New esignature Guidance for IRS efile

In an effort to make electronic filing easier, new guidance has been issued that will expand the use of electronic signatures on two authorization forms for individual income tax returns, Forms 8878 and 8879. These authorization forms are used when the Practitioner PIN method is used or when the taxpayer authorizes the electronic return originator (ERO) to enter or generate the taxpayer's personal identification number (PIN) on his or her e-filed individual income tax return.

Electronic signatures are accepted on:

- Form 8878, IRS e-file Signature Authorization used by filers of extension requests, that is, Form 4868 or Form 2350. The latter form is for taxpayers living outside the United States;
- Form 8879, IRS e-file Signature Authorization used by filers of Form 1040, 1040A, Form 1040EZ or Form 1040-SS.

The e-signature guidance adds another signing option for taxpayers. For example, taxpayers can e-sign either Form 8878 or Form 8879 from their home computer. Taxpayers can also physically sign the authorization form in their electronic return originator's office or physically sign and mail the form to their ERO.

Taxpayers may e-sign and e-file their tax returns after they verify their identity with the ERO. If the taxpayer is completing an in-person transaction, and the ERO and the taxpayer do not have a multi-year business relationship, then the ERO must perform the steps to identify and authenticate the taxpayer. If a taxpayer is completing an in-person transaction, and the taxpayer and the ERO have a multi-year business relationship, the ERO should, but is not required, to take the steps to verify the taxpayer's identity. Neither Form 8878 nor Form 8879 is submitted to the IRS, but must be retained with the clients' records.

Electronic Signature Software

The new guidance provides opportunity for innovation from the software industry. It does not specify how the e-signature should occur. Publication 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns, offers guidance on currently acceptable e-signature methods, identity verification requirements and electronic record requirements in the "Signing an Electronic Tax Return" section. The software industry also is advised to review the National Institute of Standards and Technology, Special Publication 800-63, Revision 2 for electronic authentication guidelines.

Benefits for Electronic Return Originators and Taxpayers

Use of e-signatures is optional for electronic return originators. The e-signature option helps reduce office expenses like paper, postage and physical storage space and time-consuming efforts spent obtaining a physically signed authorization form.

The new guidance reduces burden on taxpayers who had to physically sign the authorization form either in their ERO's office or mail it. Identity verification requirements support efforts to protect taxpayers from identity theft.

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