

Glossary

[A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#)

A

ability to pay

A concept of tax fairness that states that people with different amounts of wealth or different amounts of income should pay tax at different rates. Wealth includes assets such as houses, cars, stocks, bonds, and savings accounts. Income includes wages, interest and dividends, and other payments.

adjusted gross income

Gross income reduced by certain amounts, such as a deductible IRA contribution or student loan interest

amount due

Money that taxpayers must pay to the government when the total tax is greater than their total tax payments

appeal

To call for a review of an IRS decision or proposed adjustment.

Authorized IRS e-file Provider

A business authorized by the IRS to participate in the IRS e-file Program. The business may be a sole proprietorship, a partnership, a corporation, or an organization. Authorized IRS e-file Providers include Electronic Return Originators (EROs), Transmitters, Intermediate Service Providers, and Software Developers. These categories are not mutually exclusive. For example, an ERO can at the same time, be a Transmitter, a Software Developer, or an Intermediate Service Provider, depending on the function being performed.

B

benefits received

A concept of tax fairness that states that people should pay taxes in proportion to the benefits they receive from government goods and services.

bonus

Compensation received by an employee for services performed. A bonus is given in addition to an employee's usual compensation.

business

A continuous and regular activity that has income or profit as its primary purpose.

C

Citizen or Resident Test

Assuming all other dependency tests are met, the citizen or resident test allows taxpayers to claim a dependency exemption for persons who are U.S. citizens for some part of the year or who live in the United States, Canada, or Mexico for some part of the year.

commission

Compensation received by an employee for services performed. Commissions are paid based on a percentage of sales made or a fixed amount per sale.

compulsory payroll tax

An automatic tax collected from employers and employees to finance specific programs.

D

deficit

The result of the government taking in less money than it spends.

dependency exemption

Amount that taxpayers can claim for a "qualifying child" or "qualifying relative". Each exemption reduces the income subject to tax. The exemption amount is a set amount that changes from year to year. One exemption is allowed for each qualifying child or qualifying relative claimed as a dependent.

dependent

A qualifying child or qualifying relative, other than the taxpayer or spouse, who entitles the taxpayer to claim a dependency exemption.

Direct Deposit

This allows tax refunds to be deposited directly to the taxpayer's bank account. Direct Deposit is a fast, simple, safe, secure way to get a tax refund. The taxpayer must have an established checking or savings account to qualify for Direct Deposit. A bank or financial institution will supply the required account and routing transit numbers to the taxpayer for Direct Deposit.

direct tax

A tax that cannot be shifted to others, such as the federal income tax.

E

earned income

Includes wages, salaries, tips, includible in gross income, and net earnings from self-employment earnings.

Earned Income Credit

A tax credit for certain people who work, meet certain requirements, and have earned income under a specified limit.

electronic filing (e-file)

The transmission of tax information directly to the IRS using telephones or computers. Electronic filing options include (1) Online self-prepared using a personal computer and tax preparation software, or (2) using a tax professional. Electronic filing may take place at the taxpayer's home, a volunteer site, the library, a financial institution, the workplace, malls and stores, or a tax professional's place of business.

electronic preparation

Electronic preparation means that tax preparation software and computers are used to complete tax returns. Electronic tax preparation helps to reduce errors.

Electronic Return Originator (ERO)

The Authorized IRS e-file Provider that originates the electronic submission of an income tax return to the IRS. EROs may originate the electronic submission of income tax returns they either prepared or collected from taxpayers. Some EROs charge a fee for submitting returns electronically.

employee

Works for an employer. Employers can control when, where, and how the employee performs the work.

excise tax

A tax on the sale or use of specific products or transactions.



top



top



top



top

exempt (from withholding)

Free from withholding of federal income tax. A person must meet certain income, tax liability, and dependency criteria. This does not exempt a person from other kinds of tax withholding, such as the Social Security tax.

exemptions

Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. There are two types of exemptions-personal and dependency. Each exemption reduces the income subject to tax. While each is worth the same amount, different rules apply to each.

F

Federal/State e-file

A program sponsored by the IRS in partnership with participating states that allows taxpayers to file federal and state income tax returns electronically at the same time.

federal income tax

The federal government levies a tax on personal income. The federal income tax provides for national programs such as defense, foreign affairs, law enforcement, and interest on the national debt.

Federal Insurance Contributions Act (FICA) Tax

Provides benefits for retired workers and their dependents as well as for disabled workers and their dependents. Also known as the Social Security tax.

file a return

To mail or otherwise transmit to an IRS service center the taxpayer's information, in specified format, about income and tax liability. This information-the return-can be filed on paper, electronically (e-file).

filing status

Determines the rate at which income is taxed. The five filing statuses are: single, married filing a joint return, married filing a separate return, head of household, and qualifying widow(er) with dependent child.

financial records

Spending and income records and items to keep for tax purposes, including paycheck stubs, statements of interest or dividends earned, and records of gifts, tips, and bonuses. Spending records include canceled checks, cash register receipts, credit card statements, and rent receipts.

flat tax

This is another term for a proportional tax.

formal tax legislation process

This is another term for a proportional tax.

Form W-4, Employee's Withholding Allowance Certificate

Completed by the employee and used by the employer to determine the amount of income tax to withhold.

foster child

A foster child is any child placed with a taxpayer by an authorized placement agency or by court order. Eligible foster children may be claimed by taxpayers for tax benefits.

G

gasoline excise tax

An excise tax paid by consumers when they purchase gasoline. The tax covers the manufacture, sale, and use of gasoline.

gross income

Money, goods, services, and property a person receives that must be reported on a tax return. Includes unemployment compensation and certain scholarships. It does not include welfare benefits and nontaxable Social Security benefits.

H

Head of Household filing status

You must meet the following requirements: 1. You are unmarried or considered unmarried on the last day of the year. 2. You paid more than half the cost of keeping up a home for the year. 3. A qualifying person lived with you in the home for more than half the year (except temporary absences, such as school). However, a dependent parent does not have to live with the taxpayer.

horizontal equity

The concept that people in the same income group should be taxed at the same rate. "Equals should be taxed equally."

I

income taxes

Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

independent contractor

Performs services for others. The recipients of the services do not control the means or methods the independent contractor uses to accomplish the work. The recipients do control the results of the work; they decide whether the work is acceptable. Independent contractors are self-employed.

indirect tax

A tax that can be shifted to others, such as business property taxes.

infant industry

A new or developing domestic industry whose costs of production are higher than those of established firms in the same industry in other countries.

inflation

The simultaneous increase of consumer prices and decrease in the value of money and credit.

informal tax legislation process

Individuals and interest groups expressing and promoting their opinions about tax legislation.

interest

The charge for the use of borrowed money.

interest income

The income a person receives from certain bank accounts or from lending money to someone else.

Intermediate Service Provider

Assists in processing tax return information between the ERO (or the taxpayer, in the case of online filing) and the Transmitter.

Internal Revenue Service (IRS)

The federal agency that collects income taxes in the United States.

investment income

Includes taxable and tax-exempt interest, dividends, capital gains net income, certain rent and royalty income, and net passive activity income.

IRS e-file

Refers to the preparation and transmission of tax return information to the IRS using telephone lines or a computer with a modem or Internet access.

J

K

L

lobbyist

A person who represents the concerns or special interests of a particular group or organization in meetings with lawmakers. Lobbyists work to persuade lawmakers to change laws in the group's favor.

long-distance telephone tax refund

Taxpayers are eligible to file for refunds of all excise tax they have paid on long-distance service billed to them after Feb. 28, 2003.

luxury tax

A tax paid on expensive goods and services considered by the government to be nonessential.



top



top



top



top



top



top



top

M



market economy

An economic system based on private enterprise that rests upon three basic freedoms: freedom of the consumer to choose among competing products and services, freedom of the producer to start or expand a business, and freedom of the worker to choose a job and employer.

Married Filing Joint filing status

You are married and both you and your spouse agree to file a joint return. (On a joint return, you report your combined income and deduct your combined allowable expenses.)

Married Filing Separate filing status

You must be married. This method may benefit you if you want to be responsible only for your own tax or if this method results in less tax than a joint return. If you and your spouse do not agree to file a joint return, you may have to use this filing status.

mass tax

A broad tax that affects a majority of taxpayers.

Medicare tax

Used to provide medical benefits for certain individuals when they reach age 65. Workers, retired workers, and the spouses of workers and retired workers are eligible to receive Medicare benefits upon reaching age 65.

N



nonrefundable credit

When the amount of a credit is greater than the tax owed, taxpayers can only reduce their tax to zero; they cannot receive a "refund" for any excess nonrefundable credit.

nullification

A state's refusal to recognize or obey a federal law.

O



P



payroll taxes

Include Social Security and Medicare taxes.

personal exemption

Can be claimed for the taxpayer and spouse. Each personal exemption reduces the income subject to tax by the exemption amount.

Personal Identification Number (PIN)

Allow taxpayers to "sign" their tax returns electronically. The PIN, a five-digit self-selected number, ensures that electronically submitted tax returns are authentic. Most taxpayers can qualify to use a PIN.

progressive tax

A tax that takes a larger percentage of income from high-income groups than from low-income groups.

property taxes

Taxes on property, especially real estate, but also can be on boats, automobiles (often paid along with license fees), recreational vehicles, and business inventories.

proportional tax

A tax that takes the same percentage of income from all income groups.

protective tariff

A tax levied on imported goods with the purpose of reducing domestic consumption of foreign-produced goods.

public goods and services

Benefits that cannot be withheld from those who don't pay for them, and benefits that may be "consumed" by one person without reducing the amount of the product available for others. Examples include national defense, streetlights, and roads and highways. Public services include welfare programs, law enforcement, and monitoring and regulating trade and the economy.

Q



qualifying child

To be a qualifying child, the dependent must meet eight tests: (1) relationship, (2) age, (3) residence, (4) support, (5) citizenship or residency, (6) joint return, (7) qualifying child of more than one person, and (8) dependent taxpayer.

qualifying relative

There are tests that must be met to be a qualifying relative, they are: (1) not a qualifying child, (2) member of household or relationship, (3) citizenship or residency, (4) gross income, (5) support, (6) joint return, and (7) dependent taxpayer.

Qualifying Widow(er) filing status

If your spouse died in 2010, you can use married filing jointly as your filing status for 2010 if you otherwise qualify to use that status. The year of death is the last year for which you can file jointly with your deceased spouse. You may be eligible to use qualifying widow(er) with dependent child as your filing status for two years following the year of death of your spouse. For example, if your spouse died in 2010, and you have not remarried, you may be able to use this filing status for 2011 and 2012. This filing status entitles you to use joint return tax rates and the highest standard deduction amount (if you do not itemize deductions). This status does not entitle you to file a joint return.

R



refund

Money owed to taxpayers when their total tax payments are greater than the total tax. Refunds are received from the government.

refundable credit

When the amount of a credit is greater than the tax owed, taxpayers can receive a "refund" for some of the unused credit.

regressive tax

A tax that takes a larger percentage of income from low-income groups than from high-income groups.

resources

Factors needed to produce goods and services (natural, human, and capital goods).

revenue

The income the nation collects from taxes.

revenue tariff

A tax on imported goods levied primarily to generate revenue for the federal government.

S



salary

Compensation received by an employee for services performed. A salary is a fixed sum paid for a specific period of time worked, such as weekly or monthly.

sales tax

A tax on retail products based on a set percentage of retail cost.

self-employment loss

Self-employment income minus self-employment expenses, when self-employment income is less than self-employment expenses.

self-employment profit

Self-employment income minus self-employment expenses, when self-employment income is greater than self-employment expenses.

self-employment tax

Similar to Social Security and Medicare taxes. The self-employment tax rate is 15.3 percent of self-employment profit. The self-employment tax is calculated on Schedule SE—Self-Employment Tax. The self-employment tax is reported on Form 1040, U.S. Individual Income Tax Return.

single filing status

If on the last day of the year, you are unmarried or legally separated from your spouse under a divorce or separate maintenance decree and you do not qualify for another filing status.

sin tax

A tax on goods such as tobacco and alcohol.

Social Security tax

Provides benefits for retired workers and their dependents as well as for the disabled and their dependents. Also known as the Federal Insurance Contributions Act (FICA) tax.

Software Developer

Develops software for the purposes of (1) formatting electronic tax return information according to IRS specifications, and/or (2) transmitting electronic tax return information directly to the IRS.

standard deduction

Reduces the income subject to tax and varies depending on filing status, age, blindness, and dependency.

support

For dependency test purposes, support includes food, clothing, shelter, education, medical and dental care, recreation, and transportation. It also includes welfare, food stamps, and housing provided by the state. Support includes all income, taxable and nontaxable.

T

tariff

A tax on products imported from foreign countries.

taxable interest income

Interest income that is subject to income tax. All interest income is taxable unless specifically excluded.

tax avoidance

An action taken to lessen tax liability and maximize after-tax income.

tax code

The official body of tax laws and regulations.

tax credit

A dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

tax cut

A reduction in the amount of taxes taken by the government.

tax deduction

An amount (often a personal or business expense) that reduces income subject to tax.

taxes

Required payments of money to governments that are used to provide public goods and services for the benefit of the community as a whole.

tax evasion

A failure to pay or a deliberate underpayment of taxes.

tax-exempt interest income

Interest income that is not subject to income tax. Tax-exempt interest income is earned from bonds issued by states, cities, or counties and the District of Columbia.

tax exemption

A part of a person's income on which no tax is imposed.

tax liability (or total tax bill)

The amount of tax that must be paid. Taxpayers meet (or pay) their federal income tax liability through withholding, estimated tax payments, and payments made with the tax forms they file with the government.

tax preparation software

Computer software designed to complete tax returns. The tax preparation software works with the IRS electronic filing system.

tax shift

The process that occurs when a tax that has been levied on one person or group is in fact paid by others.

telephone tax refund

Taxpayers are eligible to file for refunds of all excise tax they have paid on long-distance service billed to them after Feb. 28, 2003.

tip income

Money and goods received for services performed by food servers, baggage handlers, hairdressers, and others. Tips go beyond the stated amount of the bill and are given voluntarily.

transaction taxes

Taxes on economic transactions, such as the sale of goods and services. These can be based on a set of percentages of the sales value (ad valorem-sales taxes), or they can be a set amount on physical quantities ("per unit"-gasoline taxes).

transmit

To send a tax return to the IRS electronically. Tax returns prepared on paper can be sent through the mail.

Transmitter

Sends the electronic return data directly to the IRS.

U

underground economy

Money-making activities that people don't report to the government, including both illegal and legal activities.

user fees

An excise tax, often in the form of a license or supplemental charge, levied to fund a public service.

user tax

A tax that is paid directly by the consumer of a good, product, or service.

V

vertical equity

The concept that people in different income groups should pay different rates of taxes or different percentages of their incomes as taxes. "Unequals should be taxed unequally."

voluntary compliance

A system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time.

Volunteer Income Tax Assistance (VITA)

This provides free income tax return preparation for certain taxpayers. The VITA program assists taxpayers who have limited or moderate incomes, have limited English skills, or are elderly or disabled. Many VITA sites offer electronic preparation and transmission of income tax returns.

W

wages

Compensation received by employees for services performed. Usually, wages are computed by multiplying an hourly pay rate by the number of hours worked.

withholding ("pay-as-you-earn" taxation)

Money, for example, that employers withhold from employees paychecks. This money is deposited for the government. (It will be credited against the employees' tax liability when they file their returns.) Employers withhold money for federal income taxes, Social Security taxes and state and local income taxes in some states and localities.

X

Y

Z

tell us what you think!

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IRS *e-file* Glossary (updated 11/06/2014)

Acceptance Letter - Correspondence that includes identification numbers that are issued by the IRS to applicants confirming they may participate in IRS *e-file* as Authorized IRS *e-file* Providers (Providers).

Acknowledgment (ACK) - A report generated by the IRS to a Transmitter that indicates receipt of all transmissions. An ACK Report identifies the returns in each transmission that are accepted or rejected for specific reasons.

Acceptance or Assurance Testing (ATS) - Required testing for Software Developer that participate in IRS *e-file* to assess their software and transmission capability with the IRS, prior to live processing.

Administrative Review Process - The process by which a denied applicant or sanctioned Authorized IRS *e-file* Provider may appeal the IRS' denial or sanction.

Adoption Taxpayer Identification Number (ATIN) - A tax processing number issued by the IRS as a temporary taxpayer identification number for a child in the domestic adoption process who is not yet eligible for a Social Security Number (SSN). An ATIN is not a permanent identification number and is only intended for temporary use. To obtain an ATIN, complete IRS Form [W-7A, Application for Taxpayer Identification Number for Pending U.S. Adoptions](#).

Authorized IRS *e-file* Provider (Provider) - A firm accepted to participate in IRS *e-file*.

Automated Clearing House (ACH) - A system that administers electronic funds transfers (EFTs) among participating financial institutions. An example of such a transfer is Direct Deposit of a tax refund from IRS into a taxpayer's account at a financial institution.

Business Rules (BR) - Error codes included on an Acknowledgement (Ack) for returns that the IRS rejected. The IRS publishes explanations prior to the filing season on IRS.gov. Providers can locate these on the [Schemas and Business Rules for Forms 1040/1040EZ/1040A/1040-SS \(PR\)4868/2350/9465/56 Modernized e-File \(MeF\)](#).

Communications Testing - Required test for all Transmitters using accepted IRS *e-file* software to assess their transmission capability with the IRS prior to live processing.

Denied Applicant - An applicant that the IRS does not accept to participate in IRS *e-file*. An applicant that the IRS denies from participation in IRS *e-file* has the right to an administrative review.

Depositor Account Number (DAN) - The financial institution account to which a Direct Deposit refund is to be routed.

Device ID - The Device ID is a 40-digit alphanumeric value that is case sensitive with no separators and run through hash algorithm SHA-1 that should include unique information such as the hardware serial number and UUID together.

Digital Signature - An electronic signature based upon cryptographic methods of originator authentication, computed by using a set of rules and a set of parameters such that the identity of the signer and the integrity of the data can be verified. The digital signature must be consistent with Federal Information Processing Standards for digital signatures adopted by the National Institute for Standards and Technology and includes use of the digital signature algorithm, the RSA digital signature, and the elliptic curve digital signature algorithm to verify and validate digital signatures.

Direct Deposit - An electronic transfer of a refund into a taxpayer's financial institution account.

Direct Filer - see "Transmitter".

Drop or Dropped - An EFIN that is no longer valid due to inactivity or other administrative action.

Due Diligence - Due Diligence, when used in context with the Earned Income Tax Credit (EITC), refers to requirements that income tax return preparers must follow when preparing returns or refund claims that involve EITC.

Earned Income Tax Credit (EITC) - The Earned Income Tax Credit is a refundable individual income tax credit for certain persons who work.

EITC Recertification - A requirement for a taxpayer previously denied EITC to provide additional information on Form 8862, *Information to Claim Earned Income Tax Credit After Disallowance*, when they file a similar EITC claim on a subsequent return.

Electronic Federal Tax Payment System (EFTPS) – A free service from the U.S. Treasury through which federal taxes may be paid. The taxpayer can pay taxes via the Internet, by phone or through a service provider. After authorization, EFTPS electronically transfers payments from the authorized bank account to the Treasury's general account.

Electronic Filing Identification Number (EFIN) - An identification number assigned by the IRS to accepted applicants for participation in IRS *e-file*.

Electronic Funds Transfer (EFT) - The process through which Department of the Treasury transmits Direct Deposit refunds from the government to the taxpayer's account at a financial institution.

Electronic Funds Withdrawal (EFW) - A payment method that allows the taxpayer to authorize the U.S. Treasury to electronically withdraw funds from their checking or savings account.

Electronic Management System (EMS) - front-end processing system for electronic information exchange between the Internal Revenue Service (IRS) and Authorized IRS *e-file* Providers (Providers), to a designated Submission Processing Campus. EMS receives returns from Transmitters, acknowledges the receipt of the information and prepares the information for mainframe processing.

Electronic Postmark - The Electronic Postmark is the date and time the Transmitter first receives the electronic return on its host computer in the Transmitter's time zone. The taxpayer adjusts the time to their time zone to determine timeliness.

Electronic Record - Any combination of text, graphics, data, audio, pictorial or other information representation in digital form that is created, modified, maintained, archived, retrieved or distributed by a computer system.

Electronic Return Originator (ERO) - An Authorized IRS *e-file* Provider that originates the electronic submission of returns to the IRS.

Electronic Signature - A method of signing an electronic message that identifies and authenticates a particular person as the source of the electronic message and indicates such person's approval of the information contained in the electronic message.

Electronic Signature Pad - An electronic device with a touch sensitive LCD screen which allows users to acquire and register a signature or any other physical signature capture device that captures and converts a signature into an electronic format.

Electronic Tax Administration and Refundable Credits (ETARC) – ETARC is the office within IRS with management oversight of the IRS' electronic commerce initiatives. The mission of ETARC is to revolutionize how taxpayers transact and communicate with the IRS.

Electronic Tax Administration Advisory Committee (ETAAC) - An advisory group established by the IRS Restructuring and Reform Act of 1998 to provide an organized public forum for discussion of ETARC issues in support of the overriding goal that paperless filing should be the preferred and most convenient method of filing tax and information returns.

Electronic Transmitter Identification Number (ETIN) - An identification number assigned by the IRS to a participant in IRS *e-file* that performs activity of transmission and/or software development.

Element Name (Tag Name) - a defined field name which the Software must use to identify the data they are providing.

Federal/State e-file - The Federal/State e-file option allows taxpayers to file federal and state income tax returns electronically in a single transmission to the IRS.

Financial Institution - For the purpose of Direct Deposit of tax refunds, the IRS defines a financial institution as a state or national bank, savings and loan association, mutual savings bank or credit union. Only certain financial institutions and certain kinds of accounts are eligible to receive Direct Deposits of tax refunds.

Financial Management Service (FMS) - The agency of the Department of the Treasury through which payments to and from the government, such as Direct Deposits of refunds, are processed.

Fraudulent Return - A "fraudulent return" is a return in which the individual is attempting to file using someone's name or SSN on the return or where the taxpayer is presenting documents or information that have no basis in fact.

Note: Taxpayers should not file fraudulent returns with the IRS.

Indirect Filer - An Authorized IRS *e-file* Provider who submits returns to IRS via the services of a Transmitter.

Individual Taxpayer Identification Number (ITIN) - A tax processing number that became available on July 1, 1996, for certain nonresident and resident aliens, their spouses and dependents. The ITIN is only available from IRS for those individuals who cannot obtain a Social Security Number (SSN). To obtain an ITIN, complete IRS [Form W-7, Application for IRS Individual Identification Number](#).

Intermediate Service Provider - An Authorized IRS *e-file* Provider that receives electronic tax return information from an ERO or a taxpayer who files electronically using a personal computer and commercial tax preparation software, that processes the electronic tax return information and either forwards the information to a Transmitter or sends the information back to the ERO or taxpayer.

Internet Protocol (IP) Information - The IP address, date, time and time zone of the origination of a tax return filed through Online Filing via the Internet. IRS requires Transmitters that provide Online Services via the Internet to capture the Internet Protocol Information of Online returns. By capturing this information, it transmits the location of the return's originator with the individual's electronic return. See [Publication 4164](#) for additional Information.

IRS e-file - The brand name of the electronic filing method established by the IRS.

IRS e-file Marketing Tool Kit - A specially designed kit containing professionally developed material that EROs may customize for use in advertising campaigns and promotional efforts.

IRS Master File - A centralized IRS database containing taxpayers' personal return information.

Levels of Infractions (LOI) - Categories of infractions of IRS *e-file* rules based on the seriousness of the infraction with specified sanctions associated with each level. Level One is the least serious, Level Two is moderately serious and Level Three is the most serious.

Memorandum of Agreement (MOA) & Memorandum of Understanding (MOU) - The implementing document containing the set of rules established by the IRS for participating in IRS pilots/programs.

Modernized e-File (MeF) - The Modernized e-File (MeF) system is an Internet-based electronic filing platform. It is a transaction-based system that allows tax return originators to transmit returns electronically to the IRS in real-time. MeF improves the response time required to issue an acknowledgement file to the transmitter that indicates whether the return was accepted or rejected for downstream processing.

Monitoring - Activities the IRS performs in order to ensure that Authorized IRS *e-file* Providers are in compliance with the IRS e-file requirements. Monitoring may include, but is not limited to, reviewing IRS *e-file* submissions, investigating complaints, scrutinizing advertising material, checking signature form submissions and/or recordkeeping, examining records, observing office procedures and conducting periodic suitability checks. IRS personnel perform these activities at IRS offices and at the offices of Providers.

Name Control - The first four significant letters of a taxpayer's last name that the IRS uses in connection with the taxpayer SSN to identify the taxpayer, spouse and dependents.

Non-substantive Change - A correction or change limited to a transposition error, misplaced entry, spelling error or arithmetic correction which does not require new signatures or authorizations to be transmitted or retransmitted.

Originate or Origination - Origination of an electronic tax return submission occurs when an ERO either:

1. directly transmits electronic returns to the IRS,
2. sends electronic returns to a Transmitter or
3. provides tax return data to an Intermediate Service Provider.

Pilot Programs - An approach that the IRS uses to improve and simplify IRS *e-file*. The IRS usually conducts pilot programs within a limited geographic area or within a limited taxpayer or practitioner community. The IRS embodies rules for participating in pilot programs in an implementing document typically referred to as a "Memorandum of Understanding" (MOU) or "Memorandum of Agreement" (MOA). Pilot participants must agree to the provisions of the implementing document in order to participate in the pilot program.

Potentially Abusive Return - A "potentially abusive return" is a return

1. that is not a fraudulent return;
2. that the taxpayer is required to file; or
3. that may contain inaccurate information that may lead to an understatement of a liability or an overstatement of a credit resulting in production of a refund to which the taxpayer may not be entitled.

Note: The decision not to provide a RAL or other bank product does not necessarily make it an abusive return.

Practitioner PIN Method - An electronic signature option for taxpayers who use an ERO to e-file. This method requires the taxpayer to create a five-digit Personal Identification Number (PIN) to use as the signature on the e-filed return.

Note: Requires Form 8879 to be completed.

Preparer's Tax Identification Number (PTIN) - An identification number issued by the IRS that paid tax return preparers must use on returns they prepared. A PTIN meets the requirements under section 6109(a)(4) of furnishing a paid tax return preparer's identifying number on returns that he or she prepares. Obtain a PTIN on [IRS.gov](https://www.irs.gov).

Refund Anticipation Check (RAC) – Financial product where the tax refund is issued to a limited/special-purpose deposit account at a financial institution that disburses fees associated with tax preparation and/or other services, and the balance to the taxpayer.

Refund Anticipation Loan (RAL) - A Refund Anticipation Loan is money borrowed by a taxpayer that lender bases on a taxpayer's anticipated income tax refund. The IRS has no involvement in RALs. A RAL is a contract between the taxpayer and the lender. A lender may market a RAL under various commercial or financial product names.

Refund Cycle - The anticipated date that the IRS would issue a refund either by Direct Deposit or by mail to a taxpayer. However, neither the IRS nor FMS guarantees the specific date that Department of the Treasury mails a refund or deposits it into a taxpayer's financial institution account.

Request for Agreement (RFA) - A solicitation, normally a written document, used in establishing non-monetary memoranda of agreement. RFAs are not "acquisitions" as defined by the Federal Acquisition Regulations (FAR).

Request for Procurement (RFP) - A solicitation, normally a written document, used in negotiated acquisitions estimated over \$100,000 (as opposed to sealed bids) to communicate government requirements to prospective contractors and to solicit proposals to perform contracts.

Responsible Official - An individual with authority over the IRS *e-file* operation of the office(s) of an Authorized IRS *e-file* Provider, who is the first point of contact with the IRS and has authority to sign revised IRS *e-file* applications. A Responsible Official is responsible for ensuring that the Authorized IRS *e-file* Provider adheres to the provisions of the Revenue Procedure and the publications and notices governing IRS *e-file*.

Revenue Protection - A series of compliance programs designed to ensure that the revenue the government collects and/or disburses in the form of refunds is accurate and timely, and that it issues disbursement of revenue only to entitled taxpayers.

Routing Transit Number (RTN) - A number assigned by the Federal Reserve to each financial institution.

RSA - An algorithm developed by Rivest, Shamir and Adleman.

Sanction – An action taken by the IRS to reprimand, suspend or expel from participation in IRS *e-file*, an Authorized IRS *e-file* Provider based on the level of infraction. See also Level of Infraction.

Self-Select PIN Method - An electronic signature option for taxpayers who e-file using either a personal computer or an ERO. This method requires the taxpayer to create a five-digit Personal Identification Number (PIN) to use as the signature on the e-file return and to submit authentication information to the IRS with the e-file return.

Software Developer - An Authorized IRS *e-file* Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to [Publication 4164](#) and/or (b) transmitting the electronic portion of returns directly to the IRS. A Software Developer may also sell its software.

Stockpiling – Stockpiling is waiting more than three calendar days to submit returns to the IRS after the Provider has all necessary information for origination of the electronic return or collecting e-file returns prior to official acceptance for participation in IRS *e-file*. The IRS does not consider collecting tax returns for IRS *e-file* prior to the startup of IRS *e-file* as stockpiling. However, Providers must advise taxpayers that it cannot transmit the returns to the IRS prior to the startup date.

Stylus Device - A device used on a display screen to input commands or handwritten text.

Submission ID - A globally unique 20 digit number assigned to electronically filed tax returns with the following format: (EFIN + ccyydd + 7-digit alphanumeric sequence number).

Suitability - A check conducted on all firms and the Principals and Responsible Officials of firms when an application is initially processed, and on a regular basis thereafter. The suitability check includes a background check conducted by the IRS to ensure the firm and individuals are eligible for participation in IRS *e-file*.

Suspension - A sanction revoking an Authorized IRS *e-file* Provider's privilege to participate in IRS *e-file*.

Transmitter - An Authorized IRS *e-file* Provider that transmits the electronic portion of a return directly to the IRS. An entity that provides a "bump-up" service is also a Transmitter. A bump-up service provider increases the transmission rate or line speed of formatted or reformatted information that it is sending to the IRS via a public switched telephone network.

Treasury Offset Program (TOP) - Public Law that established the Tax Refund Offset Program which permits the government to offset overpayments against delinquent child support obligations as well as debts owed to participating federal and state agencies. Treasury's Financial Management Service (FMS) office assumes responsibility and oversight for TOP.

Warning - Written notice given by the IRS to an Authorized IRS *e-file* Provider requesting specific corrective action be taken to avoid future sanctioning.

Written Reprimand - A sanction for a level one infraction of the IRS *e-file* rules. It reprimands a Provider for an infraction but does not restrict or revoke participation in IRS *e-file*.

- [Table of Contents](#) -

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