

Annual
Software Provider
Teleconference



Please mute your mic. The presentation will begin soon!



Introductions

- **NCDOR Tax Administration**
- **Tax Systems Coordination and Oversight (TSCO)**
 - *eSPVS*
 - *pSPVS*

Individual Income Tax

D-400

- Tax rate has decreased from 4.50% to 4.25%

NC-40:

- Tax rate is scheduled to decrease from 4.25% in 2025 to 3.99% in 2026

Update for Multiple Tax Types

Individual Income Tax, Pass-through Entities, and C-Corps

- New application for qualified real property donations
- Application due by April 15, 2026, for qualified donations made during 2025

Partnership Income Tax

D-403, Partnership Income Tax Return

- The income tax rate has decreased from 4.50% to 4.25%

NC-40 PTE, Taxed Partnership Estimated Income Tax

- The income tax rate is scheduled to decrease from 4.25% in 2025 to 3.99% in 2026

D-407, Estates and Trusts Income Tax Return

- The income tax rate has decreased from 4.50% to 4.25%

Withholding Tax

- Income tax withholding rate is scheduled to be reduced from 4.35% to 4.09% in 2026
 - Reminder: The income tax withholding rate is individual income tax rate plus 0.1%
- The following updated withholding allowance certificates will be available to Software Developers in early November and available on NCDOR's website in mid-December:
 - NC-4 EZ, Employee's Withholding Allowance Certificate
 - NC-4, Employee's Withholding Allowance Certificate
 - NC-4 NRA, Nonresident Alien Employee's Withholding Allowance Certificate
 - NC-4P, Withholding Allowance Certificate for Pension or Annuity Payments
- Updated withholding tables included in Publication NC-30, Income Tax Withholding Tables & Instructions for Employers, will be available on NCDOR's website in early December

CD-405

- For C Corporations and Holding Companies, the income tax rate has decreased from 2.50% to 2.25%

CD-401S

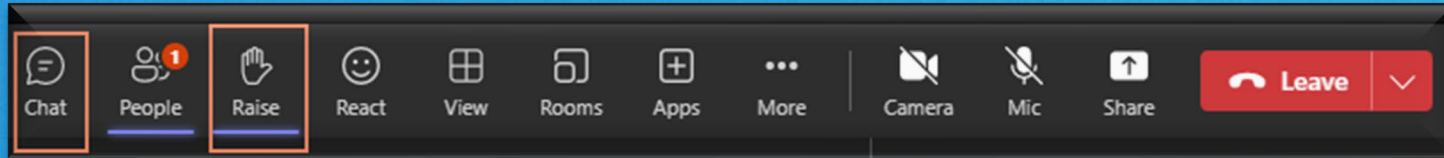
- For S Corporation composite filers and Taxed S Corporations, the income tax rate has decreased from 4.50% to 4.25%

Sales and Use Tax

- New Transportation Commerce tax is effective July 1, 2025
- NCDOR is currently doing registrations for this tax type in our tax system
- E500T Software Developer version is available on the SES

Q&A Break

If you joined by video, please use the raise button to ask a question OR put your question in the chat box.

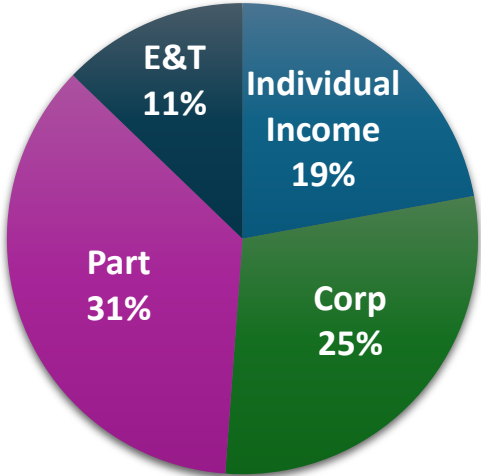


Purpose of eSPVS

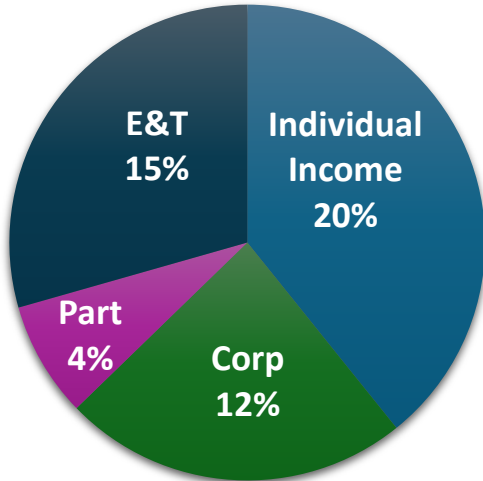
- Provide access to MeF ATS testing resources
- Test and approve software products
- Research and resolve MeF related issues and business rule errors
- Provide support to software providers
- Provide support and resources for eNC3 and eNC5Q applications
- Provide support and resources for Sales and Use Electronic Data Interchange (EDI)

MeF Overview for TY24

Software Providers



Approved Products



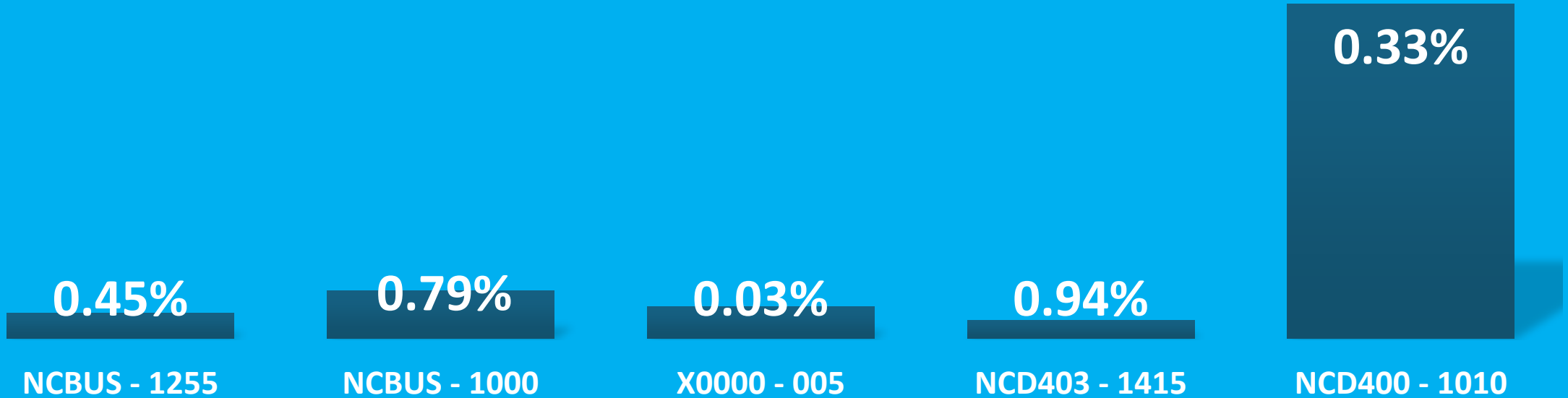
TY 23/24 Comparison	Individual			Corp.			Part.			E&T		
Tax Year	2023	2024	% Change	2023	2024	% Change	2023	2024	% Change	2023	2024	% Change
Software Providers	26	31	19.2%	16	20	25.0%	16	21	31.2%	9	10	11.1%
Approved Products	54	65	20.3%	25	28	12.0%	25	26	4.0%	13	15	15.3%

MeF Received Returns Y2Y

	Individual	Corp	Part	E&T
2025	4,617,278	145,426	93,752	32,029
2024	4,538,689	141,077	90,416	31,415
% Change	1.7%	3.0%	3.7%	2.0%

Data Through: 6/24/2025

Top Business Rule Rejects



NCBUS-1000 (Duplicate Return): The original return's Federal EIN must not match an existing accepted original return's Federal EIN for the applicable period

NCBUS-1255 (NC K-1 Supplemental Schedule- NC K1 CD401S): If NC K-1 CD-401S Line 3 (Deductions) is greater than zero, then Line 3 must equal NC K-1 Supplemental Schedule Line 38 from Column A.

NCD400-1010 (D-400/D-410) Duplicate Return: The original submission's Primary SSN matches an existing accepted original return's Primary SSN or Secondary SSN

NCD400-1415: [D-403] If Part 4 Partners' Total column Line 24, if positive, then Part 4 Partners' Total column Line 25 must be equal to Part 4 Partners' Total column Line 24 multiplied by 0.0450, with the result rounded to the nearest whole number.

X0000-005: The XML data has failed schema validation

Software Limitations

- Allow 5 business days before transmitting test returns
- Test results will be inaccurate if limitations are not properly defined
- Provide detailed calculations for test results (Limitation Template)
- Tax Type Limitation templates
 - Individual
 - Estates and Trusts
 - Future - Corporate

Test Case Scenarios

- Omit the following returns if not supported by your software:
 - Amended returns
 - Non-resident and/or Part-year resident returns
 - TPOS Form
 - Extensions

Test Submission Expectations

- Initial submissions (at least 1 test case) should be submitted by the December 31
- All test cases must be clear of rejects prior to requesting manual review
- Software should be approved in 4 or fewer attempts
- Testing of all products should be completed by March 15

ATS Target Dates

NCDOR Target Release Dates for:

- Drafts of Schemas and Business Rules posted to SES—**mid/late September**
- Final Version of Schemas and Business Rules posted to SES – **October 2**
- MeF Guide – **October 2**
- ATS Test Package – **October 2**

NCDOR Target ATS testing start date

- **November 15**

IRS opening dates for TY2025

- TBD for all tax schedules

MeF Reminders

- Review MeF guide
- Email NCTaxeFile@ncdor.gov if you discover production issues
- Perform regression testing for current and prior year returns when software updates are made
- Do not encourage tax professionals or taxpayers to paper file returns when they don't receive acknowledgements
- If your software products use the same calculation engine, you will be required to submit 1 test return to ensure connectivity

Support for rejected submissions

- Retention policy: 30 days for electronic submissions

eNC3

Form Updates

- Currently no known form changes for Tax Year 2025
 - Will monitor IRS and SSA updates for 1099s and W2s

Retirement of the IRS FIRE System and NCDOR's plans

- Working on conversion to XML
- Support of .TXT and XML will now be limited due to IRS updated timeline
- Updates will be provided in quarterly meetings/updates

eNC3 and eNC5Q

eNC5Q

- No updates to the eNC5Q application or forms for Tax Year 2025

eNC3 and eNC5Q Application Reminders

- NCDOR system is designed to follow all of these:
 - IRS Publication 1220 (eNC3 only)
 - SSA Publications EFW2 and EFW2C (eNC3 only)
 - NCDOR supplemental specifications
- Do not submit via paper if filing electronically
- Test button is available for testing file format(s)



Test File Formats

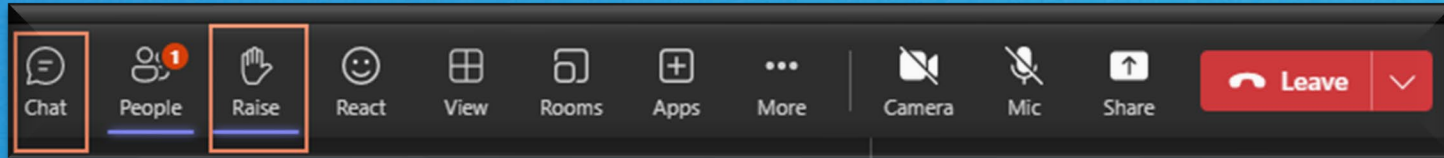
New Submission

eNC3 and eNC5Q Application Reminders Continued

- Register and test with eSPVS to list products on NCDOR website
- Provide customers/clients contact information for software errors - NCDOR cannot assist with software errors
- eNC5Q application does not support payments—use Form NC-5PX
- Forms 1099-NEC and 1099-MISC that do not report NC income tax withheld are not required to be filed with NCDOR
- NC has an electronic filing requirement for Form NC-3 and related statements

Q&A Break

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Purpose of pSPVS

pSPVS manages the annual review and approval of substitute tax forms by:

- Granting access to the Letter of Intent (LOI) folder
- Providing access to the FTA SES form folders – a repository of SD forms, specs and other resources to reproduce substitute tax forms
- Reviewing and approving the alignment and technical specifications for each eligible NC substitute tax form
- Researching and resolving production errors for NC substitute tax forms

Targets for Approving Forms

Targets for Approving Substitute Tax Forms

- Provide resources and guidance to assist Developers with obtaining approval within three (3) or fewer attempts, including the initial submission.
- Post resources and promote a forms approval schedule to ensure Substitute Tax Forms can be submitted and approved within thirty (30) business days of the approval cycle start date.

Statistics

	2024	2023	2022	2021	2020	2019
SDs	72	71	70	71	72	69
Exceptional	56	54	39	22	34	28
Exceeds Expectations	2	8	12	12	12	9
Meets Expectations	3	1	5	4	3	5
Opportunity for Improvement	11	8	14	33	23	27
Pass	61	63	56	38	49	42
Pass Percentage	84.7%	88.7%	80.0%	53.5%	68.1%	60.9%
Percent Change	-4.0%	8.7%	26.5%	-14.5%	7.2%	60.9%
Δ= Change from Prior Year	-4.51%	9.8%	33.1%	-27.2%	10.6%	100.0%

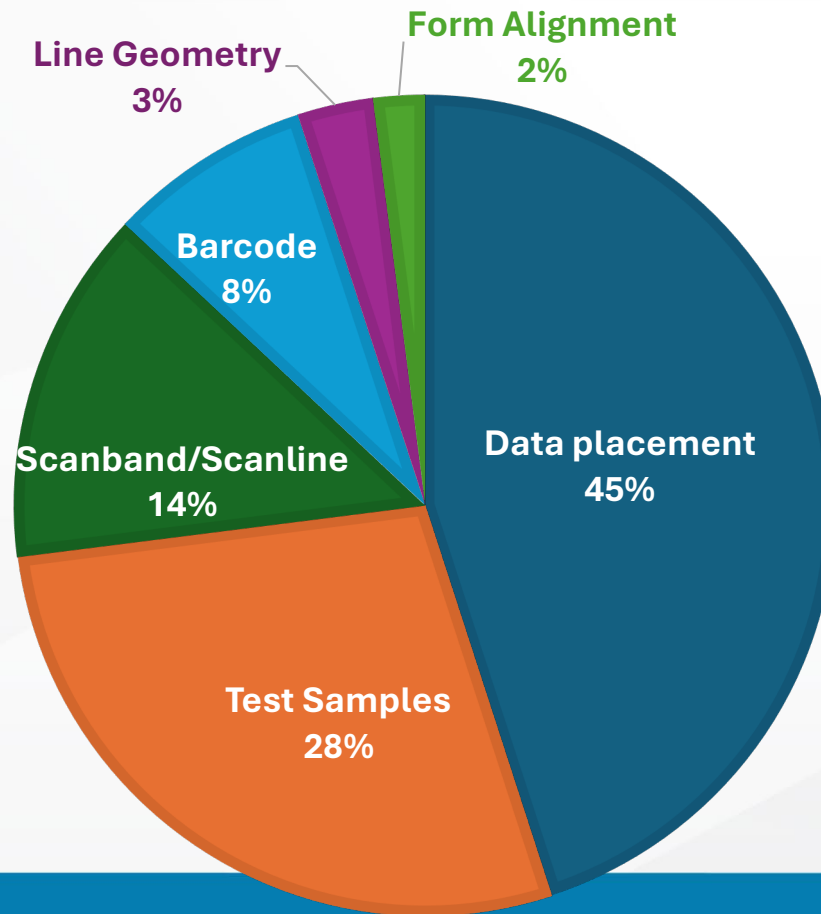
Statistics

Type	Updated	New	Unchanged	Total
Forms with Barcodes	35	1	9	45
Forms without Barcodes	25	0	12	37
Total Forms Available for Development	60	1	21	82
Percentage of Total Forms Available for Development	73%	1%	26%	100%

Best practices for submissions

- Maintain a list of *bumped barcodes* to avoid resubmission requests when submitting forms.
- Create and maintain a company distribution list as a contact that includes all key stakeholders so all can receive email communications from NCDOR and updates on forms posted to the SES.
- Use the correct data and placement requirements for the unchanged versus the updated form. Data and placement errors remained the number one resubmission request for Tax Year 24.
- Submit the correct variety based on the SD Form Specification.
- Use the correct naming scheme; ensures NCDOR maintain the first-in first-out method
- E-mail SD submissions to sdformsupdate@ncdor.gov only
- Call or e-mail any questions about form or LOI submissions to allaboutforms@ncdor.gov
- Include the correct contacts on your LOI to ensure proper SES access

Top Resubmission Requests



Best practices for timely approvals

- Use SD resources included on the SES
- Forms Specs provide the variety and number of forms that should be submitted
- Period Ending Chart shows the required periods for common forms and check digit
- Use the correct formatting for foreign addresses
- Requirements for the Approval for the Substitute of Tax forms is our most comprehensive resource that documents the submission requirements

Best Practices

Best practices for timely approvals

Use the following 3 sources for targeted approval dates:

- **NCDOR Forms List** - sent with initial kick off email identifies any “unchanged” forms
- **Required Approval Dates** - in the SD Resources folder on the SES
- **E-mail communication blast** - sent at the beginning of the approval cycle / 30 business days

Individual Income Tax Forms Required Approval Dates								
Form Number	Form Name	Unchanged	SD Form	SD Grid	SD Spec	Submission Approval Start Date	Target Date for Initial Submission By or Before**	Required Approval Date
D-422*	2024 Underpayment of Estimated Tax by Individuals				✓	11/27/24	12/20/24	01/16/25
D-422A*	2024 Annualized Income Installment Worksheet				✓	11/27/24	12/20/24	01/16/25

* Reproduce substitute tax form using the DOR Final

**NCDOR's recommended date for the first submission in order to ensure a timely approval

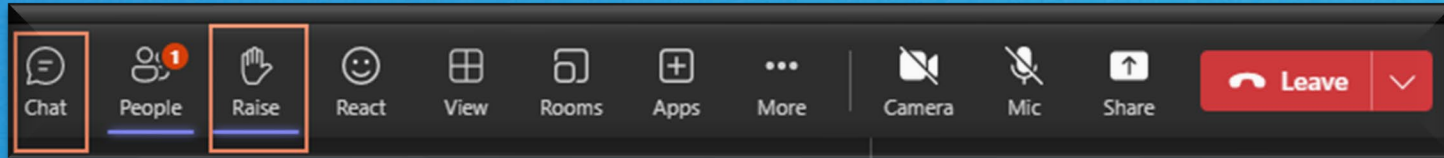
Approval Cycle has started for this form

Best Practices to avoid production errors

- Submit at least one test sample with product identifiable information so NCDOR will recognize all forms submitted from the product
- Save both paper and electronic version of the approved form for comparison in subsequent years, since this is meant for unchanged forms only
- Ensure only the approved version for the tax approval season is placed in operating system
- Secure software so users cannot alter the approved version from NCDOR

Q&A Break

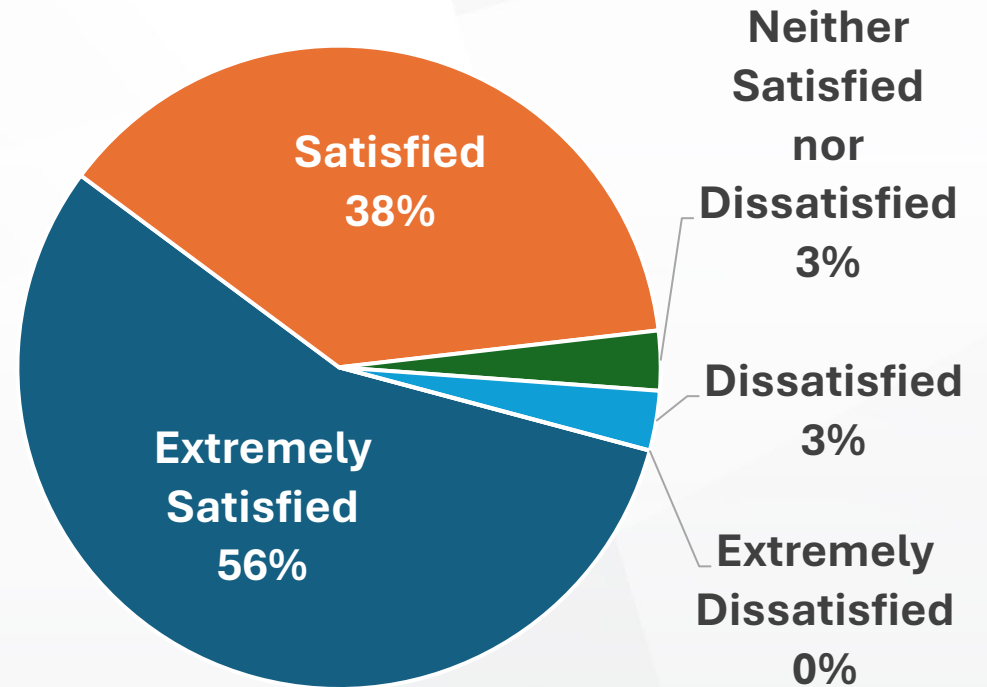
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Survey Feedback

Rating of Overall Experience

	ExtSat	Sat	Neu	DisSat	ExtDisSat
2025	56%	38%	3%	3%	0%
	94%		6%		
2024	32%	49%	11%	6%	2%
	81%		19%		



Survey Feedback

Testing and Approval Season Survey Results (cont.)

- **Communication Comments**
 - “Very informative and quick responding”
 - “Response times were extremely good for reporting back errors and approvals”
 - “Communication is always good”
- **Quality**
 - “I appreciate that the automated replies were streamlined this year”
 - “Easy to work with, defined process”
 - “This was our first year, so communication and help were great for us”

Survey Feedback

Testing and Approval Season Survey Results (cont.)

- **Testing**
 - “Exceptions report was a game changer”
 - “ATS testing went smoothly from start to finish”
 - “The whole approval processing this year went smoothly, excellent job”
 - “Fewer versions of tests”

LOI Updates

- MeF Business Rule and Reject Report
 - Will be sent to all email addresses listed in the LOI "Contact Information" section
 - Additional recipients can be requested through email: NCTaxFile@ncdor.gov
- The "Submit" button has been moved to the end of the LOI, after the SES authorized access section
- Verbiage update: The verbiage for Refund has been updated by replacing "our" with "the North Carolina Department of Revenue's"

Statement: *You can get up to date information regarding refund processing and check the status of your refund online at ncdor.gov/refund. To view refund status information, you will be prompted to enter your Social Security Number along with the exact amount of your refund. You can also call **the North Carolina Department of Revenue's** toll-free refund inquiry line at 1-877-252-4052, 24 hours a day, 7 days a week.*

LOI – E-500 Forms

New Forms and Schedules section titled ‘Other Tax Forms’ added for some E-500 forms

E-500E – Combined General Sales and Use Tax Return		
E-500F – Motor Vehicle Lease and Rental Tax Return		
E-500G – Scrap Tire Disposal Tax Return		
E-500H – White Goods Disposal Tax Return		
E-500K – Solid Waste Disposal Tax Return		
E-500L – Service Charge/Prepaid Wireless Telecommunications Return		
E-500T – Transportation Commerce Tax Return		

LOI – Payment Vouchers

- ‘Forms and Schedules Support by Tax Type’ section
 - Payment Vouchers will now be included with Amended Returns in the ‘Electronic Payments & Amended Returns’ section/chart

Electronic Payments & Amended Returns

The NCDOR requests you support electronic payment vouchers and amended returns for those available through MeF. Check the appropriate box below to indicate whether you support electronic filing of payment vouchers and amended returns for each tax type listed.

Payment Vouchers	Payments Supported	Payments Not Support		Amended Returns Supported	Amended Returns Not Supported
Individual Income Tax	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Estate/Trust/Fiduciary Tax	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Partnership Tax	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Corporate and Franchise Tax	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

LOI Reminders

- Submit a single LOI for MeF and Substitute Tax Forms to AllAboutForms@NCDOR.gov
- Use the check box to indicate electronic and paper registration
- Include primary and secondary contacts on the LOI
- Amended LOIs are no longer required for contact updates
 - Continue sending contact changes to AllAboutForms@NCDOR.gov
- Provide important information:
 - Forms and schedules that your software supports
 - Specific instructions and requirements
 - Complete the rebranded section of the LOI for all “white label” products
- Once the LOI is received, a confirmation email will be sent

Updates from TSCO's Director

- Modernization update
 - RFP issued March 2025
 - Reviewing Responses
 - Timeline will be established once a vendor is selected

Final Q&A

If you joined by video, please use the raise button to ask a question OR put your question in the chat box.

