

Key Terms

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.

electronic filing—The transmission of tax information directly to the IRS using the Internet. 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 include Certified Public Accountants (CPAs), tax attorneys, IRS-enrolled agents, and tax-preparation businesses. Only EROs can prepare tax returns and transmit them electronically. Some EROs charge a fee for filing returns electronically, some incorporate the cost into their preparation fee, and some do not charge for this service.

Federal/State e-file—Program sponsored by IRS in partnership with participating states that allows taxpayers to file federal and state income tax returns electronically at the same time.

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, or electronically (e-file).

IRS e-file—The use of automation to replace most of the manual steps used to process paper returns. The information on a tax return is transmitted, or sent electronically, to an IRS computer, where it is automatically checked and processed. Refunds can go into the taxpayer’s savings or checking account by Direct Deposit. Electronic filing is faster and more accurate.

Personal Identification Number (PIN)—This allows taxpayers to “sign” their tax returns electronically. The PIN ensures that electronically submitted tax returns are authentic. Most taxpayers can self-select a PIN.

refund—After the income tax return is prepared, the money owed to the taxpayer, if any, is called a refund.

tax liability—The total tax bill, or 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 taxpayer preparation software works with the IRS electronic filing system.

transmit—A tax return is transmitted when it is sent to the IRS electronically. Tax returns prepared on paper can be sent through the mail.

Volunteer Income Tax Assistance (VITA)—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.