

Part III

Administrative, Procedural, and Miscellaneous

26 C.F.R. 601.602: Tax forms and instructions.

(Also Part I, §§ 3504, 6011, 6061, 6071; 31.3504-1, 31.6011(a)-7, 31.6061-1, 301.6061-1, 31.6071(a)-1.)

Rev. Proc. 99-39

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SECTION 1. PURPOSE

This revenue procedure provides the requirements of the Form 941 *e-file* Program, which combines the Form 941 Electronic Filing (ELF) Program with an on-line filing program that allows a taxpayer to electronically file a Form 941, Employer's Quarterly Federal Tax Return, using a personal computer, modem, and commercial tax preparation software. The technical specifications for filing Form 941 electronically are published separately in Publication 1855, Technical Specifications Guide for the Electronic Filing System of Form 941, Employer's Quarterly Federal Tax Return. This revenue procedure amplifies, clarifies, modifies, and supersedes Rev. Proc. 97-47, 1997-2 C.B. 510.

SECTION 2. BACKGROUND AND CHANGES

.01 Section 6011(a) of the Internal Revenue Code provides that any person liable for

any tax imposed by this title, or for the collection thereof, must make a return or statement according to the forms and regulations prescribed by the Secretary. Every person required to make a return or statement must include therein the information required by such forms or regulations.

.02 Section 31.6011(a)-4 of the Employment Tax Regulations provides in general that every person required to make a return of income tax withheld from wages pursuant to § 3402 must make a return for the first calendar quarter in which the person is required to deduct and withhold such tax and for each subsequent calendar quarter until the person has filed a final return. Except as otherwise provided, Form 941 is the form prescribed for making the return.

.03 Section 31.6011(a)-7 provides that each return, together with any prescribed copies or supporting data, must be filled in and disposed of in accordance with the forms, instructions, and regulations applicable thereto. The return may be made by an agent in the name of the person required to make the return if an acceptable power of attorney is filed with the Internal Revenue Service office with which such person is required to file returns and if such a return includes all taxes required to be reported by such person on such return. Form 8655, Reporting Agent Authorization for Magnetic Tape/Electronic Filers, is an acceptable power of attorney, if prepared in accordance with the requirements set forth in Rev. Proc. 96-17, 1996-1 C.B. 633, as modified by section 21.02 of this revenue procedure.

.04 Section 31.6061-1 provides that the return may be signed for the taxpayer by an

agent that is fully authorized in accordance with § 31.6011(a)-7 to make such return.

An Agent may sign the Form 941 on behalf of a taxpayer that has a valid Form 8655 on file with the Service.

.05 Section 301.6061-1 of the Regulations on Procedure and Administration provides that the Secretary may prescribe in forms, instructions, or other appropriate guidance the method for signing any return, statement, or other document required to be made under any provision of the internal revenue laws or regulations. The Service has prescribed in the electronic filing instructions to Form 941 that an electronically filed Form 941 is signed by the entry of the Authorized Signatory's Personal Identification Number ("PIN").

.06 Section 31.6071(a)-1 generally provides that each return required to be made under § 31.6011(a)-1 for taxes imposed by the Federal Insurance Contributions Act, or required to be made under § 31.6011(a)-4 for withheld income taxes, must be filed on or before the last day of the first calendar month following the period for which it is made. However, under § 31.6071(a)-1, a return may be filed on or before the 10th day of the second calendar month following such period if timely deposits under § 6302(c) and the regulations thereunder have been made in full payment of such taxes due for the period.

.07 Procedures for the magnetic filing of Form 941 are in Rev. Proc. 96-18, 1996-1 C.B. 637, and the specifications are in Publication 1264. For further information, see Publication 1264, File Specifications, Process Criteria, and Record Layouts for

Magnetic Tape Filing of Form 941, Employer's Quarterly Federal Tax Return.

.08 This revenue procedure updates Rev. Proc. 97-47. The updates include changes in the Form 941 *e-file* Program and additional guidance derived from other Service documents that relate to the Form 941 *e-file* Program. Some of the updates are:

- (1) returns for any quarter in the previous year can be filed electronically (section 3);
- (2) On-Line Filers, who prepare and file Forms 941 on-line using their personal computer, modem, and commercial tax preparation software, have been added to the Form 941 *e-file* Program (section 4.05);
- (3) the signature provisions for an electronically filed Form 941 have been modified to allow On-Line Filers to use a PIN as an electronic signature alternative to sign electronic Forms 941 for the Form 941 *e-file* Program (sections 4.01 and 6.05);
- (4) the definition of an Electronic Filer has been expanded to include a Transmitter (Section 4.02);
- (5) the limitations on balance due returns in section 3.03 of Rev. Proc. 97-47 have been eliminated; and
- (6) the restriction in sections 5.03 and 23.02 of Rev. Proc. 97-47 on Reporting Agents filing fewer than ten returns has been eliminated.

SECTION 3. SCOPE

The Form 941 *e-file* Program accepts electronically filed Forms 941 that are current returns, late returns for the current year, and returns for any quarter in the

previous year. The Form 941 *e-file* Program will not accept the electronic filing of amended returns, corrected returns, or returns containing attachments other than Schedule B. A violation of these restrictions will cause a Processing Interruption (as defined in section 4.07 of this revenue procedure).

SECTION 4. DEFINITIONS

.01 Authorized Signatory. The Authorized Signatory is the person who is authorized to use the PIN to sign returns filed by or through an Electronic Filer under the Form 941 *e-file* Program or during software development testing.

.02 Electronic Filer. An Electronic Filer may be a:

(1) Reporting Agent. A Reporting Agent ("Agent") is an accounting service, franchiser, bank, or other person that complies with Rev. Proc. 96-17, as modified by section 21.02 of this revenue procedure, and is authorized to prepare and electronically file a Form 941 for a taxpayer;

(2) Software Developer. A Software Developer develops software for the purposes of (a) formatting returns according to the Service's electronic return specifications in Publication 1855; and/or (b) transmitting electronic returns directly to the Service. A Software Developer may also sell its software; or

(3) Transmitter. A Transmitter is a firm, organization, or individual that receives returns and Letters of Application electronically from its clients, reformats the data (if necessary), batches them with returns or electronic Letters of Application from other clients, and then transmits the data to the Service. A Transmitter does not have

signature authority for the taxpayers that it services.

.03 Electronic Filing Help Desk. The Electronic Filing Help Desk ("e-file Help Desk") is responsible for the administration of the Form 941 e-file Program. See section 20 of this revenue procedure for the address, telephone number, and web site of the e-file Help Desk.

.04 Letter of Application. A Letter of Application ("LOA") is a paper or electronic request to participate in the Form 941 e-file Program that is submitted to the Service by a prospective Electronic Filer or On-Line Filer.

.05 On-Line Filer. An On-Line Filer is a taxpayer that electronically files a Form 941 through a Transmitter using a personal computer, modem, and commercial tax preparation software.

.06 Personal Identification Number. A Personal Identification Number ("PIN") is a number assigned by the Service to the Authorized Signatory for purposes of signing an electronically filed Form 941.

.07 Processing Interruption. A "Processing Interruption" is an abnormal termination of a program run caused by the electronic data submitted by an Electronic Filer.

.08 Reporting Agent Authorization. A Reporting Agent Authorization ("Authorization") allows a taxpayer to designate an Agent. The Authorization may be submitted on Form 8655, or any other instrument that complies with Rev. Proc. 96-17, as modified by section 21.02 of this revenue procedure. An Authorization must be submitted for each taxpayer on the Reporting Agent's List.

.09 Reporting Agent's List. For purposes of the Form 941 e-file Program, a Reporting Agent's List ("Agent's List") identifies all taxpayers for whom an Agent will file Forms 941 electronically. A separate Authorization must be submitted for each taxpayer on the Agent's List. The Agent's List must contain each taxpayer's employer identification number ("EIN").

.10 User identification/password. The user identification/password ("userid/password") consists of an identification number (userid) issued by the Service and a confidential set of characters (password) that, when used in conjunction with each other, permit an Electronic Filer access to the Form 941 e-file Program.

.11 Validated Reporting Agent's List. A Validated Reporting Agent's List ("Validated Agent's List") is the source of the EIN and name control to be used as an identification of each taxpayer by an Electronic Filer that is an Agent. A Validated Agent's List is a list of taxpayers and their EINs prepared by an Agent that is confirmed and assigned name controls by the Service. Once the Service returns a Validated Agent's List, the Agent must use it to fill in certain required fields (for example, the name control field) of the electronic transmission. See Publication 1855.

SECTION 5. APPLICATION FOR THE FORM 941 e-file PROGRAM

.01 A prospective Electronic Filer must first submit an LOA to the Service to participate in the Form 941 e-file Program. See Publication 1855 for a sample LOA and the application procedures.

.02 A prospective On-Line Filer must submit an electronic LOA through a Transmitter

to participate in the Form 941 e-file Program. The Transmitter is required to batch and bundle the electronic LOA files, and then transmit those files to the Service. The Transmitter is required to send an acknowledgment to the On-Line Filer to verify that the electronic LOA was transmitted successfully to the Service. The LOA is provided in the commercial tax preparation software used by the On-Line Filer in order to participate in the Form 941 e-file Program.

.03 In addition to the LOA, an Agent must also include an Agent's List, providing the names of all taxpayers for which it will file returns. Each name on the Agent's List must be accompanied by an Authorization made on Form 8655, except as provided in section 5.04 of this revenue procedure. See Rev. Proc. 96-17, as modified by section 21.02 of this revenue procedure, for general instructions on preparing Form 8655. See Publication 1855 for instructions on adding names to, or deleting names from, the Agent's List.

.04 A revised Authorization is not required to replace an Authorization made on Form 8655 with a revision date before October 1995 (or its equivalent) that was previously submitted to the Service by an Agent, provided that the Authorization places no restriction on the medium for filing Form 941, and the Agent:

(1) advises its client that its Forms 941 may be filed electronically, and provides the client with the option of rejecting electronic filing as the medium for filing its Forms 941. An Agent may use the most efficient and timely method of clearly providing this notification to a client. A client's rejection of electronic filing for its Forms 941 must be

submitted in writing to the Agent; and

(2) immediately removes any client from its electronic filing client base that rejects having its Forms 941 filed electronically.

SECTION 6. ACCEPTANCE IN THE FORM 941 *e-file* PROGRAM

.01 A prospective Electronic Filer or On-Line Filer will receive an acceptance or rejection regarding their LOA for the Form 941 *e-file* Program within 45 days of the Service's receipt of their completed LOA.

.02 An Electronic Filer that is accepted in the Form 941 *e-file* Program will be required to submit a successful test transmission before being granted approval to file tax returns. Details regarding test requirements may be found in Publication 1855.

.03 After evaluating the test file, the Service will notify an Electronic Filer in writing of approval or denial of electronic filing privileges. An approval remains in effect unless the Electronic Filer:

(1) that is an Agent fails to comply with the Authorization requirements of sections 5.03 and 5.04 of this revenue procedure;

(2) that is a Software Developer fails to comply with the requirements of section 9.04 of this revenue procedure;

(3) that is a Transmitter fails to comply with the requirements of section 9.03 of this revenue procedure; or

(4) is suspended from the Form 941 *e-file* Program. See section 15 of this revenue procedure for the effect of a suspension.

.04 The acceptance by the Service of a Software Developer as an Electronic Filer:

- (1) establishes only that the test electronic transmission(s) are formatted properly and may be processed by the Service;
- (2) is not an endorsement by the Service of the software or the quality of services provided by the Software Developer; and
- (3) does not entitle the Software Developer to electronically file Forms 941 unless the Software Developer is also accepted in the Form 941 e-file Program as an Agent or Transmitter.

.05 If an LOA is approved, the Service will send the following:

- (1) for an Electronic Filer, a notification of approval that will contain the userid/password, and information and procedures regarding signing onto the system for filing electronic Forms 941; and
- (2) for an Authorized Signatory, a PIN that may be used only by the Authorized Signatory named in the LOA.

.06 Upon receipt of the document(s) referenced in section 6.05 of this revenue procedure, the Electronic Filer must return the following documents to the Service:

- (1) an acknowledgment signed by each employee recipient of the userid/password indicating possession of, and responsibility for, the userid/password; and
- (2) where applicable, an acknowledgment signed by the Authorized Signatory indicating possession of, and responsibility for, the proper use of the PIN for signing tax returns (pursuant to § 301.6061-1) filed in the Form 941 e-file Program.

See Publication 1855 for a sample userid/password and PIN receipt.

.07 Upon receipt of the PIN referenced in section 6.05(2) of this revenue procedure, the On-Line Filer must return an acknowledgment signed by the Authorized Signatory indicating possession of, and responsibility for, the proper use of the PIN for signing tax returns (pursuant to § 301.6061-1) filed in the Form 941 e-file Program.

.08 The Service will activate the userid/password and the PIN upon receiving the Electronic Filer's or On-Line Filer's acknowledgments referenced in sections 6.06 and 6.07 of this revenue procedure.

.09 If a prospective Electronic Filer that is an Agent is denied, or does not receive, approval to participate in the Form 941 e-file Program before the end of the tax quarter for which the Forms 941 will be filed, the Agent should file the returns on paper Forms 941 (or on magnetic tape if the Agent meets the requirements of Rev. Proc. 96-18).

SECTION 7. ELECTRONIC FILING OF FORM 941

.01 An Electronic Filer that is an Agent must ensure that a current electronic Form 941 is filed on or before the due date of the return. The due dates prescribed for filing paper Forms 941 with the Service also apply to returns filed under the Form 941 e-file Program. Forms 941 are due on or before the last day of the first calendar month following the period for which the return is made. However, a return for which all tax deposits were made when due for the quarter may be filed by the 10th day of the month following the due date.

.02 An Electronic Filer that is a Transmitter must ensure that an electronic Form 941

is transmitted to the Service by the later of: (1) three days after receipt of the return; or (2) the due date of the return without regard to extensions.

.03 An electronically filed Form 941 is not considered filed until it has been acknowledged as accepted for processing by the Service. If an electronically filed Form 941 is transmitted to the Service on or before the return due date, the return will be deemed timely filed. If an electronically filed Form 941 is initially transmitted to the Service on or before the return due date and is ultimately rejected, but the Electronic Filer complies with section 7.04 or 7.05 of this revenue procedure, as appropriate, and the On-Line Filer complies with section 7.06 of this revenue procedure, the return will be deemed timely filed.

.04 An electronic transmission that causes a Processing Interruption may not be accepted. An Electronic Filer that is an Agent will be asked to resubmit the return(s). If the electronic transmission is acknowledged as rejected by the Service, the Agent should correct the error(s) and retransmit the return(s) on the same calendar day. If the Agent chooses not to have the previously rejected return retransmitted, or if the return still cannot be accepted for processing, a paper Form 941 (or a Form 941 on magnetic tape if the Electronic Filer meets the requirements of Rev. Proc. 96-18) must be filed by the later of: (1) the due date of the return; or (2) within five calendar days of the rejection or notice that the return cannot be retransmitted, with an explanation of why the return is being filed after the due date. For the penalty for failure to file a timely return, see section 17 of this revenue procedure.

.05 If a Processing Interruption occurs with an Electronic Filer that is a Transmitter, and the Transmitter cannot promptly correct any transmission error that causes an electronic transmission to be rejected, then the Transmitter, within 24 hours of receiving the rejection, must take reasonable steps to inform the On-Line Filer that the return has not been filed. When the Transmitter advises the On-Line Filer that the return has not been filed, the Transmitter must provide the On-Line Filer with the reject code(s), an explanation of the reject code(s), and the sequence number of each reject code(s).

See Publication 1855 for an explanation of the reject codes.

.06 If the On-Line Filer chooses not to have the electronic portion of the return corrected and transmitted to the Service, or if the electronic portion of the return cannot be accepted for processing by the Service, the On-Line Filer must file a paper Form 941 by the later of: (1) the due date of the return; or (2) within five calendar days of the rejection or notice that the return cannot be retransmitted, with an explanation of why the return is being filed after the due date. For the penalty for failure to file a timely return, see section 17 of this revenue procedure.

SECTION 8. ADJUSTMENTS TO FORM 941

Forms 941 filed under the Form 941 *e-file* Program must not contain adjustments other than adjustments resulting from rounding fractions of cents or from third-party sick pay for which an employer is not responsible. Returns with other adjustments must be filed on magnetic tape or on paper.

SECTION 9. RESPONSIBILITIES OF PARTICIPANTS IN FORM 941 *e-file* PROGRAM

.01 To ensure that complete returns are accurately and efficiently filed, Electronic Filers must comply with the technical specifications detailed in Publication 1855.

.02 An Electronic Filer or On-Line Filer must comply with the following applicable userid/password and PIN requirements:

(1) if an Electronic Filer suspects that the confidentiality of the userid/password has been compromised, the Electronic Filer must contact the *e-file* Help Desk within 24 hours for instructions on how to proceed. See section 20 of this revenue procedure for Service contact information;

(2) the Electronic Filer or On-Line Filer is responsible for ensuring that the PIN remains the confidential information of the Authorized Signatory. If the Electronic Filer or On-Line Filer suspects that the confidentiality of the PIN has been compromised, the Electronic Filer or On-Line Filer must contact the *e-file* Help Desk within 24 hours for instructions on how to proceed. See section 20 of this revenue procedure for Service contact information;

(3) if the Authorized Signatory changes, the Electronic Filer or On-Line Filer must notify the Service of the name and title of the new Authorized Signatory for the electronically filed Form 941 and apply for a new PIN no later than 15 days before the filing of another return. After this notification, the Service will deactivate the current PIN and issue a new PIN to the new Authorized Signatory. The new Authorized Signatory must submit a PIN receipt as specified in section 6.06 or 6.07 of this revenue procedure in order to activate the new PIN; and

(4) the Authorized Signatory must manually enter the PIN signature for each transmission of electronically filed Forms 941.

.03 An Electronic Filer that is a Transmitter must:

(1) retrieve the acknowledgment file (in which the Service states whether it accepts or rejects the electronic portion of a taxpayer's return for processing) within two work days of transmission;

(2) match the acknowledgment file to the original transmission file and send to the On-Line Filer either

(a) an acceptance notice within two days of retrieving the acknowledgment file; or

(b) a rejection notice within 24 hours of retrieving the acknowledgment file;

(3) immediately contact the appropriate service center for further instructions if an acknowledgment of acceptance for processing has not been received by the Transmitter within two work days of transmission or if a Transmitter receives an acknowledgment for a return that was not transmitted on the designated transmission;

(4) promptly correct any transmission error that causes an electronic transmission to be rejected; and

(5) ensure the security of all transmitted data.

.04 An Electronic Filer that is a Software Developer must:

(1) promptly correct any software error that may cause, or causes, an electronic return to be rejected;

(2) promptly distribute any such software correction;

(3) ensure that any software package that will be used to transmit returns from multiple Electronic Filers that are Agents has the capability of combining these returns into one Service transmission file; and

(4) not incorporate into its software a Service assigned PIN.

SECTION 10. ALTERNATIVE FILING PROCEDURES

.01 Procedures for the filing of Form 941 on magnetic tape are in Rev. Proc. 96-18 and the specifications are in Publication 1264.

.02 An Electronic Filer that is an Agent may use a Form 941 *e-file* Program Authorization to file a paper Form 941 under the following circumstances:

(1) the late receipt of payroll information from a taxpayer that would jeopardize the timely submission of the taxpayer's return;

(2) the amendment of returns filed under the Form 941 *e-file* Program;

(3) the rejection of an electronic transmission that would jeopardize the timely submission of the taxpayer's return;

(4) an authorization by the Service for an Agent to file paper Forms 941 instead of electronically filed Forms 941; or

(5) the suspension of an Agent from the Form 941 *e-file* Program as provided in section 15.02(3) of this revenue procedure.

.03 An Agent may prepare a paper Form 941 for the taxpayer's signature. A taxpayer's authorized representative that is not an Agent participating in the Form 941 *e-file* Program (including a suspended Agent) must have a valid power of attorney

(usually a Form 2848, Power of Attorney and Declaration of Representative) that authorizes the representative to sign and file a paper Form 941 on behalf of a taxpayer.

.04 Each paper Form 941 must be signed by the taxpayer, the taxpayer's authorized representative, or a participating Agent to the extent permitted under section 10.02 of this revenue procedure.

SECTION 11. REVISION OF COMPUTER SPECIFICATIONS BY THE SERVICE

.01 If Publication 1855 is revised, the Service, if necessary, will advise all current Electronic Filers to submit test files prior to filing under the new specifications. Failure to submit a test file may later result in a Processing Interruption, which may result in a notice of suspension. See section 13 of this revenue procedure concerning the reasons for suspension of electronic filing privileges.

.02 If an Electronic Filer is unable to comply with the changes in specifications, the Electronic Filer must contact the e-file Help Desk for further instructions.

SECTION 12. ADVERTISING STANDARDS

.01 An Electronic Filer must:

(1) comply with the advertising and solicitation provisions of 31 C.F.R. Part 10 (Treasury Department Circular No. 230). This circular prohibits the use or participation in the use of any form of public communication containing a false, fraudulent, misleading, deceptive, unduly influencing, coercive, or unfair statement or claim. In addition, advertising must not imply a special relationship with the Service, Financial Management Service ("FMS"), or the Treasury Department;

- (2) adhere to all relevant federal, state, and local consumer protection laws;
- (3) not use the Service's name, "Internal Revenue Service" or "IRS", within a firm's name;
- (4) not use improper or misleading advertising in relation to the Form 941 e-file Program;
- (5) not carry the Service, FMS, or other Treasury Seals on its advertising material;
- (6) clearly state the names of all cooperating parties if advertising for a cooperative electronic return filing project (public/private sector);
- (7) pre-record any radio or television advertisement and keep a copy of this advertisement for a period of at least 36 months from the date of the last transmission or use; and
- (8) retain a copy of any actual direct mailing or fax communications, along with a list or other description of persons to whom the communication was mailed, faxed, or otherwise distributed for a period of at least 36 months from the date of the last mailing, fax, or distribution.

.02 Acceptance to participate in the Form 941 e-file Program does not imply endorsement by the Service, FMS, or the Treasury Department of the software or quality of services provided.

SECTION 13. REASONS FOR SUSPENSION

.01 The Service reserves the right to suspend an Electronic Filer from the Form 941 e-file Program for the following reasons (this list is not all-inclusive):

- (1) submitting tax returns for which the Service did not receive Authorizations;
- (2) repeatedly submitting tax returns that cause a Processing Interruption;
- (3) submitting tax returns that cause a Processing Interruption after failing to submit the test file required by section 6.02 of this revenue procedure;
- (4) failing to comply with the responsibilities of an Electronic Filer set forth in section 9 of this revenue procedure;
- (5) failing to abide by the advertising standards in section 12 of this revenue procedure; or
- (6) significant complaints about an Electronic Filer's performance in the Form 941 e-file Program.

.02 If the Electronic Filing Coordinator informs an Electronic Filer that a certain action is a reason for suspension and the action continues, the service center director may send the Electronic Filer a notice proposing suspension of the Electronic Filer. However, a notice proposing suspension may be sent without a warning if the Electronic Filer's action indicates an intentional disregard of rules. A notice proposing suspension will describe the reason(s) for the proposed suspension, and indicate the length of the suspension and the conditions that need to be met before the suspension will terminate.

.03 An Electronic Filer that is an Agent or Transmitter has an obligation to notify its Form 941 e-file Program clients when that Agent or Transmitter is suspended from filing under the Form 941 e-file Program as provided in sections 15.02(4) and 15.03 of this

revenue procedure. The Service reserves the right to extend the period of suspension of any Agent or Transmitter that fails to comply with this requirement.

SECTION 14. ADMINISTRATIVE REVIEW PROCESS FOR PROPOSED SUSPENSION

.01 An Electronic Filer that receives a notice proposing suspension may request an administrative review prior to the proposed suspension taking effect.

.02 The request for an administrative review must be in writing and contain detailed reasons, with supporting documentation, for withdrawal of the proposed suspension.

.03 The written request for an administrative review and a copy of the notice proposing suspension must be delivered to the Electronic Filing Coordinator within 30 calendar days of the date on the notice proposing suspension. The Electronic Filing Coordinator will forward the written request to the National Program Analyst for Electronic Filing of Business Returns ("National Coordinator") if the service center director continues to believe that suspension is warranted.

.04 After consideration of the written request for an administrative review, the National Coordinator will either issue a suspension letter or notify the Electronic Filer in writing that the proposed suspension is withdrawn.

.05 If an Electronic Filer receives a suspension letter, the Electronic Filing Coordinator's subsequent determination of whether a reason for suspension has been corrected is not subject to review or appeal.

.06 If an Electronic Filer does not timely submit a written request for an administrative

review, the service center director will issue a suspension letter.

.07 Failure to submit a written request for an administrative review within the 30-day period described in section 14.03 of this revenue procedure irrevocably terminates the Electronic Filer's right to an administrative review of the proposed suspension.

SECTION 15. EFFECT OF SUSPENSION

.01 An Electronic Filer's suspension will continue for the length of time specified in the suspension letter, or until the conditions for terminating the suspension have been met, whichever is later.

.02 In the case of an Electronic Filer that is an Agent, the following additional rules apply:

(1) if a Form 941 is due (without regard to extensions) within 60 days from the date on the suspension letter, the Agent may file the Form 941 under the Form 941 *e-file* Program;

(2) if a Form 941 is due (without regard to extensions) more than 60 days from the date on the suspension letter, the Agent may not file the Form 941 under the Form 941 *e-file* Program;

(3) if a suspended Agent has a power of attorney from a taxpayer that authorizes the Agent to sign and file Form 941, the suspended Agent will be able to sign and file a paper Form 941 for the taxpayer. See section 10.03 of this revenue procedure. Form 8655 does not authorize the filing of paper Forms 941 outside of the Form 941 *e-file* Program; and

(4) an Agent must provide written notification of a suspension to a taxpayer at least 45 days before the due date of the taxpayer's first return affected by the suspension. This notification must be provided even though the Agent may believe that the Agent will be able to meet the conditions for terminating the suspension before the due date.

.03 A Transmitter that receives a suspension letter from the Service may not accept any further LOAs from prospective On-Line Filers that want to participate in the Form 941 *e-file* Program and must immediately inform current On-Line Filers of its inability to transmit Forms 941 during its suspension

.04 An Electronic Filer will be able to participate in the Form 941 *e-file* Program from which the Electronic Filer was suspended, without reapplying to the Form 941 *e-file* Program, after:

- (1) the stated suspension period expires; and
- (2) the reason(s) for suspension is corrected.

SECTION 16. APPEAL OF SUSPENSION

.01 If an Electronic Filer receives a suspension letter from the National Coordinator, the Electronic Filer is entitled to appeal, by written protest, to the National Director of Appeals. The written protest must be sent to the National Coordinator, who will forward it to the National Director of Appeals. During the appeals process, the suspension remains in effect.

.02 The written protest must be received by the National Coordinator within 30 calendar days of the date of the suspension letter. The written protest must contain

detailed reasons, with supporting documentation, for termination of the suspension.

.03 Within 15 calendar days of receipt of a written protest, the National Coordinator will forward the file on the Electronic Filer and the material described in section 16.02 of this revenue procedure to the National Director of Appeals.

.04 Failure to appeal within the 30-day period described in section 16.02 of this revenue procedure irrevocably terminates the Electronic Filer's right to appeal the suspension.

SECTION 17. PENALTY FOR FAILURE TO TIMELY FILE A RETURN

Section 6651(a)(1) provides that for each month (or part thereof) a return is not filed when required (determined with regard to any extensions of time for filing), there is a penalty of 5 percent of the unpaid tax not to exceed 25 percent, absent reasonable cause. A taxpayer does not establish reasonable cause simply by engaging a competent Electronic Filer to file the taxpayer's return. However, if the Electronic Filer has reasonable cause under § 6651(a) for failing to timely file the taxpayer's return, the taxpayer will also have reasonable cause for that failure, and the failure-to-file penalty will be abated.

SECTION 18. FILING FORMS W-4 WITH THE INTERNAL REVENUE SERVICE

.01 An employer is required to send to the Service by the due date of the quarterly return copies of all Forms W-4, Employee's Withholding Allowance Certificates, received during the quarter from any employee still employed at the end of the quarter who claims:

- (1) more than 10 withholding exemptions; or
- (2) exemption from withholding and is expected to earn more than \$200 per week.

Employers should not send other Forms W-4 unless notified by the Service in writing to do so.

.02 If an employer's Form 941 is filed under the Form 941 *e-file* Program, copies of required paper Forms W-4 along with a cover letter providing the employer's name, address, EIN, and the number of Forms W-4 included, must be sent to the service center that would have received the employer's paper Form 941. See Publication 15, Circular E, Employer's Tax Guide, for more information on sending Forms W-4 to the Service.

.03 Required Forms W-4 information may also be filed on magnetic media (5½-inch diskettes, 3½-inch diskettes, or magnetic tape). For more information concerning magnetic media filing of Forms W-4, see Publication 1245, Specifications for Filing Form W-4, Employee's Withholding Allowance Certificate, on Magnetic Tape, and 5½ and 3½-Inch Magnetic Diskettes.

SECTION 19. FILING FORMS W-2 (COPY A) WITH THE SOCIAL SECURITY ADMINISTRATION

Forms W-2 (Copy A), Wage and Tax Statements, must be filed directly with the Social Security Administration on magnetic media or paper. For information on magnetic media reporting of Form W-2 (Copy A), contact the Social Security Administration's Regional Magnetic Media Coordinators.

SECTION 20. INTERNAL REVENUE SERVICE CONTACT

Unless otherwise instructed, all questions regarding this revenue procedure should be directed to the e-file Help Desk at the following address, telephone number, or web site:

Address: Internal Revenue Service
Austin Service Center
Electronic Filing Help Desk
P.O. Box 1231
Stop 6380 AUSC
Austin, TX 78767
Attention: Electronic Filing

Telephone Number:

(512) 460-8900 (not a toll-free number)

Web site for Help Desk:

www.irs.gov/prod/elec_svs/

Web site for Publications:

www.irs.gov

SECTION 21. EFFECT ON OTHER DOCUMENTS

- .01 Rev. Proc. 97-47 is amplified, clarified, modified, and superseded.
- .02 Section 6.05 of Rev. Proc. 96-17, 1996-1 C.B. 633, is modified to provide the same relief as set forth in section 5.04 of this revenue procedure (regarding an Agent not having to replace a previously submitted Authorization under certain circumstances).

SECTION 22. EFFECTIVE DATE

This revenue procedure is effective for returns due after October 7, 1999 (without regard to extensions).

SECTION 23. PAPERWORK REDUCTION ACT

The collections of information contained in this revenue procedure have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1557.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

The collections of information in this revenue procedure are in sections 5, 6, 7, 9, 11, and 12. This information is required by the Service to implement the Form 941 e-file Program and to enable taxpayers to file their Forms 941 electronically. The information will be used to ensure that taxpayers receive accurate and essential information regarding the filing of their electronic returns and to identify persons involved in the filing of electronic returns. The collections of information are required to retain the benefit of participating in the Form 941 e-file Program. The likely respondents are business or other for-profit institutions; federal, state or local governments; nonprofit institutions; and small businesses or organizations.

The estimated total annual reporting and recordkeeping burden is 238,863 hours.

The estimated annual burden per respondent/recordkeeper varies from 10

minutes to 5 hours, depending on individual circumstances, with an estimated average of 37 minutes. The estimated number of respondents and recordkeepers is 390,200.

The estimated annual frequency of responses is on occasion.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.