

April 16, 2009

Issue 2009-14

ExacNews

Exactax Client:

The entire Exactax staff has worked hard to bring you the best service possible and would like to thank you for making this a very efficient and smooth season. This year we were able to adjust our data entry shifts to maximize throughput. We believe that this change had a positive effect in helping to keep the turnaround time as quick as possible. Many of you have already commented as such and we appreciate all of your cards and letters, so keep them coming. As always, we appreciate the many years of your business and look forward to providing for your tax processing needs in the years to come. We will be taking a small break beginning Friday and we hope you will take one as well.

Operating Hours

We will be closed Friday through Monday, April 20. Regular hours, 8:30 to 5:00 will resume on Tuesday, April 21st.

Note: E-file support for authorizations of corrected transmissions only will be available on Friday, April 17, and Monday April 20, from 9:00 AM – 3:00 PM. Call (714) 284-4802 and enter extension 235.

Electronic Filing Cut-Offs

For electronically filed returns to be “timely filed”, they had to be transmitted to the IRS and/or to the FTB on or before April 15, 2009 and **accepted** by the IRS and/or FTB on or before April 20, 2009.

If a return was filed by April 15th and is rejected, the re-transmission of corrected, timely filed **rejected** returns must be authorized to Exactax by **2:45 P.M. (PT)** on Monday, April 20, 2009. If you have not received ACKS for all returns that have been transmitted by April 15, please call Customer Service at 800-254-2244 to confirm the status. If you have not received an ACK with an accepted status for an e-file return then, the return should be considered as not filed.

Electronic filing of extensions is not available. Extension Forms 4868, 7004 and/or state extensions **must be** filed on paper.

Returns for which a paper extension has been filed may still be filed electronically with the IRS and/or the FTB until October 15, 2009 and must be accepted by the IRS and/or the FTB on or before October 20, 2009.

CD Archives

The orders for CD archives have all been filled. Please allow at least one week for all new orders to be completed.

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 on the client letter (“File your return by October 15, 2009”), enter an Extended Due Date in zip 2 on Form Ext section [6A] (default is 10/15/08), 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 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 Est [6A], zip 19.

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 CAExt section [6A], zip 2 with an ‘X’ in zip 1. Enter the amount paid on extension in zip 3.

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 1 in zip 1 on Input Form Ext [6A], the extended due date in zip 2 and the amount paid with the extension in the Est section [6A], zip 19. 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.