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│                        **ATTENTION**                        │
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THE SCENARIO PACKAGE, WITH SCRIPTED TEXT, WILL BE PROVIDED ON THE
ELECTRONIC FILING BULLETIN BOARD.

TO RECEIVE THE PRINTED VERSION OF THIS PUBLICATIONS NEXT YEAR,
YOU MUST COMPLETE THE FORM BELOW:

NAME OF FIRM	
NAME OF CONTACT	
TITLE	
MAILING ADDRESS	
CITY	
STATE	ZIP
SOFTWARE DEVELOPER	
ELECTRONIC RETURN ORIGINATOR	
TRANSMITTER	PREPARER
EFIN	ETIN
TELEPHONE	

SEND TO THE FOLLOWING ADDRESS BEFORE JUNE 1, 2002:

       INTERNAL REVENUE SERVICE
       CAROLYN J. MARTIN
       PUBLICATION 1436
       W:E:IEF:TPB
       C4-273 NCFB
       5000 ELLIN ROAD
       LANHAM, MD 20706

PARTICIPANTS ACCEPTANCE TESTING SYSTEM (PATS) 2001

WHO MUST FILE?

The Electronic Program Operations requires that all software developers and transmitters perform the tests in this Test Package before they can be accepted into the electronic filing program for the 2002(Tax Year 2001) filing season. Anyone who plans to transmit must test and be accepted using asynchronous protocol; **bisynchronous protocol will not be accepted.**

WHY TEST?

The purpose of testing is to ensure, prior to live processing that: 1) filers transmit in the correct format and meet the IRS electronic filing specifications; 2) returns have few validation or math errors; 3) required fields post to the IRS master file; and 4) filers understand and are familiar with the mechanics of electronic filing.

WHAT IS TESTED?

The test package for the 2001 Participants Acceptance Testing System (PATS) consists of thirty-five (35) return scenarios. Test 34 & 35 are for on-line filing. Each scenario includes the applicable W-2s, W-2Gs, 1099-Rs, 1040s, 1040As, and 1040EZs. The test returns include all forms and schedules accepted for electronic filing. Test **8** is the return to be used if you will be participating in the Federal/State electronic filing program. 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 scenarios provide the information needed to prepare the appropriate forms and schedules; however, computations and data for all lines have not been provided. Therefore, knowledge of tax law and tax preparation is necessary. You must correctly prepare and compute these returns before transmitting the tests. To eliminate the time spent by IRS staff in reviewing your final transmissions, it will be to your advantage to use the phrases and abbreviations appearing in the test package, and enter the data in the same order as it appears in the scenario. You must also transmit the test returns in consecutive ascending SSN order. It is important that you enter the correct Return Type and Source Return Indicator.

New Test Password – New or revised applicants who will be transmitting to the IRS for PY 2002 will receive an eight-digit alphanumeric test password. This password will be mailed to the applicants. It will be valid at the beginning of PATS, which will begin November 13, 2001.
The production Passwords will be mailed out as we have done in the past.
Please remember to contact your home-processing site if you forget your test password.

SPECIAL NOTES CONCERNING TEST SCENARIOS

The Answer File can provide only one answer for each scenario line item. Since there may be alternative ways to prepare the return, it may be necessary to discuss your method of preparation with the tax examiner to resolve any mismatches. In each scenario, under the heading "OTHER", information may be present which might help clarify the scenario. Any optional forms mentioned

in the test are included in the PATS Answer File. Some W-2s may be non-standard.

Since every conceivable condition cannot be represented in the Test, you may want to test any conditions you feel are appropriate once you have passed the Test. Suggestions for the additional scenarios are welcome and, if accepted, can be added to the Tax Year 2002 package.

Some tests will indicate under the heading "PREPARED BY" that they were prepared by a specific fictitious paid preparer, or that the IRS assisted the taxpayer (non-paid preparer information), or that the taxpayer prepared the return. You must provide for the transmission of Third-Party Paid and Non-Paid Preparer information as specified in the scenarios. Where this information is blank, you are to supply the information that is appropriate for your situation; i.e., as if a preparer in your office(s) had prepared the return. (See Attachment 6 of the File Specifications, Pub. 1346, for more information on Non-Paid and Paid Preparer fields.)

Tests **32** and **33** have Electronic Filing Identification Numbers (EFINs) printed on the top of the first page of the scenario. These are to be used by Electronic Return Originators who wish to test their ability to monitor and assign DCNs on returns collected from other EROs. If you are not a collector, then use your own EFIN in the DCN.

The interest rates for the final quarter for Form 2210 were not available at the time of publication. The following multipliers were used on the penalty computation forms:

Form 2210F, line 18:   0.09

Form 2210, line 19:   0.05976
Form 2210, line 20:   0.00025
Form 2210, line 32:   0.09
Form 2210, line 34:   0.09

These amounts are subject to change, as the rates become available. Forms W-2, W-2G, and 1099R contain state wages and withholding. If the test scenario includes a Schedule A, the state withholding is included in the amount given for line 5 of the Schedule A.

WHEN TO TEST

When you are ready to test, on November 13 through November 20 or starting November 26, 2001, call the Electronic Filing Unit in the service center serving your main office. They will assign a tax examiner to help you in successfully completing the tests.

Andover Service Center	978-474-1579
Austin Service Center	512-460-8900
Cincinnati Service Center	859-669-5621
Memphis Service Center	901-546-2690
Ogden Service Center	801-620-7444

REVIEWING ACK FILES AND CORRECTING TESTS

You may transmit as many test returns as necessary until you receive no error messages; however, Test 11 will always be rejected. This is to provide you with experience in reading the Error Records contained in the Acknowledgement File. Test 11 will be rejected with Error Reject Code 500 [The Primary-SSN (Field 0003) of the Record ID for Form 1040, Page 01, and the Name Control(SEQ 0050) must match the corresponding data in the IRS Master File], and you will not be able to correct it.

While you are solving problems, you may transmit only the problem returns until you have no rejects. You may modify tests to include only conditions your software will handle, e.g., if you can transmit only 10 W-2s, then on the test with 20 W-2s, transmit 10, and adjust your figures accordingly. You must inform the tax examiners of any forms you do not intend to file
So they will understand why the answers do not agree with the Answer File.

FINAL TRANSMISSION

Once you receive no rejects, other than Test 11, you will be required to transmit the returns in two separate, same-day transmissions, including the test with the Error Reject Code 500 rejection. You are required to make two separate transmissions in the same day in order to test the ability of your software to increment the transmission sequence number that appears in the TRANA record. Tests 1-16 should be in the first transmission and Tests 17-33 in the second transmission.

REVIEW OF PARTICIPANTS RETURNS FILE (PRF) AGAINST PATS ANSWER FILE

This transmission (PATS I) will be compared against the **PATS ELF Answer File**. The comparison program checks each byte and prints out the fields that differ. The tax examiner will review the printout and will discuss any problems with you. Some fields will differ and are not considered incorrect, but others MUST AGREE EXACTLY. These fields are all SSNs, ATINs, EINs, ITINs, RTNs, account numbers, percentage and date fields, and the entity portion of the 1040 family and ETD Forms 56, 2350, 2688 4868 and 9465. When these miscompares are either accepted or corrected, you will pass the test.

Remember: The Tax Examiner will not run a "Compare" until there are no reject conditions for the test returns on the ACK file (with the exception of the forced reject of Test 11).

COMMUNICATIONS TEST FOR THE *e-file* SYSTEM

There are two primary EMS sites: Tennessee Computing Center (TCC),(which hosts Cincinnati and Memphis nodes) and Austin Service Center (AUSC), (which hosts Andover, Ogden and Austin nodes). Returns for Memphis and Cincinnati will be transmitted to TCC; returns for Andover, Ogden and Austin will be transmitted to AUSC. If you are a Software Developer/Transmitter and plan to transmit returns to more than one service center, you are only required to send a transmission to one node at each EMS site. You must be accepted by your primary service center first. You must then complete an *e-file* communications test by transmitting five returns in two same-day transmissions (three returns in one transmission and two in other) to each EMS site. A Software Developer/Transmitter must pass the communications test with software using the asynchronous (ASC) protocol.

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 each

applicable EMS site where your client's returns will be filed. A Preparer/Transmitter must pass the communications test with software using the asynchronous (ASC) protocol.

A Software Developer who will not transmit need not perform a communications test for the ELF system.

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 using prescribed data from selected scenarios.

Once you have passed the ELF PATS I test, you may begin testing with the ETD PATS II data. The ETD file is being composed of thirty-three (35) intermixed Form 9465, Form 4868, Form 2688, Form 56 and Form 2350.

This transmission will be compared against the **PATS ETD Answer File**.

Once you receive no rejects, you will be required to transmit the returns in two separate, same-day transmissions. Test 1-17 should be in the first transmission and 17-33 in the second transmission.

COMMUNICATIONS TEST FOR THE ETD SYSTEM

If you are a Software/Transmitter and plan to transmit returns to more than one center, you must send a transmission to one node at each EMS site however, you must first be accepted by your primary service center. You must then complete an ETD communications test by transmitting five returns in two same-day transmissions (three returns in one transmission and two in the other) with each EMS site. A Software Developer/Transmitter must pass the communications test with software using the asynchronous (ASC) protocol.

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.

USING YOUR OWN TEST

When you have been notified that you have passed the PATS test, you may test with data of your own, provided that you are using your TEST password. You must use the word "TEST" as the first name of the taxpayer, and you may use any of the SSNs within the test package. DO NOT use any other SSNs.

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.
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 do the complete form with all fields included. 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.

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 specfic information concerning changes to this and
other publications.

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

<div align="center">(859) 669-0137</div>

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.

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. State testing may begin after the Software
Developer has had thirteen (13) federal returns accepted with no Error Reject
Codes at the primary service center. The primary 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 service center.

The Software Developer may be required to create specific data from state test
scenarios. The state coordinator will have information about specific testing
procedures for each state.

TECHNICAL ASSISTANCE

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.

The primary 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. The state coordinator will work with the Software Developer to resolve all reject conditions on state returns.

The primary IRS will perform limited testing on the state generic and unformatted records. 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.

The IRS will not perform a **"Compare"** to look at specific state data. 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

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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
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The IRS will only accept these SSNs during Participants Acceptance Testing (PATS). They will be rejected 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 10, 2002.

Highlight of 2001 PIN Changes

Self-Select PIN - Practitioners also have the option of filing a totally paperless return for their clients through the Self-Select PIN Program. **The Self-Select PIN now only requires the Taxpayer's SSN, Date of Birth, Adjusted Gross Income (AGI) from their prior-year tax return and a five-digit Personal Identification Number (PIN) for validation and signature.**

Eligible Taxpayers

The following taxpayers are eligible to participate:

- Taxpayers who filed Form 1040, 1040A, 1040EZ or Telefile for Tax Year 2000
- **Taxpayers who filed Form 1040NR and 1040PR in Tax Year 2000, who are eligible to file Form 1040 for Tax Year 2001**
- Taxpayers who did not have a requirement to file for Tax Year 2000, but have filed previously
- First time filers who are sixteen or older on or before December 31, 2001
- Military personnel residing overseas with APO/FPO addresses
- Taxpayers residing in the U.S. possessions of the Virgin Islands, Puerto Rico, American Samoa, Guam and the Northern Marianas, or with foreign country addresses

Returns for the following taxpayers are **"NOT"** eligible to participate in the Self-Select PIN for e-file:

-     Taxpayers under the age of sixteen
-     Taxpayers required to file a Form 8283 (Non-Cash Charitable Contribution

- Section B) or Form 8332 (Release of Claim to Exemption for Children of Divorced or Separated Parents). These forms need to be attached to a Form 8453 or 8453-OL.

Self-Select PIN Validations

The following fields must be present for the taxpayer when using the Self-Select PIN for *e-file*:

<u>Primary:</u> Social Security Number
          Name Control
          Date of Birth
          AGI from Tax Year 2000 return

<u>If Married Filing Joint:</u>
          Spouse Social Security Number
          Spouse Name Control
          Spouse Date of Birth
          Spouse AGI from Tax Year 2000 return

If taxpayers filed a joint return in Tax Year 2000, they are required to enter the same AGI amount for the Primary and Spouse. The AGI **is not** split between the two.

If taxpayers did not file jointly in Tax Year 2000**,** they are required to provide their own AGI amount.

If taxpayers did **"NOT"** file a return in Tax Year 2000, they are required to enter zeros for the AGI amount.

If taxpayers filed Forms 1040NR or 1040PR in Tax Year 2000, and are now eligible to file Form 1040, they are required to enter zeros for the AGI amount.

Note: Late filers can still use the Self-Select PIN.

Taxpayers filing their <u>2000</u> tax return after November 16, 2001 are eligible to use the Self-Select PIN for IRS *e-file*. These taxpayers will need to submit zeroes for their Adjusted Gross Income. In the event their return is rejected due to a mismatch of AGI, they can resubmit their return using their actual values. The extract creating the Self-Select PIN eligibles is created in November and due to processing constraints, late filers may or may not be included.

What's New for Tax Year 2001

Practitioner PIN Program – The Practitioner PIN Program is an option, available to EROs that have a Memorandum of Agreement with Internal Revenue Service, to file a totally paperless electronic tax return using a five digit Personal Identification Number (PIN) as the Taxpayer's signature. Taxpayers would select their own PIN and opt to either enter the PIN themselves or authorize the Practitioner to enter the PIN. There is "No" AGI or Date of Birth to enter for validation of the Practitioner PIN. First time filers under the age 16 are also eligible to participate in the Program.

New Forms (ELF) – The following forms have been added. Forms 982, 2120, 2439, 4563, 5074, 5471, Schedule J (Form 5471), Schedule M (Form 5471), Schedule N (Form 5471), Schedule O (Form 5471), 5713, Schedule A (Form 5713), Schedule B

(Form 5713), Schedule C (Form 5713), 8082, 8275, 8275-R, 8609, Schedule A (Form 8609), 8611, 8621, 8689, 8697, 8865, Schedule K-1 (Form 8865), Schedule O (Form 8865), Schedule P (Form 8865) and 8866.

New Procedures for forms not in test scenarios - All the new forms to e-file were not included in the test scenarios. However, if you plan to develop any of these new forms, you may include them in one of the test scenarios. If there are no reject codes related to that particular form(s), this will indicated that you have met the file specification and may file the form(s). Your acceptance notification will include any of the new forms you transmit. After you have completed your PATS testing select a return(s) and attach whatever forms you plan to file that were not already included in the test scenarios. To ensure the form is completed according to our specifications, the money amounts that apply to other forms or schedules in that test scenario must be completed. There will be no compares on these forms.

New Forms (ETD)- Form 56 has been added for ETD processing.

Preliminary Answer File – A preliminary answer file will be posted to the Bulletin Board and Digital Daily on November 8, 2001. This file may be used to do internal compares and resolve any discrepancies. After you have completed the review and the test scenarios are consistent with the preliminary answer file, you may transmit starting November 13, 2001 through November 20, 2001. Note: This file will not contain the final changes related to the Record Layouts posted to the Bulletin Board October 18, 2001 (Release 6). You will be able to receive your acknowledgement files and any state return data.

Remember this is not the final official Answer File and we will not give any "acceptance" notification at this time. You will have to re-transmit when the official Answer File has been established. Effective November 26, 2001, at this time the service center will begin doing compares and giving the "acceptance" notification.

Preliminary Answer files - will be in variable format. It will be posted as a file consisting of all the forms and schedules that are included in each test scenario. All the fields [sequence numbers] with the appropriate values will be in the file. When you have finished developing your test scenarios, your fields and values should be consistent with the field/values on the file.

Advance Reduction Credit – If the taxpayer did not received the maximum advance credit last year, and is entitled to claim the additional amount on their 2001 tax return, it can be claimed in Rate Reduction Credit field of the Form 1040/A/EZ. We would like to caution you that e-file will not do any comparison or up-front analysis on the amount. The verification of the amount will be performed during our normal return validation process. At this time, the return will have already been accepted electronically. However, if the amount of the rate deduction credit claimed on the 1040/A/EZ return is incorrect, and a refund is due the refund may be delayed or reduced. The taxpayer should be advised that their refund could be delayed or reduced if they are in doubt of the correct amount.

Remember:
- If the Rate Reduction Credit claimed on the 2001 balance due tax return exceeds the maximum amount this will change the amount owed.
- If rate Reduction Credit claimed on the 2001-refund tax return exceeds the maximum allowable amount, this will change the amount of the taxpayer refund.
- If there is a Refund Anticipation Loan (RAL) on a refund return that claiming the rate reduction credit, there is a risk that the refund may be

delayed and/or reduced.
- A good rule to follow regarding RALS and Advance Rate Reduction Credit may be if the credit amount is in doubt it may be best to leave this amount out.

HELP - If you need assistance in formatting and transmitting your returns or have questions regarding these tests, contact the appropriate service center. Suggestions for scenarios are welcome. If you find errors or would like to comment on this Test Package, please write:

        Internal Revenue Service
        Carolyn J. Martin
        W:E:IEF:TPB
        C4-273 NCFB
        5000 Ellin Road
        Lanham, MD 20706