10 days with Direct Deposit
2. More accurate returns
3. File a return now and pay later
4. Quick acknowledgment of e-filed returns
5. Convenient federal/state filing

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Free File is one of many **IRS e-file** programs where taxpayers who earn \$54,000 or less can prepare and file their federal taxes for FREE. Taxpayers who use Free File still receive the same benefits of **IRS e-file**, but the services are free. Free File is only available at **www.irs.gov**.

Is Free File Easy to Use?

Free File is easy to do yourself! It includes a “Free File Wizard” that will guide you through the program. Since Free File’s debut in 2003, more than 19 million returns have been filed through the program. Of those who have used Free File, 96 percent rated the program as “easy to use” and 98 percent said they would recommend it to a friend or family member.

Can I Download the Tax Software to Prepare my Return?

Free File does not use downloadable software. It is an Internet-based tax preparation program. All of the software is maintained on the individual company websites.

If I Use a Tax Preparer, Can I Still Use Free File?

Yes. If taxpayers meet the eligibility requirements for Free File, they may ask their tax preparer to use Free File to complete their return. Even if your preparer doesn’t use Free File, make sure to request another *e-file* option.

Which Tax Preparation and Filing Companies Offer Free File?

Free File is offered by nationally-known tax preparation companies. For a full list, visit **www.irs.gov**. The Free File “offer” page assists taxpayers in locating software companies that best suit their needs. If you have trouble choosing a company after scanning the list, you may use the Free File Wizard interactive help tool, “Guide Me to a Company,” to help narrow your search.

How Do I Use Free File?

To use Free File, you must first go to the IRS website, **www.irs.gov**, and then click on the Free File logo to access the Free File page. Once you have reached the Free File page, you will find helpful information to assist you with preparing and filing your federal income tax return. Click the “Start Now” button to review the list of software companies and select one that best suits your needs. Once you select a company, you will be taken directly to that company’s website to begin your federal tax return. Remember you must access the company through **www.irs.gov** to use Free File. Any other starting point means you may be charged; you won’t be using Free File.

May I Also File My State Income Tax Return for Free?

Some participating Free File Alliance companies offer free state tax return preparation and e-filing services. You must check the company’s Free File section of their website for more information because not all companies offer free state tax return services. You can use the “Guide Me to a Company” tool on **www.irs.gov** to determine which companies offer state tax preparation and e-filing services for your state. Fees for filing state income tax returns may apply.

If I Qualify for the Earned Income Tax Credit, Can I Still Use Free File?

Yes. Depending on income level, people who earned income from employment or self-employment in 2007 may be eligible for the Earned Income Tax Credit (EITC). EITC is a credit for people who earn low-to-moderate incomes that fall within the income requirements to use Free File. EITC can reduce your taxes, and can result in a refund. In simple terms, working families and individuals may keep more of what they work for. Find out if you are eligible for the Earned Income Tax Credit (EITC) by answering some questions and providing basic income information using the EITC Assistant at **www.irs.gov**. Then click on “Free File” at **www.irs.gov** and link to one of the partnering tax preparation and filing organizations that offer the free service.

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What Happens if I Find My Income Is More than \$54,000 for 2007?

If, when using Free File, you find that your adjusted gross income exceeded \$54,000, in 2007, you will not be eligible to file your taxes for free. In that case, you may continue completing your return, but you will incur the tax preparation company's standard filing fees.

If I Have a Balance Due on My Return, Is There a Fee to Pay My Taxes?

Electronic payment options are convenient, safe and secure methods for paying taxes. Taxpayers can authorize an electronic funds withdrawal, use a credit card or enroll in the U.S. Treasury's Electronic Federal Tax Payment System. Electronic payment options give taxpayers an alternative to paying taxes by check or money order. You can file early and pay the balance due by the April 15 filing deadline.

Are There any Additional Costs?

Before starting your return using Free File, carefully review the tax preparation company's criteria to confirm that you meet their eligibility for preparing and e-filing your federal tax return for free. While you may choose to do so, you are under no obligation to buy any of the company's other products or services. All Alliance partners have agreed to remove ancillary offerings, such as Refund Anticipation Loans (RALs), from the Free File program.



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Spread the Word!—Tell Your Members Free File Is FREE!

For the sixth straight year, eligible taxpayers can use Free File to prepare and file their federal income tax returns electronically without charges. There are no hidden fees. This program was developed by the Internal Revenue Service (IRS) in partnership with the Free File Alliance LLC, a group of industry leading private-sector tax preparation companies.

Free File is available to everyone who earned \$54,000 a year or less in 2007. That's 70 percent of all filers, roughly 97 million taxpayers. Free File is available 24 hours a day, seven days a week, beginning mid-January 2008. The program is available in both English and Spanish.

More than 19 million tax returns have been prepared and submitted through Free File since it debuted during the 2003 filing season.

To use Free File, individuals must first go to the IRS website, www.irs.gov, click on "Free File", then press the "Start Now" button and choose a tax preparation company from the list provided. Free File is not available by going directly to a company's website. Not all companies offer services to everyone. Filers should be sure to read the offer description to find which company best fits their needs. Once a company is selected, users click on the link to that company's website and begin preparing their return. Free File also has a "Guide Me to a Company" feature that will assist taxpayers in selecting a company that offers services tailored to their particular situation.

Although Free File is available only for federal income tax returns, some participating Free File Alliance companies also offer state tax return preparation and e-filing at no charge. Those services are noted in the Free File section of those companies' websites.



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Spread the Word!—Tell Your Members Free File Is FREE! (Spanish)

Por sexto año consecutivo, los contribuyentes que cumplen con los requisitos pueden usar Free File para preparar y presentar electrónicamente las declaraciones federales de impuestos sobre los ingresos sin ningún costo. No existen tarifas ocultas. Este programa fue desarrollado por el Servicio de Impuestos Internos (IRS por sus siglas en inglés) en sociedad con la Alianza Free File, LLC, un grupo de compañías líderes del sector privado que preparan declaraciones de impuestos.

Free File está disponible para cualquier persona que gane \$54.000 o menos al año. Eso es el 70 por ciento de todos los contribuyentes, aproximadamente 97 millones de contribuyentes. Free File estará disponible las 24 horas del día, los siete días de la semana a partir de mediados de enero de 2008. El programa está disponible en inglés y en español.

Se han preparado y enviado más de 19 millones de declaraciones de impuestos a través de Free File desde que se lanzó en la temporada de declaraciones de 2003.

Para usar Free File, las personas deben primero ir al sitio de Internet del IRS, www.irs.gov, hacer clic en "Free File", luego presionar el botón "Comience Ahora" ("Start Now") y elegir una compañía de preparación de declaraciones de impuestos desde la lista proporcionada. Free File no está disponible yendo directamente al sitio de Internet de una

compañía. No todas las compañías ofrecen servicios disponibles a cualquier persona. Los contribuyentes deberían asegurarse de leer la descripción de la oferta para encontrar la compañía que mejor satisfaga sus necesidades individuales. Una vez elegida la compañía, los usuarios hacen clic en el enlace para el sitio de Internet de esa compañía y comienzan a preparar su declaración. Free File también tiene la función "Guíeme hacia una compañía" ("Guide Me to a Company" en inglés) que ayuda a los contribuyentes a seleccionar una compañía que ofrece los servicios adecuados para su situación en particular.

A pesar de que Free File está disponible sólo para las declaraciones federales de impuestos sobre el ingreso, algunas compañías participantes de la Alianza Free File también ofrecen la preparación y presentación electrónica de declaraciones estatales de impuestos sobre el ingreso sin ningún costo. Esos servicios se encuentran listados en la sección Free File de los sitios de Internet de esas compañías.



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Electronic Tax Filing Is Safe and Secure

In 2007, nearly 80 million taxpayers electronically prepared and filed their tax returns using store-bought software, online or through their tax professional. And for the 97 million taxpayers who earned \$54,000 or less in 2007, they can *e-file* their federal tax returns for free by using Free File. This online program was developed in partnership with the IRS and an alliance of industry leading tax software companies and is available by going to www.irs.gov and clicking on "Free File." The popularity of both programs is due to many benefits. But whether or not you can e-file using Free File, preparing and filing taxes electronically is safe and secure.

When e-filing, security features are built into the process at every level. The software companies approved by IRS to provide e-filing services are under stringent security requirements. Once software companies are approved, all data transmitted between the companies and the IRS is encrypted using the latest standards. So you can be confident that when you *e-file* your return to the IRS, the data will be transmitted safely and kept secure.

Security Starts At Home

If you prepare and file your taxes from a home computer, there are several steps you can take to continue the path of safety and security that IRS has begun.

1. Install and run **current anti-virus and anti-spyware software**. You also need to install firewalls that protect your computer while on the Internet. Typically, they are bundled with anti-virus and anti-spy-ware software.
2. Avoid using **shareware or peer-to-peer (P2P) software** on any computer where you've stored personal, identifiable information, including tax returns, credit card numbers, bank information and Social Security numbers. Peer-to-peer software includes programs where people share music files or videos across the Internet. If you choose to run this type of software, make sure that the personal data is in an encrypted directory or one that the peer-to-peer community can't access.

3. **Look for a "closed lock" icon** on your screen that shows you have a secured link between you and the vendor whenever sending financial or personal information. You should also see an "s" added to the end of "http" in the address line. If you don't see these security indicators, don't reveal or transmit your data.

4. Make sure that you **use software programs and vendors approved by the IRS**. A list is maintained at www.irs.gov for your reference.

Preparing and filing taxes electronically has quadrupled since *e-file* was introduced by the IRS in 1986. Then, only about 16 percent of taxpayers used the service. Today, nearly 60 percent of taxpayers use *e-file* or Free File to prepare and file their tax returns. Increasingly, e-filing is gaining momentum as more taxpayers recognize it as a secure and safe method of tax preparation with many other benefits.

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Direct Deposit

If you expect a tax refund this year, consider using Direct Deposit. It can be used whether you prepare your taxes yourself or have a tax professional do it.

Using Direct Deposit is a safe, efficient way to get your refund by having it deposited electronically into your bank account. More than 61 million tax refunds were received using Direct Deposit in 2007. That represents two-thirds of all refunds issued in the tax year.

If you use Free File, you can speed up your refund to as little as 10 days when you choose Direct Deposit. Free File is a free online tax preparation and filing program for employees taxpayers who have an adjusted gross income of \$54,000 or less in 2007. Free File is offered by the IRS and the Free File Alliance LLC, a group of industry-leading tax preparation software companies. Free File is safe, accurate and is available only at www.irs.gov.

To get a refund via Direct Deposit, simply fill in your bank routing and account numbers under the "Refund" section of your income tax return form (1040 series). Payments can be divided and deposited in up to three different accounts, such as to a checking, savings and retirement account. To do this, you'll need to fill out and include Form 8888 with your return so that you can specify the amounts and account information for each allocation.

It makes sense to use Direct Deposit. It eliminates the chance of having a lost, stolen or undeliverable refund. Best of all, you'll get your refund more quickly—in as little as 10 days when you also e-file your return.



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Three Easy Ways to Pay

When tax season rolls around, many taxpayers who owe taxes are preparing, filing and paying electronically. For those of us who owe the IRS, paying our tax bills in a timely manner saves the cost of late fees and penalties.

As part of its effort to modernize, the IRS is making electronic tax payment as easy as possible by offering three payment options for taxpayers.

Here are the options IRS provides:

Payment Option #1

Schedule an electronic funds withdrawal with your electronically filed return. You can file now and pay any balance due up until the April 15 deadline. For more information, [click here](#).

Payment Option #2

Taxpayers can e-file and make a deferred payment by credit card or debit card. Payments can be made by phone, online or when e-filing. It's safe and secure—standard, commercial card networks are used. The IRS does not receive or store card numbers. The payment options are available through service providers. There is a fee charged by service providers. Fees are based on the amount of the payment and may vary by service provider.

Payment Option #3

Taxpayers can also use a free system offered by the U.S. Department of the Treasury. The Electronic Federal Tax Payment System (EFTPS) is great for taxpayers who make more than one payment to IRS. EFTPS is great for making quarterly estimated tax payments and installment agreement payments; you get 16 months of payment history going forward and an acknowledgement of receipt of your payment instructions. For more information or to enroll online visit www.eftps.gov. Enrollment can take 7–10 days and you must be enrolled before you can make a payment using EFTPS.

Paying taxes using EFTPS or any of the electronic payment options available is fast and secure. Use any of these three options to get the right payment to the IRS at the right time.

To learn more, go to www.irs.gov.



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20-Somethings Can File for Free Electronically

If you're new to the workforce or have never prepared your income taxes, the thought may be quite daunting. Fortunately, a free online program is available that guides you through the process. Known as Free File, the program's software lets you prepare and file your federal income tax return at no charge, if you earned \$54,000 or less in 2007.

Free File is offered by the Internal Revenue Service (IRS) in partnership with the Free File Alliance LLC, a group of leading tax preparation companies. Since the program launched in 2003, more than 15.4 million Americans have used it to date. Seventy percent of all taxpayers, including most workers in their 20s, are eligible to use it. A recent survey showed that 96 percent of those who used Free File found it "easy to use" and 98 percent said they would recommend it to others.

Free File is fast, easy and safe to use. To start, you must first go to the IRS Web site, www.irs.gov, click on "Free File" and choose a tax preparation company from the list provided. Free File is not available by going directly to a company's Web site. To help you choose a company, there is an online tool to narrow your search. Then, simply click on the link to the selected company's Web site and begin preparing your return.

The online software that you will use guides you through the tax preparation process. This interactive support helps answer your questions and informs you about the newest tax deductions.

Another benefit of using Free File is that you're less likely to file an inaccurate return because the software questions you about inconsistent responses and checks your math. Also, those submitting their tax returns electronically can expect a faster refund, usually within 10 days, if you request Direct Deposit.

Free File can be accessed 24 hours a day, 7 days a week when tax season officially begins in mid-January. The program is also available in English and Spanish. Simply visit www.irs.gov to get started, and save time and money.



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The IRS has provided tools for partners to use to promote the *e-file* and Free File programs. You may download and use these files from the Media Resource Center on the IRS website. To access these files, **[click here](#)**.