

April 18, 2007

Issue 2007-13

ExacNews

ExacTax Client:

Well, it's all over except for the shouting (and maybe some extensions). Everyone at ExacTax would like to thank you for making this the smoothest season yet and many of you have already commented as such. We appreciate all your cards and letters, so keep them coming.

Operating Hours

The ExacTax support hours beginning April 18th are as follows, (Pacific Time):

Monday through Friday**8:30 AM to 5:00 PM**

Note: ExacTax will be closed on Thursday and Friday, April 19 and 20.

1040 Extensions - Late Payment Interest and Penalties:

There are still a large number of returns on extension that will be filed in the coming months. Here are some updates and pointers:

In order for ExacTax to compute any late interest or penalties a **filing date** MUST be entered on Form Pen [5], zip 4. This is the date through which the penalties and interest will be computed. ExacTax will compute Late Interest (INT) and Failure to Pay Penalty (FTP = 1/2% per month) on the balance due.

The Failure to File Penalty (FTF) will also be computed unless an extension code is entered (see next paragraph) or the penalty is specifically suppressed. The filing date is not reflected in the client letter which will instruct the taxpayer to "file as soon as possible" by default.

Note: Zips 17, 18 and 19 are available to individually suppress penalty and interest computations.

To have a filing date print in the client letter ("File your return by October 15, 2007"), enter an Extended Due Date in zip 2 on Form Ext [4] (default is 10\15\07), and a code **1** in zip 1. This code must be entered along with the date.

If zip 1 is blank, the Failure to File Penalty (FTF = 4 1/2% per month) will be computed whenever interest and late payment penalties are computed. A date earlier than the actual extended due date may be entered, however, make sure the same filing date is entered on Form [5] for a matching penalty and interest computation.

The amounts computed are detailed on a Late Filing Interest and Penalty Worksheet. The amounts are printed separately at the bottom of Form 1040, page 2, identified by their acronyms *INT*, *FTP* and *FTF*.

Note: Enter the amount actually paid on federal extension on Form Ext [4], zip 3 or on Form Est [6A], zip 19. An entry in zip 19 will override.

State returns require the same type of entries on the equivalent state forms. For example, on a California return enter the filing date for computing late interest and penalties, on Input Form CAPen [5], zip 1. Enter the extended due date on Form CAEst [6A], zip 24 with an 'X' in zip 23. Enter the amount paid on extension in zip 25.

Note: Entering the state extension date will automatically trigger late interest and penalty computations on balance due returns. You can suppress these using zips 3, 4 and 5 on Form [5] in the CAPen section. Other states - see your state penalty input form for the suppression boxes.

- Recap: 1) Always enter a code in zip 1 on Input Form Ext [4], the extended due date in zip 2 and the amount paid with the extension in zip 3. Zero is a valid entry.
- 2) Enter the filing date on Input Form Pen [5], zip 4 to compute late interest and penalties on Form 1040.
- 3) Enter the state extended due date, filing date and amount paid with extension on the applicable state input forms.
- 4) Check the applicable boxes on Form [5] to suppress penalty and interest, if necessary.

Below is an example of an extension return that has a balance due and the taxpayer is being instructed to file by May 31. Interest and penalties will be computed through May 31.

Ext	Extension Information	2006	4
Extended due dates are for transmittal letters/filing instructions and penalties/interest calculations			
Calculate extension (1 = Calculate first extension, 3 = Calculate Form 2350 extension)	1	1
Extended due date (mm/dd/yy)	2	05 31 07
Balance due on extension (Force)	3	5000

Pen	Penalties, Interest and Exceptions	2006	5
2005 Tax Taxpayer/Joint	1	Spouse
2005 Adjusted gross income	3	
Date 2006 return filed (4/16/07 default) (See Form EXT [4] for extended due date)	4	05 31 07

A copy of Input Form [4] is included at the end of this bulletin.

California Forms 9000H/9000R: 2007 Form 9000H, Homeowner Assistance Claim (for income received in 2006), and Form 9000R, 2007 Renter Assistance Claim (for income received in 2006), will be available in late June. Note that the annual filing period for the Homeowner Assistance and Renter Assistance claims is from July 1, 2007 to October 15, 2007. Do not file these forms before July 1. Input Form CA9000 [CA31], CA Homeowner and Renter Assistance Credit, is required to be submitted to generate either of these credits. A copy of Input Form [CA31] and instructions will be included with an ExacNews bulletin when it is available.

Note: Input Form [CA31] may be also be added on a rerun.



Electronic Filing

Returns for which a paper extension has been filed may still be filed electronically with the IRS and/or the FTB until October 15, 2007 and must be accepted by the IRS and/or the FTB on or before October 20, 2007.

Note: E-file transmissions are done daily, Monday through Friday.

If a return was filed by April 17th and was rejected, re-transmission of corrected, timely filed *rejected* returns must be authorized to ExacTax by **3:00 P.M. (PT)** on Friday, April 20, 2007. You may authorize the re-transmission by calling the e-file hot-line, faxing or by using the RDE Communications center.



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Extended due dates are for transmittal letters/filing instructions and penalties/interest calculations

- Calculate extension (1 = Calculate first extension, 3 = Calculate Form 2350 extension) 1
- Extended due date (mm/dd/yy) 2
- Balance due on extension (Force) 3
- Out of the country on April 16, 2007 (Election will print automatically) ✓ 4
- Use June 15, 2007 as the due date of extension ✓ 5
- Form 1040NR filer wages not subject to federal withholding (Force) (1=Yes, 2=No) 6
- Previous extension not requested this year ✓ 7
- Address for extension correspondence 9

1 = Preparer address on Form 4868, TP address on Forms 2688/2350
 2 = Preparer address on all extensions
 3 = TP address on all extensions

- Form 2350: Additional time is required to allocate moving expenses ✓ 10
- Date first arrived in the foreign country (mm/dd/yy) 11
- Date qualifying period begins (mm/dd/yy) 12
- Date qualifying period ends (mm/dd/yy) 13
- Date expected to return to the United States (mm/dd/yy) 14

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Electronic Filing - Community Property State Allocation Record

Use this section for Married Filing Separate (MFS) returns in community property states (AZ, CA, ID, LA, NM, NV, TX, WA and WI) to enter Community/Separate amounts from the completed MFS returns to be included in the electronic file.

- Community property designation (Mandatory) ★ 1

1 = Husband's completed return
 2 = Wife's completed return

★ MUST complete BOTH columns. ★

	Husband's Return	Wife's Return
Wages	2	3
Interest income	4	5
Dividends	6	7
State income tax refund	8	9
Capital gains and losses	10	11
Pension income	12	13
Rents/royalties/partnerships/estates	14	15
Other income	16	17
Total income	18	19
Total payments	20	21