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Wage and Investment

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Test Package for Electronic Filers of Individual Income Tax Return for Tax Year 2007

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PARTICIPANTS ACCEPTANCE TESTING SYSTEM (PATS)

WHO MUST TEST?

The Electronic Program Operations requires that all Software Developers and Transmitters pass the Participants Acceptance Testing (PATS)) and perform the suggested tests in this Test Package before they can be accepted into the electronic filing program for the 2008 (Tax Year 2007) filing season.
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WHY TEST?

The purpose of testing is to ensure, prior to live processing that:

- ► *filers transmit in the correct format and meet the IRS electronic filing specifications;*
- ► *returns have few validation or math errors;*
- ► *required fields post to the IRS master file; and*
- ► *filers understand and are familiar with the mechanics of electronic filing.*

WHAT IS TESTED?

This year PATS procedures will change to simulate the Business Acceptance Testing System (BATS) process. For Tax Year 2007, all software developers will be required to create their own test scenarios. Test scenarios must be accepted with no error reject codes before the software can be accepted into the electronic filing program for Tax Year 2007. IRS will provide limited testing criteria that all software developers must follow and include when developing their test scenarios. Since Software Developers will be creating their own test scenarios, there will be no Answer File provided, eliminating the need for a compare process. PATS testing begins November 13, 2007**.**

You are required to transmit test scenarios using the Form 1040 return, and forms and schedules associated with the 1040 return. A test file consisting of at least ten (10) returns, but not more than thirty-eight (38), with the related forms, schedules and attachments must be transmitted. A range of test Social Security Numbers 400-00-0001 through 400-00-0038 will be used in all test scenarios.
If your return rejects, you can make the correction and re-transmit as many times necessary until the return is accepted.

If you will be participating in the Federal/State electronic filing program, you will need to test your Federal/State returns using one of the Federal scenarios you create. You should add the appropriate information in the generic state record and transmit the return as part of your regular transmission. Specific instructions are available from participating states.

The criteria for the test scenarios provide some of the information needed to prepare the appropriate forms and schedules; however, computations and data for all lines have not been provided. Therefore, some knowledge of tax law and tax preparation is necessary. You must correctly prepare and compute these returns before transmitting to the IRS.

NOTE: It is important that you enter the correct Return Type and Source Return Indicator.

WHEN TO TEST

When you are ready to test, starting November 13, 2007, please call the e-Help desk at the centralized toll-free number:

1-866-255-0654

The e-Help desk is responsible for assigning an assistor to provide support during the PATS testing process. This assignment will be made October 26, 2007.

TEST PASSWORD

New applicants will receive a password letter when their application is processed and the ETIN is assigned. All other transmitters/software developers will use their current password.

TESTING GUIDELINES FOR SOFTWARE DEVELOPERS

You must advise the service center of all limitations to your software package at time of first contact, before testing begins. Your software does not have to provide for all forms and schedules, nor for all occurrences of a particular form or schedule. If your software cannot provide for all occurrences of a particular form or schedule or series of fields, as specified in Publication 1346, no statement record is allowed. You must enter data in all of the required fields. An acceptable limitation would be the number of field occurrences. Your software must be able to create a statement if a statement is necessary to complete a form. Your software must be able to accept different addresses from multiple W-2 forms. The 1040 entity address must “NOT” automatically transfer to the W-2 address. All information on Form W-2 must be entered in the Form W-2 record. There are no exceptions. You must advise the service center of all names you will be using to market your product.

REVIEWING ACK FILES AND CORRECTING TESTS

You may transmit as many test returns as necessary until you receive no error messages You may modify tests to include only conditions your software will handle. You must inform the tax examiners of any forms you do not intend to file.

SOFTWARE DEVELOPER ACCEPTANCE PROCEDURES

The Submission Processing Centers will process each test transmission and the e-Help desk assistor will communicate by telephone if necessary with the Software Developer concerning their transmission. If the test file is not correctly formatted, or if the test returns contain errors, the assistor at the e-Help desk will work with the Software Developer to resolve any reject conditions. The Software Developer must review their acknowledgement files, correct the software to eliminate any errors, and retransmit the test file. When all reject conditions have been resolved, the Software Developer must then send two separate same-day transmissions in order to test the ability of your software to increment the transmission sequence number that appears in the TRANA record. When the test file is accepted, the approving site will notify the Software Developer and ensure that the appropriate ETINS are moved to production status. Once a Software package has been approved, the customer may continue to test using their Software Developer ETIN and the range of test Social Security Numbers designated for the test scenarios. You must use the word **"TEST"** as the first name of the taxpayer, and you may use any of the SSNs (400-00-0001 thru 400-00-0038). DO NOT use any other SSNs.

COMMUNICATIONS TEST FOR THE e-file SYSTEM

There are two primary EMS sites: Enterprise Computing Center at Martinsburg (ECC-MTB), (which hosts Kansas City and Fresno) and Memphis (ECC-MEM) (which hosts Andover, Austin and Philadelphia). If you are a *Software Developer/Transmitter* and plan to transmit test returns to more than one service center, you are only required to send a transmission to one site (i.e., your primary home service center).

If you are a *Preparer/Transmitter* using accepted software, you must complete an error-free communications test by transmitting five returns in two same-day transmissions (three returns in one transmission and two in the other) to one EMS site. The communication test must reflect the types of returns you will be filing (i.e. if you will be transmitting all three types of Forms 1040, your test should consist of at least one 1040, 1040A, and 1040EZ).

A Software Developer, who will not be transmitting, will not need to perform a communications test through the ELF system.

ELECTRONIC FILING BULLETIN BOARD SYSTEM

The Electronic Filing Bulletin System operates seven days a week. The system is unavailable at 4:00 a.m. Eastern Time for about 30-60 minutes for maintenance. This system provides general Electronic Filing Program information as well as specific information concerning changes to PATS Testing and other publications.

Filers, using an asynchronous modem (14.4 or less) and communication software can access the bulletin board by dialing:

1-859-292-0137

The communication software should have the following protocol: Full Duplex, No parity, 8 data bits, and 1 stop bit. For additional information and assistance regarding the bulletin board, contact the bulletin board technical staff at (859) 669-5031.

TESTING ON THE ELECTRONIC TRANSMITTED DOCUMENT (ETD) SYSTEM

The Electronic Transmitted Document, or (ETD) System, processes forms that are not attached to a Form 1040, 1040A, or Form 1040EZ. A separate transmission file (PATS II) should be created for the ETD System. Once you receive no rejects, you will be required to transmit the returns in two separate same-day transmissions in order to test the ability of your software to increment the transmission sequence number that appears in the TRANA record.

COMMUNICATIONS TEST FOR THE ETD SYSTEM

If you are a Software Developer/Transmitter and plan to transmit test returns to more than one service center, you are only required to send a transmission to one site (i.e., your primary home service center). **If you are a Preparer/Transmitter using accepted ETD software and you have passed PATS communications testing for 1040 electronic returns, it will not be necessary for you to do an ETD communications test. A Software Developer, who will "NOT" transmit, need not perform a communications test for the ETD system.**

FEDERAL/STATE PARTICIPANTS ACCEPTANCE TESTING (PATS)

Software Developers will be tested by each individual state using a state provided test package. The applicable State Liaison will respond to all Software Developer questions related to state testing.

CONCURRENT TESTING

Concurrent Testing allows Software Developers to begin state testing, through any IRS ELF service center, prior to obtaining final acceptance from the IRS for the Federal PATS process. The primary home service center is defined as the center that supports the state where the Software Developer is physically located. The Software Developer must contact the state coordinator who, in turn, will schedule state testing with the primary home service center.

The Software Developer may be required to create specific data from state test scenarios. For specific testing procedures, you must contact the appropriate state coordinator.

The Software Developer will continue separate federal testing, at the primary EMS site, using the Federal test scenarios until they accept them for federal filing. Procedures in place for Federal Participants Acceptance Testing will not change.

TECHNICAL ASSISTANCE

The primary home service center will provide technical assistance on Federal returns only. The state coordinator must respond to any problem encountered by the Software Developer with state data and will work with the Software Developer to resolve all reject conditions on state returns.

Limited testing on the state generic and unformatted records will be performed by the IRS. If these records are not rejected by the automatic checks in the IRS programs, the IRS will make the state data available to each state agency for further testing.

Each state will test the state data and provide feedback to electronic filers. Filers should refer to each state's procedures and specifications.

Software Developers and Transmitters have requested that the IRS and states use different Social Security Numbers (SSNs) for their respective Acceptance Testing process. The following range of Test SSNs has been designated for use by the participating states in the state test packages:

ELF STATE ASSIGNED TEST SSNS

Arkansas	400-00-5500 to 400-00-5599
Alabama	400-00-7400 to 400-00-7499
Arizona	400-00-7500 to 400-00-7599
Colorado	400-00-5600 to 400-00-5699
Connecticut	400-00-5700 to 400-00-5799
Delaware	400-00-5800 to 400-00-5899
District of Columbia	400-00-7300 to 400-00-7399
Georgia	400-00-6600 to 400-00-6699
Hawaii	400-00-7900 to 400-00-7999
Idaho	400-00-5900 to 400-00-5999
Illinois	400-00-3500 to 400-00-3599
Indiana	400-00-4000 to 400-00-4099
Iowa	400-00-6000 to 400-00-6099
Kansas	400-00-4100 to 400-00-4199

Kentucky	400-00-4200 to 400-00-4299
Louisiana	400-00-4300 to 400-00-4399
Maryland	400-00-7200 to 400-00-7299
Michigan	400-00-4500 to 400-00-4599
Mississippi	400-00-4600 to 400-00-4699
Missouri	400-00-6100 to 400-00-6199
Montana	400-00-6800 to 400-00-6899
Nebraska	400-00-6200 to 400-00-6299
New Jersey	400-00-6300 to 400-00-6399
New Mexico	700-00-0000 to 700-00-2000
New York	400-00-4800 to 400-00-4899
North Carolina	400-00-4900 to 400-00-4999
North Dakota	400-00-7700 to 400-00-7799
Ohio	400-00-7600 to 400-00-7699
Oklahoma	400-00-5000 to 400-00-5099
Oregon	400-00-6400 to 400-00-6499
Pennsylvania	400-00-7100 to 400-00-7199
Rhode Island	400-00-6900 to 400-00-6999
South Carolina	400-00-5100 to 400-00-5199
Utah	400-00-5200 to 400-00-5299
Vermont	400-00-8000 to 400-00-8099
Virginia	400-00-7000 to 400-00-7099
West Virginia	400-00-5300 to 400-00-5399
Wisconsin	400-00-5400 to 400-00-5499

The IRS will only accept these SSNs during Participants Acceptance Testing (PATS). These test SSNs will be reject if submitted during live processing. The IRS Error Reject Code provided will advise filers that the SSN is not within the valid range of Social Security Numbers.

Electronic filers who have been accepted into the Federal Electronic Filing System, and have begun transmitting federal returns, but wish to continue state testing must obtain a Test ETIN from the applicable IRS service center. Check the state procedures to determine if the state allows testing beyond January 11, 2008.

TEST SCENARIOS

You are required to transmit test scenarios using the Form 1040 return, and forms and schedules associated with the 1040 return. A test file consisting of at least twelve (12) returns, but not more than thirty-eight (38), with the related forms, schedules and attachments must be transmitted. A range of test Social Security Numbers 400-00-0001 through 400-00-0038 will be used in all test scenarios. The testing requirements listed below are based on system changes as well as tax form (record layouts) and validation criteria changes for Tax Year 2007. If any of the below criteria fall within the scope of the type of tax return you prepare for you or your clients, you must develop test scenarios with the requirements provided below:

Note: We will validate the following amounts from Test Scenarios 1, 2 and 3: Tax Amount, Earned Income Credit (EIC) Amount, Child Tax Credit (CTC) Amount, Additional CTC Amount, Child Care Credit (CCC) Amount and Education Credit Amount.

TEST #1

FORMS INCLUDED: FORM 1040EZ, W-2

FORM 1040EZ:

Taxpayer's first name, initial, last name	ONE T SCENARIO
Taxpayer's social security number	400-00-0001
Home address (number and street)	1 TEST SCENARIO STREET
City, state, and zip	EASY EZ NY 11930
Filing status	SINGLE

FORM W-2:

Box b : Employer identification number	11-0110011
Box c : Employer's name, address, and zip code	ONE BEAUTY SALON 1 WASHCURL AVE BLOW DRY NY 11910
Box d : Employee's social security number	400-00-0001
Box e : Employee's first name, initial, last name	ONE T SCENARIO
Box f : Employee's address and zip code	1 TEST SCENARIO STREET EASY EZ NY 11930
Box 1 : Wages, tips, other compensation	35000
Box 2 : Federal income tax withheld	1875
Box 3 : Social security wages	35000
Box 4 : Social security tax withheld	875
Box 5 : Medicare wages and tips	35000
Box 6 : Medicare tax withheld	75
Box 15: State	NY
Employer's state ID number	112176
Box 16: State wages, tips, etc	35000
Box 17: State income tax	1475
Taxpayer's occupation	Barber

TEST #2

FORMS INCLUDED: FORM 1040A, 8812, W-2, Sch EIC

FORM 1040A:

Taxpayer's first name, initial, last name	JOHN J LAMB
Taxpayer's social security number	400-00-0002
Spouse's first name, initial, last name	MARY P LAMB
Spouse's social security number	400-00-0003
Home address (number and street)	2 SECOND STREET
City, state, and zip	SECOND TEST NJ 07022
Taxpayer's Presidential Election Campaign Fund	YES
Filing status	MARRIED FILING JOINTLY

Dependent #1

Name	SARAH LAMB
Social security number	400-00-1001
Relationship	DAUGHTER
Qualifying child for child tax credit	YES
Qualifying child for EIC	YES
Date of Birth	1/25/1997

Dependent #2

Name	JESSICA LAMB
Social security number	400-00-1002
Relationship	DAUGHTER
Qualifying child for child tax credit	YES
Qualifying child for EIC	YES
Date of Birth	3/3/1999

FORM W-2 #1:

Box b: Employer identification number	22-0220222
Box c: Employer's name, address, and zip code	TWO EATERY CAFÉ TWO SOAP AVE RINSEOFF NJ 07020
Box d: Employee's social security number	400-00-0002
Box e: Employee's first name, initial, last name	JOHN J LAMB
Box f: Employee's address and zip code	2 SECOND STREET SECOND TEST NJ 07022
Box 1: Wages, tips, other compensation	15000
Box 2: Federal income tax withheld	700
Box 3: Social security wages	15000
Box 4: Social security tax withheld	175
Box 5: Medicare wages and tips	15000
Box 6: Medicare tax withheld	75
Box 15: State	NJ
Employer's state ID number	220242224
Box 16: State wages, tips, etc	15000
Box 17: State income tax	650

FORM W-2 #2:

Box b :	**Employer identification number**	22-0120212
Box c :	**Employer's name, address, and zip code**	SERENITY INSURANCE CO 123 BEACH ST FARAWAY FL 32522
Box d :	**Employee's social security number**	400-00-0003
Box e :	**Employee's first name, initial, last name**	MARY P LAMB
Box f :	**Employee's address and zip code**	2 SECOND STREET SECOND TEST NJ 07022
Box 1 :	**Wages, tips, other compensation**	13000
Box 2 :	**Federal income tax withheld**	300
Box 3 :	**Social security wages**	13000
Box 4 :	**Social security tax withheld**	105
Box 5 :	**Medicare wages and tips**	13000
Box 6 :	**Medicare tax withheld**	55
Box 15:	**State**	NJ
	Employer's state ID number	220242224
Box 16:	**State wages, tips, etc**	13000
Box 17:	**State income tax**	505

Taxpayer's occupation	CHEF

TEST #3

FORMS INCLUDED: FORM 1040, 8863, 2441, W-2

FORM 1040:

Taxpayer's first name, initial, last name	JENNIFER BROWN
Taxpayer's social security number	400-00-0004
Home address (number and street)	713 RUN FAST DRIVE
City, state, and zip	QUICK STOP NY 11930
Taxpayer's Presidential Election Campaign Fund	YES
Filing status	HEAD OF HOUSEHOLD

Dependent

Name	JOHN BROWN
Social security number	400-00-1004
Relationship	SON
Qualifying child for child tax credit	YES
Qualifying child for child care credit - qualifying expenses	5000

FORM W-2 :

Box b : Employer identification number	95-1234567
Box c : Employer's name, address, and zip code	PERFECT PARTY PLACE 123 PARTY ZONE PARTY ZONE CA 91405
Box d : Employee's social security number	400-00-0004
Box e : Employee's first name, initial, last name	JENNIFER BROWN
Box f : Employee's address and zip code	713 RUN FAST DRIVE QUICK STOP NY 11930
Box 1 : Wages, tips, other compensation	45000
Box 2 : Federal income tax withheld	2500
Box 3 : Social security wages	45000
Box 4 : Social security tax withheld	1500
Box 5 : Medicare wages and tips	45000
Box 6 : Medicare tax withheld	150
Box 15: State	NY
Employer's state ID number	112176
Box 16: State wages, tips, etc	45000
Box 17: State income tax	1750
Taxpayer's occupation	PLANNER

FORM 8863:

Part I

Student's name	JENNIFER BROWN
Student's social security number	400-00-0004
Qualified expenses	1500

Test Criteria - Scenario #4

If the new Form 1040-SS(PR), U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico), is within the scope of returns you plan to prepare, create a scenario to test a 1040 return with the new Form 1040-SS(PR).

Test Criteria - Scenario #5

If the new Form 8917, (Tuition and Fees Deduction), is within the scope of returns you plan to prepare, create a scenario to test a 1040 return with the new Form 8917.

Test Criteria - Scenario #6

Create a scenario to test the Form 8886 (Reportable Transaction Disclosure Statement)

Test Criteria - Scenario #7

Create a scenario to test the Form 8888 (Direct Deposit of Refund to More Than One Account)

Test Criteria - Scenario #8

Create a scenario to test the Form 2555 (Foreign Earned Income)

Test Criteria - Scenario #9

Create a scenario to test a Federal/State return.

Test Criteria - Scenario #10

Create a scenario to test Preparer PIN or Self-Select PIN

Test Criteria - Scenario #11

Create a scenario to test a Foreign Address (not APO, FPO, or military address overseas) using the appropriate record layout fields.

Test Criteria - Scenario #12

Create a scenario to test the Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return)

Procedures for forms not in test scenarios – All forms were not included in the suggested test scenarios. However, you may include additional forms in the test scenarios you develop. If there are no reject codes related to that particular form(s), this will indicate that you have met the file specification and may file the form(s). Your acceptance notification will include the additional forms tested.

HIGHLIGHTS FOR TY 2007

New for E-file

Form 1040-SS (PR) - ***U.S. Self-Employment Tax Return Additional Child Tax Credit***

Form 8909 – ***Energy Efficient Appliance Credit***

Form 8917 - ***Tuition and Fees Deduction***

Form 8919 - ***Uncollected Social Security and Medicare Tax on Wages***

New Record attached to 1040-PR/SS: ***499-R/W-2PR***

Form 1040 Series Changes

Form 1040
Line 23 – Will be revised to reflect the extension of the educator expense deduction. The Archer Medical Savings Account (MSA) deduction will revert back to a write-in on Line 36.
Line 34 – Will be revised to reflect the extension of the tuition and fees deduction to be reported on new Form 8917.
Line 44 – Will be revised to add a checkbox for additional taxes on certain Health Savings Account (HSA) participants who fail to maintain high deductible health plan coverage. The credits on **Lines 47 thru 54** will be reordered due to the expiration of the special rule in IRC 26(a)(2**). Note: If Congress later passes legislation to extend the special rule, these lines may be reordered again.**
Line 59 – Will be revised to add check boxes for Form 4137 and new Form 8919.
Line 71 – Will be revised to reflect the refundable credit for prior year minimum tax. The credit for Federal Telephone Excise Tax Paid applied to Tax Year 2006 only and was removed.

New Write-Ins
a. Line 15b – "HFD" for qualified HSA funding distributions from an Individual Retirement Account (IRA).
b. Line 16b – "PSO" for distributions from retirement plans to pay insurance premiums for retired public safety officers.
c. Line 36 – "WBF" deduction for whistleblower fees.
d. Line 63 – "FITPP" for additional tax on the recapture of a charitable deduction of a fractional interest in tangible personal property.

Form 1040A
Line 13 – Will be revised to delete Jury Duty pay.
Line 16 – Will be revised to reflect educator expenses to delete the deduction for a penalty on early withdrawal of savings. This penalty can only be deducted on Form 1040.
Line 19 – Will be revised to reflect tuition and fees deduction using new Form 8917. Jury Duty pay given to your employer can no longer be deducted from Form 1040.
Lines 32 and **33** will be reversed. **Note: If Congress later passes legislation to extend the special rule, these lines may be reordered again.**
Line 42 – Telephone Excise Tax Paid will be removed.

Form 1040EZ
Line 9 – Telephone Excise Tax paid will be removed.

Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax* is obsolete. This form was developed to allow individuals who did not have to file a tax return the opportunity to request a one-time refund of the federal telephone excise tax.

Federal/State

Indiana, Louisiana and South Carolina have elected to mandate individual e-filing for Practitioners filing more than 100 returns.

Form 1040-SS(PR)

The U.S. Possessions Form 1040-SS, *U.S. Self-Employment Tax Return (including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico)*, and Form 1040-PR, the Spanish language equivalent, will be introduced to e-file for Tax Year 2007 in Processing Year 2008. The initial implementation will be limited to processing refund-only claims for the Additional Child Tax Credit for filers in Puerto Rico.

Taxpayer Self-Select PIN

When taxpayers choose the Self-Select PIN method to sign their e-filed return, they have an option to choose between two "shared secrets" for authentication. The Self-Select PIN method requires taxpayers to provide their prior year Adjusted Gross Income (AGI) or the Prior Year PIN used to sign the prior year return. If tax preparation software allows the entry of both types of shared secrets, taxpayers can match on either entry. For example, if a taxpayer enters both the prior year AGI and prior year PIN for authentication, only one shared secret must match IRS records. In addition, taxpayers filing jointly are not required to use the same shared secret type. For example, the primary taxpayer may use the prior year AGI and the spouse may use the prior year PIN.
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New Electronic PIN Signature Requirement

Beginning with the 2008 filing season, tax practitioners can e-file individual income tax returns only if the returns are signed electronically using one of two methods: either a Self-Select Personal Identification Number (PIN) or a Practitioner PIN. A Self-Select PIN allows taxpayers to electronically sign their e-filed return by selecting a five-digit PIN. A Practitioner PIN is used when a taxpayer authorizes an Electronic Return Originator (ERO) to input an electronic signature on behalf of the taxpayer.

Internal Revenue Service
Attn: SE:W:CAS:SP:ES:I Room C5-373
5000 Ellin Road
Lanham, MD 20706

Official Business Penalty for Private Use, $300