

Daily Tax Report ®

Insight

Buy or Build? New IRS Online Platform Forces E-Filers to Choose

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Tax practitioners should be aware of sweeping technological changes at the IRS affecting how filers of Forms 1099 and similar information returns, as well as Form 1042 for US source income of foreign persons, submit these returns to the IRS.

Knowing the access requirements for using the IRS's new systems to file these returns will help filers and their tax advisers decide whether to buy or build software.

New Online Platform

The Information Returns Intake System, or IRIS, is the new platform for filing information returns electronically. The IRS plans to retire its older Filing Information Returns Electronically, or FIRE, system for e-filing 2026 returns in 2027.

Since tax year 2023, filers issuing 10 or more information returns (10 or more when aggregating all Forms W-2, 1099, 1042-S, etc.) have to file electronically. Accordingly, IRIS won't be optional—for many businesses, it will be the required method for compliance.

IRIS offers two main intake channels:

- **Taxpayer portal:** A web-based portal for filers to manually enter data or upload up to 250 returns at a time via a CSV file.
- **Application-to-application (A2A):** Designed for software providers or larger filers to e-file through automated submission of returns of up to 100 megabytes per submission.

To file in the taxpayer portal, taxpayers must:

- **Obtain an IRIS transmitter control code.** This is required to identify the business as an approved issuer or transmitter, even for users who separately obtained a FIRE TCC. To obtain an IRIS TCC, the filer must identify at least two responsible officials with a US taxpayer identification number, or TIN, and be authenticated via ID.me.
- **Grant each individual user access the IRIS system.** Access to the IRIS portal is limited to individuals who have a US TIN and are authenticated via ID.me.
- **Download the CSV templates and guidelines.** Generate a CSV that meets the IRIS CSV template formatting guidelines by tax year.

To use a self-developed A2A connection, the following additional actions are also required:

- **Apply as a software developer** and obtain an API identification
- **Pass the IRIS** assurance testing system

Modernized E-File

Final regulations on electronic filing requirements for Form 1042 will affect financial institutions, partnerships with at least 100 partners, and any entity (other than a trust or estate) that files 10 or more tax returns of any type for the reporting year.

US withholding agents had to e-file during 2025; non-US withholding agents must e-file in 2026. Filings are made using the MeF system via a schema that is provided only to IRS-approved providers. To use the modernized e-file system, a filer must complete an application that identifies the firm, lists principals and responsible officials, and specifies which e-file roles the firm intends to fulfill.

Each principal and responsible official must be a US citizen or permanent resident and meet licensing requirements (such as an attorney, CPA, enrolled agent, or banker).

The IRS reviews the application and conducts suitability checks, such as ensuring past tax compliance. If accepted, the IRS will assign an electronic filing identification number, or EFIN.

To submit without third-party software, an entity must apply as a developer and undergo testing to ensure the software meets certain specifications. Even after approval, providers must undergo periodic monitoring to confirm the software complies with IRS rules.

Things to Consider

IRS testing and approval for IRIS or MeF can take several months, and, in our experience, IRS troubleshooting support is limited. Developers should be prepared to support multiple updates, even after the end of that year's reporting season. The IRS generally provides updates both before and after the start of the reporting season.

A separate software package also must be created and maintained for each tax year. For example, a filer amending a prior-year return like 2025 must use that year's rules rather than the current-year rules.

For information returns, the A2A process is solely for transmitting data to the IRS and doesn't create recipient forms. A user will need a means to generate the forms to be furnished to recipients.

The current regulatory environment has seen an increase in new forms (Form 1099-DA, Form 1098-VLI), as well as expected changes to Forms 1099-K and 1099-NEC to align with the 2025 tax-and-spending law. Software developers should plan accordingly to support these known and expected changes to forms.

States may require data transmissions to continue in their current format, creating a need to support additional layouts.

The IRS doesn't publish all the error codes and reasoning, requiring the development of a consolidated list of IRS validations. Some of these errors will cause a rejection if they exceed a threshold and those thresholds aren't published within the IRS business rules.

Key Takeaways

Converting to IRIS for filing information returns and e-filing of Form 1042 marks a major modernization in how the IRS receives and processes information and withholding tax returns. This will streamline the IRS acknowledgment of the filings and review of data.

This modernization requires filers to either maintain software or engage a trusted vendor that can provide not only the means to file but also sound logic and helpful validations to navigate all the changes and business rules.

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