



E-File Authorizations (TR-579 forms) for Taxpayers Using a Paid Preparer for Electronically Filed Tax Returns

This memorandum provides guidance regarding the use of an electronic signature on tax documents collected by tax preparers under Tax Law §171-aa.

Taxpayer Signature Required on Electronic Return Authorizations

Taxpayers using a tax return preparer or other electronic return originator (ERO) to electronically file their return are required to sign and date the applicable e-file authorization (Form TR-579) in order to authorize electronic filing. This authorization occurs after reviewing their return and ensuring the return information on the TR-579 matches the information on the return. The taxpayer must return the completed TR-579 to the ERO and may do so by electronic means (for example, by fax or email).

EROs must retain the signed TR-579s for a period of three years. EROs do not send TR-579s to the Tax Department unless the Tax Department requests them to do so.

New Option for Taxpayers to Use Electronic Signature to Sign TR-579s

Effective immediately, electronic signatures may be used by taxpayers on all TR-579s. If the software provides electronic signature capability and the other requirements set forth below are also met, a TR-579 that is electronically signed by the taxpayer is acceptable. If taxpayers use an electronic signature, the software and the ERO must be able to verify the taxpayer's identity.

Electronic signatures appear in many forms and may be created by many different technologies. The Tax Department does not require that any specific technology be used.

Examples of acceptable electronic signature technologies include:

- A handwritten signature input onto an electronic signature pad.
- A handwritten signature, mark or command input on a display screen by means of a stylus device.
- A digitized image of a handwritten signature that is attached to an electronic record.
- A typed name (for example, typed at the end of an electronic record or typed into a signature block on a website form by a signer).
- A digital signature.
- A mark captured as a scalable graphic.

The software must record the following data:

- Digital image of the signed form.
- Date and time of the signature.
- Taxpayer's computer IP address (Remote transaction only).
- Taxpayer's login identification - user name (Remote transaction only).
- Identity verification: Taxpayer's knowledge-based authentication passed results and for in-person transactions, confirmation that government picture identification has been verified.
- Method used to sign the record (for example, typed name); or a system log; or other audit trail that reflects the completion of the electronic signature process by the signer.

Note: The ERO must provide this information to the Tax Department upon request.

Identity Verification Requirements

The electronic signing process must be associated with a person. Accordingly, ensuring the validity of any electronically signed record begins with identification and authentication of the taxpayer. The electronic signature process must be able to generate evidence of the person the electronic form of signature belongs to, as well as generate evidence that the identified person is actually associated with the electronic record.

If there is more than one taxpayer for the electronic record, the electronic signature process must be designed to separately identify and authenticate each taxpayer.

The identity verification requirements must be in accordance with National Institute of Standards and Technology, Special Publication 800-63, Digital Identity Guidelines, Level 2 assurance level and knowledge-based authentication or higher assurance level.

Electronic Signature via In-Person Transaction

An in-person transaction for electronic signature is one in which the taxpayer is electronically signing the form and the ERO is physically present with the taxpayer at the time of signing. The ERO must validate the taxpayer's identity for in-person transactions unless there is a multi-year business relationship between the taxpayer and the ERO. A multi-year business relationship is one in which the ERO has originated tax returns for the taxpayer for a prior tax year and has identified the taxpayer using the identity verification process described below.

For in-person transactions, the ERO must inspect a valid government picture identification; compare picture to presenter; and record the name, social security number, address, and date of birth. Examples of government picture identification (ID) include: a driver's license, employer ID, school ID, state ID, military ID, national ID, voter ID, visa, or passport.

Verify that the name, social security number, address, date of birth, and other personal information on the record are consistent with the information provided through record checks with the applicable agency or institution or through credit bureaus or similar databases. For in-person transactions, the identity verification through a records check is optional.

Electronic Signature Via Remote Transaction

A remote transaction for electronic signature is one in which the taxpayer is electronically signing the form and the ERO is not physically present with the taxpayer. For remote transactions, the ERO must record the name, social security number, address, and date of birth of the taxpayer.

Verify that the name, social security number, address, date of birth, and other personal information on record are consistent with the information provided through record checks with the applicable agency or institution or through credit bureaus or similar databases.

Note: An electronic signature via remote transaction does not include a taxpayer's handwritten signature on the TR-579 sent to the ERO by electronic or other means of delivery.

Identity Verification

The software used for the electronic signature process may use credit records, also known as credit reports, to verify the taxpayer's identity. Identity verification may consist of a record check with a credit reporting agency. A credit reporting agency uses information from the taxpayer's credit report to generate knowledge-based authentication questions. This action may create an entry on the credit report called a *soft inquiry*.

The software used for the electronic signature process should include an advisory to taxpayers stating the use of third party data for identity verification; how third party data is used for identity verification; if a *soft inquiry* will be generated and the effect, if any, on the credit report, credit scores, and reporting to lenders; and how the inquiry may appear on the credit report.

The software should also include an advisory to taxpayers stating the Tax Department will not be given view of or access to a taxpayer's credit report, nor will the credit reporting company or any other identity verification third party have access to the taxpayer's tax information.

The process of identity verification through the use of a record check with a credit reporting company or other identity verification third party for purposes of electronically signing does not require additional consents from the taxpayer beyond those obtained for preparing and filing their taxes, nor does it violate any of the secrecy provisions of the Tax Law.

Identity Verification Failure

When an ERO uses tax preparation software to interact with the taxpayer for purposes of obtaining an electronic signature on a TR-579, the software will enable the identity verification using knowledge-based authentication questions. If the taxpayer fails the knowledge-based

authentication questions after three attempts, then the ERO must obtain a handwritten signature on the TR-579.

Electronic Records

Electronic signatures must be linked to their respective electronic records to ensure that the signatures cannot be excised, copied, or otherwise transferred to falsify an electronic record. After the electronic record has been signed, it must be tamper-proof. Therefore, techniques must be employed that lock a document and prevent it from being modified.

Storage systems must have secure access control to ensure that the electronic records cannot be modified.

Additionally, storage systems must also contain a retrieval system that includes an indexing system, and the ability to reproduce legible and readable hardcopies of electronically stored records.

ERO Signature

Where an ERO signature is required on a TR-579, an ERO may sign by means of a rubber stamp, mechanical device, or computer software program (in accordance with [TSB-M-05\(1\)C, \(1\)I, \(1\)S, \(1\)M](#), *Alternative Methods of Signing for Tax Return Preparers*). The signed form must include either a facsimile of the ERO's signature or the ERO's printed name. The ERO is personally responsible for affixing the signature to the applicable TR-579.

The signed form must be retained for three years from the return due date or the NYS received date, whichever is later. EROs do not send TR-579s to the Tax Department unless the Tax Department requests they do so.

Note: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.