

Tax Year 2025 Income Tax Letter of Intent (LOI)

Software Provider Informational Guide





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INTRODUCTION

Welcome to Tax Year 2025 Agency Letter of Intent Informational Guide.

This guide is designed to provide you with information about the Individual and Business Income Tax Letter of Intent (LOI). Including:

- How the LOI is designed and what's included.
- What is customizable in the LOI and ways to customize it.
- Providing access to information in the State Exchange System.
- Where to find resources and information to assist you with the LOI process.

The development and implementation of the LOI is made possible by the participation of individuals from various agencies. FTA would like to thank the LOI design committee:

- Chandra Shetty, California Franchise Tax Board
- Hang Dao, Colorado Department of Revenue
- Heather Vellanti, Michigan Department of Treasury
- Lea Durand, North Carolina Department of Revenue
- Melanie Bazan, Oregon Department of Revenue
- Nicole Meagan, Utah State Tax Commission
- Scott Larson, Maine Revenue Services
- Sean Murray, North Dakota Department of Revenue



Keywords and Terminology

These terms are used in the LOI according to the following definitions.

Agency Substitute Form Software Number – A number generated by the agency to identify the software product used to produce the forms.

ATS – Assurance Testing System. The process of testing software by submitting returns through the modernized Electronic Filing (MeF) system before the opening of the filing season.

City/State Issued Software ID – A string of alpha/numeric characters created by the agency and used by the Software Provider when submitting returns.

City/State Tax Account Number – If a Software Provider is required to register in your state to do business, this is the tax ID number assigned to them when they register.

Common/Shared Forms – Forms used across multiple tax types and usually housed in the “common” folder in the schemas.

Data Elements – A unit of data defined for processing that contain a set of values. For example, account number or name. Size (in characters), and type (numeric, true/false, alpha).

EFIN – A six-digit Electronic Filing Identification Number assigned by the IRS to individuals or firms who have been approved as authorized IRS e-File providers.

ETIN – A five-digit Electronic Transmitter Identification Number assigned by the IRS. Software Providers are transmitters of electronic tax returns; therefore, they need an ETIN to transmit returns. Some cities/states use this number to identify the software being used to produce the returns.

Desktop Software Product – Electronic filing software this is accessed locally on a computer device. They are not accessible from a web browser.



Keywords and Terminology

DIY Software – (Do It Yourself) software the taxpayer uses to electronically complete and submit their return on their own.

MeF – Modernized Electronic Filing program administered by the IRS.

NACTP Vendor ID – The National Association of Computerized Tax processors (NACTP) vendor IDs. It is a 4-digit number anyone can get, regardless of whether they are a member of NACTP. Some agencies require this number be displayed on their substitute forms.

Production EFIN – The six-digit electronic filing identification number assigned by the IRS to the software company. It's used for the submission of live electronic returns.

Production ETIN – The five-digit electronic transmitter identification number assigned by the IRS to the software company. It's used to identify companies who are transmitting live returns to the IRS.

Rebranded Software Products – A software company can sell their product to another company. If the software sold and/or licensed to a third-party only has "cosmetic changes" and the software requirements and outputs are not changed, the software is considered rebranded software.

Same Calculation Engine – A Software Provider's products that use the same calculation engine and support all the same forms and schedules.

Schema – A model for describing the structure of information to be delivered by the Software Provider.



Keywords and Terminology

Software Exceptions – When the Software Provider’s products share the same calculation engine, but do not support the same forms, schedules, lines, and/or credits. For example, the professional product supports all schedules, but the DIY software is limited to simple returns and does not support all schedules. The statement reminds the Software Provider that they should provide this information during ATS to assist with the city/state review.

Software Limitations – Some Software Providers do not support certain forms, schedules, or lines. The Software Limitations statement reminds the Software Provider that they should provide this information during ATS to assist with the city/state review.

State Exchange System (SES) – A secure file exchange system hosted by FTA that is used to exchange information between agencies and Software Providers.

Substitute Forms Registration – Substitute forms allow the taxpayer to print and/or mail their returns if they choose to not file electronically. The registration portion of the LOI allows Software Providers to notify you that they intend to test your substitute (paper) forms.

Test EFIN – The six-digit number assigned by the IRS to the software company. Some software companies will take this number and identify it as an EFIN used for testing. It’s a different number from their live production return submission number.

Test ETIN – When the IRS assigns an ETIN, the Software Provider would receive one five-digit number that is identified as their test ETIN and used when doing their Assurance (ATS) testing.

Web-Based Software Product – Electronic filing software that is accessed over a network connection versus existing within the memory of the device. This type of product usually runs inside a web browser.



What is the letter of intent (LOI)?

The LOI is a binding agreement that communicates the agency expectations (required or prohibited) of Software Providers and allows the agency to request information about your software products. Some agencies use it in conjunction with other materials such as design specifications, testing scenarios, and software guides.

Why does the LOI exist?

A small group of states and industry members recognized a need to streamline the process for requesting information and expressing the expectations of most agencies. In addition, the LOI:

- Gave agencies, who did not have a formal way to communicate expectations with Software Providers, an avenue for them to communicate information.
- Introduced an opportunity for agencies to deal with other administrative items for Software Providers such as testing of software.
- Provided Software Providers with elements of consistency across multiple cities and states.

At its creation, it was understood by all parties the LOI would:

- Be flexible and allow agencies to customize language to meet their business needs and the needs of the taxpayers they serve.
- Evolve and change as needed based on information and expectation needs of agencies and the evolution of tax administration programs, technology, and lessons learned.
- Be owned by the city/states with the intention of having a feedback process for receiving feedback from all parties and taking that feedback into consideration when reviewing the LOI.



LOI CONTENT AND WHAT IT MEANS

We will begin at the top of the LOI and review each section. As owners of the document agencies can customize anything within the template. However, they are encouraged to only customize the things identified as customizable by the LOI design committee.

Customizable fields are identified within the LOI template with an **aqua** highlight.

Note: Agencies are reminded to remove all the **aqua** highlights and any customized language they are not going to use.

LOI Cover page

The cover page of the LOI template includes an agency contact for the LOI. This was done at the request of Software Providers who have a difficult time determining who they should contact in the agency if they have general questions about the LOI.

Introductory information

The introductory paragraphs of the LOI template provides a high-level explanation of what you are agreeing to and what happens if the standards and requirements are not met.

A note section is also included which advises a new Software Provider who has not filed city/state income tax returns with any city or state agencies, that they must have passed assurance testing (ATS) with the IRS. It is requesting they attach documentation from the IRS demonstrating they have successfully tested with the IRS.



Important dates

In this section, the agency provides key dates. The key dates are all customizable based on the agency timelines and expectations. We do encourage agencies to keep this section and share any known key dates.

Amended Letter of Intent

In this section, you check the box to indicate it is an amended LOI and provides a brief description of why an amended LOI is being presented. This section is an optional section for agency use. However, the design committee has encouraged them to retain this section so that they can easily identify when their agency is receiving an amended LOI and the reason for the amendment.

Company Information

In this section, you list general information about your software company.

Name of company	Product name	City/State issued software ID (if applicable)
DBA name	NACTP vendor ID	City/State tax account number (if applicable)
Address	Product URL	Company FEIN
City	State	Zip code
List your other product names using the same calculation engines here: Note: The same calculation engine is defined as products that use the same calculation engine and support all the same forms and schedules.		



IRS issued electronic identification numbers

In this section, you list your IRS issued electronic identification numbers.

	EFIN(s)	ETIN(s)
Individual Tax	Test EFIN(s)	Test ETIN(s)
	Production EFIN(s)	Production ETIN(s)
Business Tax	Test EFIN(s)	Test ETIN(s)
	Production EFIN(s)	Production ETIN(s)

There are various IRS issued electronic identification numbers requested on the LOI. These numbers allow the agency to identify the software company and the Software Provider return activity submitted to the agency.

In most cases, the test numbers are used when submitting test returns before the opening of the filing season and the production numbers are used when submitting live returns during the open filing season.

Typically, Software Providers apply for separate EFIN/ETIN numbers for ATS testing verses production to do their testing all year without disrupting production. Some smaller developers have a single set of EFIN numbers they use for both ATS testing and production.



Contact information

In this section, you list your primary and secondary MeF contacts. Having primary and secondary contacts is important in the event there is a real-time issue where the agency needs to reach someone immediately.

Note: After discussions with NACTP, the agencies were told if they are having problems with a Software Provider's communication about product readiness, they should contact the regulatory/compliance contact for the company.

Regulatory/compliance contact	Phone	Email address
Secondary regulatory/compliance contact	Phone	Email address
Primary individual MeF contact	Phone	Email address
Secondary individual MeF contact	Phone	Email address
Primary business MeF contact	Phone	Email address
Secondary business MeF contact	Phone	Email address
Primary fiduciary (estate/trust) MeF contact	Phone	Email address
Secondary fiduciary (estate/trust) MeF Contact	Phone	Email address
Primary leads reporting contact	Phone	Email address
Secondary leads reporting contact	Phone	Email address



Substitute forms registration

In this section, you complete it ONLY if your product will have substitute forms AND the agency requires the approval of substitute forms. The agency determines where the Substitute Form Software Number is located on the form(s), and they give that direction to you.

Agency substitute forms software number		
Primary individual forms contact	Phone	Email address
Secondary individual forms contact	Phone	Email address
Primary business forms contact	Phone	Email address
Secondary business forms contact	Phone	Email address
Note: If you have separate contacts for each business tax type, please list them by tax type on a separate sheet and attach it to this submission.		

If the agency does not require an LOI be completed for substitute forms or has a process outside of the LOI for substitute forms, they have been encouraged to change this section to reflect their requirements.

Sample language for substitute form registration

- [Agency] does not require the completion of an LOI for substitute forms.
- [Agency] requires the completion of a separate form for the use of substitute forms. More information on that process can be found at [insert where to find your agency information].



Software products and tax types supported

In this section you check the boxes representing the type of software products they support and the tax types they support. The agency will replace the tax types supported with the tax types that are applicable to their agency. They will also identify how they will allow you to submit forms (substitute forms, e-File, or both).

Type of software product supported	
DIY/consumer (Web-Based)	<input type="checkbox"/>
DIY/consumer (Desktop)	<input type="checkbox"/>
Professional/paid preparer (Web-Based)	<input type="checkbox"/>
Professional/paid preparer (Desktop)	<input type="checkbox"/>

Tax types supported			
Individual income tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Property tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Estate/trust/fiduciary tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Partnership tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Corporation/franchise tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
S-Corporation return	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Insurance premium tax	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	
Pass-Through partnerships/S-Corporation	<input type="checkbox"/> e-File	<input type="checkbox"/> Substitute forms	

Rebranded software products

You will complete this section **ONLY** if you have products that are rebranded. This section of the LOI helps the agency know if a company has rebranded software, the name of the product, and the contact information associated with the product. It's important to know this information so they can:

- Identify the products
- Be on the lookout for LOI's with products sold but not considered rebranded
- Have contact information in the event there are issues



What is rebranded software?

One company can sell their product to another company. If the software sold and/or licensed to a third-party only has “cosmetic changes” and the software requirements and outputs are not changed, then the software product is considered a rebranded product and additional testing is not necessary. However, the agency will still expect this information to be listed in the LOI from the company who sold the product so that they are able to identify the product and understand who they should contact.

If the software sold and/or licensed to a third-party has changes to the calculation outputs, form design outputs, or other required outputs, this could impact the accuracy and design of the forms. These “output changes” are more than rebranding of a product; therefore, the product is not considered a rebranded product, it’s a unique product, and the agency would expect a separate LOI from these products so that they can hold the Software Providers accountable for their requirements, standards, and testing.

Note: The LOI committee met with industry and determined that there are no Software Providers who sell their product and allow for calculation or design output changes.

Rebranded product name	ETIN (if applicable)	Contact person	Phone	Email address
Rebranded product name	ETIN (if applicable)	Contact person	Phone	Email address

Note: Occasionally, you may see a Software Provider list one of their products in the rebranded section of the LOI because it has a different name and a unique calculation. These should never be included in the rebranded section. A separate LOI should be completed for that unique product.

The rebranded section of the LOI also requests the agency identify the testing requirements for the rebranded products. The agency would select one and remove the bullet points that don’t apply.



E-File mandates or requirements

In this section, the agency will list any e-File mandate language the agency has. They will specify if the mandate applies to original and/or amended returns. The design committee recommended the agencies only list true mandates, not requirements in this section.

Forms and schedules supported

In this section, the agency lists their forms and schedules available for e-File and/or substitute forms and provide check boxes that reflect how these forms can be supported. You check the boxes of the forms and schedules your company supports. The design committee has recommended to the agencies that they provide the form number and form name to help you fill out your LOI accurately.

Forms and schedules	e-File	Substitute Forms
Individual income tax		
[List one form or schedule per line. Add/remove rows to accommodate forms and schedules]	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Reserved for Additional Forms (Complete only after receiving communication from [agency] regarding new forms	<input type="checkbox"/>	<input type="checkbox"/>

Electronic amended returns

In this section, the agency is advising the Software Providers of any requests or requirements they have for filing amended returns available through MeF electronically.

Agency requirements

In this section, the agency is advising you of the agency requirements you must adhere to. The design committee has been advised that if they have different requirements for different tax types, they should identify the tax type(s) the requirement applies to.



Issue notification and resolution requirements

Knowing about issues you are having in a timely manner allows the agency to take the steps necessary to prevent and resolve the issue. The agencies will customize this language in a way that gives you the opportunity to:

- Conduct your initial analysis.
- Take immediate steps to contain the threat.
- Work with the agency to identify, correct, and prevent the issue(s).
- Communicate the issue as appropriate and with the appropriate audience(s).

Validation of data elements

There are times when information in the tax software is pre-populated. While some argue having information pre-populated prevents errors associated with entering information, others argue having information pre-populated means if it's wrong, it's wrong year after year. Regardless of your position, agencies may establish requirements for you to validate certain data elements.

Customer notices

In this section the agency is advising you of any information they want you to communicate to customers.

Disclosure and use of information

This language was created and agreed upon by the IRS, Software Providers, and states in 2015. Software Providers felt this was needed to provide information about the use of the system and their software. Data elements submitted with the industry fraud leads include data related to the use of the system and their software.



Driver's license/ID card

In this section of the LOI there are several prescribed language options for communicating agency expectations. The agency will customize this section by choosing one language option applicable to the agency, removing the highlighting on that option, and removing the options they are not using for their agency.

Refund and taxes due expectations

Agencies customize the language they want you to program. In the LOI they will include a link, language, or both to help communicate their message.

Sample language for refunds section

To check the status of your [city/state name] refund go to [URL].

Sample language for taxes due section

If you owe [city/state name] your payment is due by [enter date]. Pay your taxes now with your return submission or go to [URL] for more information on payment options.

Agency questions

This section is completely customizable. If agencies have information they need to know from you related to the design or delivery of the product, they will include their questions in this section.

Acknowledgements and signature

In this section of the LOI, you are signing indicating you understand the information and requirements. This section holds you accountable for:

- Providing true, accurate, current, and complete information.
- Agreeing to all the requirements listed in the LOI document.



Authorized access to the State Exchange System

FTA supports a system called the State Exchange System (SES). This system allows for the secure exchange of files between agencies and Software Providers. Access to the system is limited to Software Providers the agency authorizes to view and/or download the information their agency places in the SES.

In this section of the LOI you are giving the agency the names and email addresses of those you want to access the SES and the authorized access they need. The agency is the one who can determine how many numbers of users they will allow.

Company name	First and last name	Email address
Phone number	Authorized access <input type="checkbox"/> e-File <input type="checkbox"/> Substitute Forms	Tax types



LOI TIPS

These are additional tips that were provided to agencies to help facilitate a successful LOI process for the agency and you.

- When issuing the LOI using a form, fillable PDF is preferred and easier to complete. If you need help with this, they can contact the LOI committee at LOI.Committee@taxadmin.org for resources to assist them with this.
- If possible, provide a digital signature option on the LOI.
- Avoid putting the LOI in an excel spreadsheet format. It is confusing to the Software Providers and can make it difficult for them to complete.
- If the agency has a deadline for the submission of the LOI be sure to include that in the LOI document. Remove this text if your agency does not have a deadline for submission.
- If the agency has a deadline for the submission of the LOI please release the template with a reasonable timeframe that allows Software Providers to have the document and their responses reviewed and approved by the various people within their organization. Timeframes greater than 30 days are appreciated.
- If the agency has schedules and forms being used for the first time, best practices recommend:
 - Sending an email notification to NACTP at NACTP_List@NACTP.org advising them of the new forms or schedules and providing a description of what they are and what's new.
 - Highlighting new forms and schedules under the forms and schedules section of your LOI.
 - Adding this information to the NACTP questionnaire you receive from NACTP.
- Remember to remove any aqua highlights and language not used.
- There are places in the LOI that offer choice options. For example, preferred/firm due dates. Please choose one option and remember to remove the option that does not apply to your agency requirements.



- The agency can choose to grant access to the SES and draft schemas before the LOI is signed for Software Providers in good standing with your agency.
- Agencies are encouraged to work in partnership with their legal team to ensure this agreement aligns with any state/local laws and agency requirements.



SUMMARY OF CHANGES Tax Year 2025

There were no changes to the LOI for Tax Year 2025.

If you have questions about the LOI please send them to LOI.Committee@taxadmin.org.