

Want to receive 4506-T documents electronically? Ensure you are addressing recent changes

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Last year saw two substantive changes to the way lenders can receive signed 4506-T documents.

First, under the Taxpayer First Act, Section 6103 of the Internal Revenue Code was amended to state that “[p]ersons designated by the taxpayer under this subsection to receive return information shall not use the information for any purpose other than the express purpose for which consent was granted and shall not disclose return information to any other person without the express permission of, or request by, the taxpayer.” Therefore, in a loan transaction, borrowers must now separately provide consent for the use of their tax information and for that information to be shared with third parties.

Second, the IRS stated that effective July 1, 2019, it “will no longer provide transcripts requested on Form 4506, Form 4506-T and Form 4506T-EZ to third parties” and that it would revise the forms to state as such. The IRS stated that third parties can use the Income Verification Express Service (IVES) program as an alternative.

To participate in the IVES program using electronic signatures, all participants **must**:

- Use an independent party to audit and ensure that the electronic signature requests meet all the requirements set forth by the IRS

- Implement an audit process that includes a monthly sample size review of 125 electronically signed 4506-T forms and
- Provide the audit findings annually to the IRS by January 31 of each year, including both the monthly results as well as the total annual computations.

IVES participants with audit findings that show a failure to meet all requirements will be prohibited from continuing to use electronic signatures.

As part of the IRS requirements, IVES participants must ensure that the process used to sign the Form 4506-T document includes each of the following elements:

- Authentication
- Consent
- Electronic signature
- Tamper-proof seal
- Audit log
- Retention

Because audit findings must be submitted to the IRS by January 31 of the following year, for 2019 IVES participants must submit their audit performed by an independent party by January 31, 2021.

If you are an IVES participant but have not yet begun your audit process using an independent party, please note that we have vast experience in completing these audits in an efficient and timely manner to ensure that you meet the coming January 31, 2021 deadline.

AUTHORS

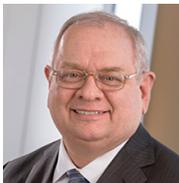


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