Virginia Department of Taxation

Corporation and Pass-Through Entity e-File Guide and Specifications

Tax Year 2018

Rev. 11/02/18

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Virginia e-File Guide – Change History

Revision Date	Section	Description
08/31/18	Tax Year 2018 Guide	Original Posting
10/01/18	15.4, Schedule 500AC	Corrected code reference from "53" to "63"
10/31/18	5.2, 5.3, 15.1, and 16.1	New Forms Added and Conformity Messaging Details

1.0 Corporate and PTE e-File Guide Overview

The Virginia Department of Taxation (Virginia Tax) designed this guide as an overview of processing updates and legislative changes that impact the Corporate and PTE e-File systems.

In addition, this guide offers full details and procedures for:

- how the Virginia e-File system functions,
- testing practices,
- product approval, and
- special instructions refined for the Corporate and PTE e-File Systems

It is important to review each section of this guide to ensure your product(s) perform properly for Virginia taxpayers.

Additional details can be found on our website and in tax return instructions.

2.0 Developer Contacts and Resources

2.1 Email Updates

Virginia offers a free online service that provides up-to-date information on events that affect e-File throughout the filing season and beyond. Sign up for Email Updates to receive these emails.

2.2 Phone Numbers & Email

Virginia Tax Hours of Availability – Monday – Friday, 8:30 a.m. – 5:00 p.m.

Phone Numbers – these are the phone numbers to be used when advising users how to contact Virginia Tax.

- Customer Services – (804) 367-8037
- Tax Professionals Hotline – (804) 367-9286
  NOTE: Only ProSeries software should have the hotline number.

Email Address – the Corporate and PTE e-File is mailbox (Bus_eFile@tax.virginia.gov) is to be used by our software partners for the development and maintenance of the Virginia e-File system.

2.3 Website Resources

This section provides general website resources that impact e-Filing tax data. Additional details can be found in the links to our website as well as in the instructions for each supported tax type returns.

Corporate Income Tax Filing

PTE Income Tax Filing

Options for electronic payments – Business Tax

Early Release Forms (TY2018) – drafts of tax forms

Web Forms – all forms supported by Virginia Tax

Legislative Summary Reports and What's New – Tax Credits

2.4 Virginia's Fixed Date Conformity with the Internal Revenue Code

Review the Fixed Date Conformity in Virginia section of our website for details regarding Virginia Tax's date of conformity advancement with the Internal Revenue Code (IRC).

3.0 Overview of Virginia Fed / State e-File Program

3.1 Description

Virginia's e-File program works with the IRS Fed / State e-File program. This allows Software Providers to electronically file both federal and state returns or state only returns for the taxpayer.

An e-File tax return consists of tax forms, schedules, and attachments that can be submitted. The tax return uses schemas created using Extensible Markup Language (XML). This language defines the structure and content of an XML document to implement all forms, schedules and attachments in electronic format for e-File. Business rules are created to specify requirements that cannot be defined in the XML.

3.2 Supported Tax Years

Virginia Income Tax e-File Program accepts original and amended returns for:

- Tax Year 2018
- Tax Year 2017
- Tax Year 2016

3.3 Virginia e-File Calendar – Tax Year 2018

Virginia Tax follows the IRS e-File calendar and dates are based upon IRS System availability and are subject to change.

• ATS testing begins (in conjunction with the IRS)	November 2018
• Begin transmitting returns to IRS/Virginia	January 2019

3.4 Software Design Information

Software Developers (including developers acting as EROs) must:

- Develop tax preparation software according to statutory requirements and Virginia tax return preparation instructions. For details, use the following resources in our Laws, Rules & Decisions.
    - Tax Code of VA, Regulations, Legislative Summaries, and Rulings of the Tax Commissioner
    - Tax Bulletins, Attorney General's Opinion, Guidance Documents, and Return Preparation Instructions
- Provide accurate Virginia tax returns in correct electronic format for transmission through the Fed/State e-File program.
- Develop software capable of producing a printed copy of the complete electronic filing.
- Provide up-front data validation, verification and error detection to prevent transmissions of incomplete, inaccurate or invalid return information.
- Prevent electronic filing of any form not approved and/or supported for electronic filing by Virginia.
- Perform a full review of schema and form instructions to ensure all changes and updates are incorporated.

3.5 Routine System Maintenance

Routine system maintenance is generally on Sunday from 12:00 am to 8:00 am, EST. Virginia Tax may conduct system maintenance on weekends as well.

This process may result in intermittent down time for transmitters. Work scheduled during this window will generally not be communicated to the software developers. For details regarding system status and/or possible delays, refer to the IRS e-File Status page, sign up for IRS Alerts.

4.0 Types of Electronic Filing

4.1 Types of Electronic Filing

Virginia Tax's e-File programs accept two kinds of submissions: Linked and Unlinked.

4.2 Linked

Linked filing occurs when the federal and state returns are filed together in one transmission to the IRS. The IRS validates and verifies the federal return data. The IRS will either accept or reject the federal return. The state return is made available to Virginia Tax **only if** the federal return is accepted by the IRS. The corresponding federal submission id is submitted in the state manifest.

If a federal return is rejected in a Linked submission, the state return is not made available to Virginia Tax. In this case, the next corrected transmission should include **both** the federal return and the state return.

4.3 Unlinked

Unlinked filing occurs when the state return is transmitted through the Fed/State system **without** simultaneously transmitting an original federal return. The software must support unlinked filing in order for the state only transmissions to be available to the electronic filer.

Unlinked returns are transmitted to the IRS and made available for states to retrieve in the same fashion as the Linked transmission. The corresponding federal submission id is not submitted in the state manifest.

Virginia Tax requires a copy of the complete federal return, including federal binary attachments, in the state submission.

5.0 Forms and Schedules for e-File

5.1 Description

The Virginia Tax schemas are used in conjunction with IRS Federal/State schemas. Our state specific schemas support the forms and schedules listed below for each tax type.

5.2 Forms – Corporate

- Form 500 – Virginia Corporation Income Tax Return
- Schedule 500A – Corporation Allocation and Apportionment of Income
- Schedule 500AB – Schedule of Related Entity Add Backs and Exceptions
- Schedule 500AC – Schedule of Affiliated Corporate Consolidated and Combined Filers
- Schedule 500ADJ – Schedule of Adjustments
- Schedule 500ADJS – Supplemental Schedule of Adjustments
- Schedule 500AP – Modified Apportionment Schedule for VEDP-Certified Companies
- Schedule 500CR – Credit Computation Schedule
- Schedule 500FED – Corporation Schedule of Federal Line Items
- Schedule 500MT – Electric Cooperatives Minimum Tax and Credit Schedule
- Form 500C – Underpayment of Virginia Estimated Tax
- Form 500EL – Electric Suppliers Corporation Minimum Tax and Credit Schedule
- Form 500HS – Home Service Contract Providers Minimum Tax Computation
- Form 500T – Telecommunications companies Minimum Tax

5.3 Forms – PTE

- Form 502 – Virginia Pass-Through Entity Return of Income and Return of Nonresident Withholding Tax
- Schedule 502A – Pass-Through Entity Allocation and Apportionment of Income
- Schedule 502ADJ – Pass-Through Entity Schedule of Adjustments
- Schedule 502ADJS – Supplemental Schedule of Adjustments
- Schedule VK-1 – Owner's Share of Income and Virginia Modifications and Credits
- Schedule SVK-1 – Supplemental Schedule of Owner's Share Virginia Modifications
- Schedule VK-1 Consolidated – PTEs granted an electronic filing waiver may use this consolidated version to mail in VK-1 data for multiple owners.

5.4 Paper Forms Produced via e-File Software

While no state schema exists to submit this data through the IRS State/Federal e-File system, the software may still produce these vouchers as applicable for each user's filing(s).

NOTE: The applicable tax payment voucher should only be printed if Direct Debit is not used for the tax due return.

- 500V – Corporation Income Tax Payment Voucher
- 500ES – Corporation Estimated Payment Voucher
- 502V – PTE Tax Payment Voucher
- 502W – PTE Withholding Tax Payment Voucher

6.0 PDF and Binary Attachments

6.1 Description

Virginia Tax requires certain supporting documentation to be sent as PDF attachments. All PDF attachments must be listed in the binary attachment portion of the return.

Even though the PDF attachment(s) are an optional element, the PDF is still required for specific filing scenarios (credits, adjustments, certain amount fields, etc.). When the PDF is not properly attached, Virginia Tax will send a missing document letter to the user to request the supporting documentation.

6.2 PDF – Binary Attachments

The **referenceDocumentId** attribute must be used to link the attachment to the appropriate location on the return to ensure the attached PDF is recognized properly by the Virginia e-File System.

Users **must**:

- either have a scanner that allows them to scan documents into a PDF file; or
- have another tool that allows them to save a Word / Excel file into a PDF.

Approved e-file tax preparation software **must**

- provide the necessary instructions for creating, scanning or exporting documents in PDF format; and
- submit these documents as attachments that are required by Virginia Tax.

Virginia Tax prefers to receive the required binary attachment(s) with the e-filed return. However, if binary attachments are not included, the software must advise users to mail in their documentation **after** Virginia Tax mails them a "Missing Documentation Letter".

Virginia Tax approved software providers **are also required** to provide messaging about the potential for delay and potential for a credit/adjustment/amount to be denied when supporting documentation is not attached.

6.3 Names and Descriptions for PDFs

For all PDF attachments, the preparation software must provide the user the ability to enter a meaningful description. Virginia requires a separate PDF file and **referenceDocumentId** for each attachment.

For example, if 3 out-of-state returns are needed, each out of state return attachment is required to be sent in a separate PDF file with a separate **referenceDocumentId**. (See Section 8.0 Required Binary Attachments for special handling.)

6.4 PDF File Guidelines

When creating a PDF file for the e-File submission, follow these guidelines. The IRS and Virginia Tax need a PDF using any compatible software that creates a PDF.

- Do not password-protect or encrypt PDF attachments.
- Do not exceed 60MB (uncompressed) for each PDF file.
- Keep binary attachments as small as possible.
    - Exporting a document to create the PDF makes a much smaller file compared to scanning it.
    - Set the compression/quality on the “Create PDF From Scanner” to higher compression in order to lower the file size when the source document is of adequate quality and from scanner input.
    - Avoid requiring compatibility with Adobe Acrobat earlier than Version 8; it increases the file size.
- Each PDF must start with **%pdf-** and end with **%%EOF**.
- The return rejects if a PDF is not properly formatted.
  NOTE: This error occurs if the submitter tries to alter a PDF outside of the product that created it.

6.5 Create the PDF File

Create 1 Binary Attachment XML document for each binary attachment in the Submission. There is a one-to-one relationship between the PDF file and the Binary Attachment XML document that describes it.

- In the “AttachmentLocationTxt” element – provide the PDF file with a name, including the extension.
- In the “Desc” element – provide a brief meaningful and unique description of the file contents.

6.6 PDF File Name

- The file name is case sensitive and must **exactly match** the name in the "AttachmentLocationTxt" element.
- The schema for the Binary Attachment document is defined in the file named "BinaryAttachment.xsd".
- Example of Out of State Return attachment: NCStateReturn.pdf

6.7 Desc Element

- The "Desc" element in the BinaryAttachment.xsd cannot exceed 128 characters.
- Make it as meaningful as possible; the description is displayed to the IRS User to identify file contents.

6.8 Create Reference

- The references (if any) are created from the element(s) to which the PDF file is "attached" to the "Binary Attachment XML document".
- If the PDF file is to be attached to an element for a line/form/schedule, create a reference from the element to the Binary Attachment XML document.

6.9 Number of Attachments

- The number of binary attachments must be included in the submission in the binaryAttachmentCnt attribute.
- This is used to indicate the number of binary attachments in the return, for the element ReturnHeader.

6.10 Attachment Folder

- Include the PDF file in the attachment folder in the submission zip.
- Like-kind binary attachments should be placed adjacent to each other in the submission data XML.

6.11 File Structure

Transmitters can transmit federal and state submissions using Web Services. A state submission contains XML data and binary attachments. The state return may also contain a copy of part or all of the user's federal return. The state determines what part of the federal return the user should include in the state submission.

Like a federal submission, the state submission must be zipped into its own file and placed into the container zip file. This file is then attached to the Send Submissions service request. Federal and state submissions can be included in the same attachment (container zip file) or each in their own zip file.

6.12 Return Packaging and Diagram

The state submission or filing under Virginia e-File is a zipped package. The following diagram shows the structure of the unzipped return package. The leading slash, "/" is optional.

```
🗁Manifest\
        ↳ Manifest.xml          (manifest formatted to IRS standards)

🗁XML\
        ↳ Submission.xml        ("Submission" is replaced by the unique state submissions id)

🗁Attachment\
        ↳ Attachment1.pdf       (PDF files of binary attachments)
        ↳ Attachment2.pdf       (etc.)

🗁IRS\
        🗁XML\
        ↳ Submission.xml        ("Submission" is replaced by the unique state submissions id)

🗁Attachment\
        ↳ Attachment1.pdf       (PDF files of binary attachments)
        ↳ Attachment2.pdf       (etc.)
```

A federal or state submission must include the **/manifest** and **/xml** archive directories and may include an optional /attachment directory.

If the submission is a state submission, the same archive directories will contain the state submission manifest, state submission and PDF documents attached to state submission, respectively.

In addition to these archive directories, a state submission may also include optional **/irs/xml** and **/irs/attachment** archive directories. If present, they contain the federal submission and PDF documents attached to the federal submission.

7.0 Sample non-XML Document Attachment

If the node type defined in the schema begins with 'VARef',

- it must have attached documentation; and
- it must have an attribute called 'referenceDocumentId'.

Any Binary Attachment node must have an attribute called 'documentId'. The documentIds used must be unique.

The **referenceDocumentId** attribute value must match exactly the value of the attribute called 'documentId' in a Binary Attachment node in the return XML. If not, it will fail schema validation.

Example:
documentId="1"
documentId="2"
Or
documentId="PDFAttach1"
documentId="PDFAttach2"

The "AttachmentLocationTxt" element in the Binary Attachment node in the return XML contains the name of the PDF file. The file name is case sensitive and must exactly match the name of the file attached to the submission. If not, it will fail the schema validation. See the example highlighted below.

Use the following guidelines to include binary attachment(s).

- Include total number of binary attachment(s) in the binaryAttachmentCnt attribute in the ReturnHeader element.
- **<ReturnHeaderState binaryAttachmentCnt="1">**

Example of binary attachment linking an element:

```
<CreditABC>
<CreditABC>1234</CreditABC>
<Form JKL referenceDocumentId="1">X</Form JKL>
</CreditABC>
<BinaryAttachment documentId="1">
<Reference>CreditABC</Reference>
<DocumentTypeCd>PDF</DocumentTypeCd>
<Desc>JKL</Desc>
<AttachmentLocationTxt>JKL.pdf</AttachmentLocationTxt>
</BinaryAttachment>
```

8.0 Required Binary Attachments

Each of the tax types supported by the Virginia e-File system require certain binary attachments in order to properly process a tax return.

As detailed in Section 6.0, missing attachments will produce a “Missing Documentation Letter” for the user. The following credits require a binary attachments when filing Corporate and PTE Income Tax returns.

8.1 Attachments – Corporate Income Tax

Form 500

- The Non-Apportionable Investment Function Net Income and Loss requires a statement(s) (applicable only to multistate corporations) Lines 8c and 8d, Form 500.
- IRS final determination is required when the Federal Audit checkbox on Page One Form 500 is checked.
- The federal form when not supported as an XML by the IRS.

Schedule 500CR

- Enterprise Zone Act Tax Credit
- Conservation Tillage Equipment Tax Credit
- Biodiesel and Green Diesel Fuels Tax Credit
- Precision Fertilizer and Pesticide Application Equipment Tax Credit
- Vehicle Emissions Testing Equipment Tax Credit
- Virginia Coal Employment and Production Incentive Tax Credit
- Waste Motor Oil Burning Equipment Tax Credit
- Coalfield Employment Enhancement Tax Credit
- Agricultural Best Management Practices Tax Credit

8.2 Attachments – PTE Tax

Schedule 502-ADJ/S

- Enterprise Zone Act Tax Credit
- Enterprise Zone Act Zone Investment Tax Credit
- Conservation Tillage Equipment Tax Credit
- Biodiesel and Green Diesel Fuels Tax Credit
- Precision Fertilizer and Pesticide Application Equipment Tax Credit
- Clean-Fuel Vehicle Tax Credit
- Vehicle Emissions Testing Equipment Tax Credit
- Waste Motor Oil Burning Equipment Tax Credit
- Agricultural Best Management Practices Tax Credit
- Coalfield Employment Enhancement Tax Credit
- Coal Employment and Production Incentive Tax Credit

9.0 Payments and Refunds

9.1 Electronic Banking Rules

Due to electronic banking rules, Virginia Tax does not allow Direct Deposit **to or through** financial institutions outside of the territorial jurisdiction of the United States. This International ACH Transaction (IAT) is not supported by Virginia Tax. Attempting to use Direct Deposit to transfer funds electronically to a financial institution outside the territorial jurisdiction of the United States will cause the tax return to reject and ultimately delay refunds.

9.2 Electronic Payments – e-File System

Virginia Tax supports **Direct Debit with a Requested Payment Date option** via e-File, which allows a tax due direct debit payment to be scheduled for processing on a date different than the return's submission date. Direct debit should be displayed as the default options for users.

- Users can schedule a payment for withdrawal on a future date.
- A scheduled payment must be effective **on or before** the original return due date.

NOTE --- Advise users that **prior** to initiating this transaction, they should **notify the bank** that Virginia Tax is authorized to debit the bank account since some banks use a "filter", which prevents unauthorized debits against a user's account.

- If the bank requests a filter number / Company ID, customers should Contact Us to obtain this number / ID.
- If the bank denies the EFT payment, it is handled like a returned check and late payment charges apply.

If a tax return is filed **after the due date**, the Direct Debit with a Requested Payment Date option must not be presented. Software must leave the requested payment date blank / null.

9.3 Electronic Payments – Other Options

If the user opts to pay the tax due amount separately from e-Filing the tax return, inform them of the other Virginia Tax electronic payment options.

Payment by eForms
- Corporate = 500V
- PTE = 502V & 502W

ACH Credit via Taxpayer's Bank
- Instruct users to review the Electronic Payment Guide for details regarding general requirements and the set up with their financial institutions to send payments to Virginia Tax's bank account.
- Messaging should advise that this method may include fees.

9.4 Payment by Check

The applicable paper voucher must be produced when a tax due return data is filed electronically via the e-File software, but the payment is not made with the return nor with any of the other electronic options detailed in Section 9.3 above. Instructions for e-filed returns must advise users to use the PO Box addresses for direct mailing to Virginia Tax instead of the locality office.

NOTE --- Multiple electronic mandates are in place for tax types supported by e-File and software messaging must advise customers accordingly. See Electronic Filing Requirements tax page for complete details.

Advise users to do the following when paying by check for their e-filed return.
- Always mail the payment voucher with the payment **directly to the Virginia Tax address** on the voucher to ensure timely and correct posting to your tax account.
- Do not mail the payment with a copy of the e-filed return to either Virginia Tax or to your Local Office, as this can cause a problem when posting the payment to your tax account.

9.5 Paper Payment Vouchers and Addresses

Form 500V (Corporation Income Tax Payment Voucher)

- All except Nonprofits – Payment is due the 15th of the 4th month following end of the taxable year
- Nonprofits – Payment is due the15th of the 6th month following end of the taxable year
- Applicable only for Form 500
- Should only be printed if Direct Debit is not used

Form 500ES (Corporation Estimated Payment Voucher)

- See the Corporation Tax Forms section for details regarding Form 500ES due dates.
- Applicable only for Form 500

Form 500CP (Corporation Extension Payment Voucher)

- Due dates depend on the type of filer
  - Calendar year filers – April 15
  - Fiscal year filers – on or before due date of fiscal year return
  - Nonprofits – 15th of the 6th month following end of taxable year
- Applicable only for Form 500
- Should only be printed if an extension payment will be made

Form 502V (PTE Tax Payment Voucher)

- Payment is due the 15th of the 4th month following end of the taxable year
- Applicable only to Form 502
- Should only be printed if Direct Debit is not used

502W (PTE Withholding Tax Payment Voucher)

- Payment is due the 15th of the 4th month following end of the taxable year
- Applicable only to Form 502
- Should only be printed if a withholding payment will be made

Paper Voucher Address Table			
Filing Method =>	**e-Filed Return**	**Mailed Return to Tax**	**Mailed Return to Locality**
500V	Department of Taxation PO Box 1500 Richmond, VA 23218-1500	Department of Taxation PO Box 1500 Richmond, VA 23218-1500	Use the locality address from the Corporate tax instructions.
500ES	(Vouchers can be produced by Software.)	Department of Taxation PO Box 1500 Richmond, VA 23218-1500	
500CP	(Voucher can be produced by Software.)	Department of Taxation PO Box Richmond, VA 23218-	
502V and 502W	Department of Taxation PO Box 1500 Richmond, VA 23218-1500	Department of Taxation PO Box 1500 Richmond, VA 23218-1500	Use the locality address from the PTE tax instructions.

9.6 Refund Option – Paper Check

NOTE: All users may opt to have part / all of their refund / overpayment applied to their estimated taxes for the next year.

EROs should advise customers that they can avoid refund delays by:

- Having all of their taxes and obligations paid;
- Providing current and correct information to the ERO;
- Ensure that all bank account information is up-to-date and entered correctly; and
- Ensuring the information on the tax return is correct before signing / submitting it.

10.0 Acknowledgements

10.1 Electronic Postmark – Overview

A Transmitter may provide an electronic postmark to users that file Tax Returns through an ERO or through an Online Provider (Online Filing).

The Transmitter creates the electronic postmark bearing the date and time, GMT time format, (in the Transmitter's time zone) that the return is received at the Transmitter's host computer. The user must adjust the electronic postmark to the time zone where the user resides in order to determine the postmark's actual time.

10.2 Electronic Postmark

If the electronic postmark is:

- **on or before** the prescribed deadline for filing, **but received after** the prescribed deadline for filing – the return is treated as filed timely
- **after** the prescribed deadline for filing – the return is treated as being filed late
- **not available** – the IRS received date is used

10.3 Acknowledgement of e-File Returns

Virginia Tax provides an acknowledgment for each return received. The file type will be either "Accepted" or "Rejected". Acknowledgement files must be retained for 1 year after submission.

10.4 Accepted e-File Returns

- This indicates that the electronic return was received and accepted.
- The transmission successfully completed the pre-entry validation process and no further action is required.

10.5 Rejected e-File Returns

- This indicates that the electronic return was received and rejected.
- Virginia Tax approved software providers **must** mirror image the provided Acknowledgement Error Message for each reject while sending it back to the users.
- The Acknowledgment contains codes/error descriptions, (in the Business Rules Document), that indicate the cause of the reject.
- The error condition(s) must be corrected before the return can be re-transmitted as an "Unlinked" submission.

10.6 Resubmission of Rejected Tax Returns

If Virginia Tax rejects the e-Filed return (and the ERO cannot rectify the reason for the rejection), then the ERO **must** take reasonable steps to inform the user of the rejection within 24 hours.

EROs must provide the user with the reject code(s) and an explanation.

If the user opts not to have the e-Filed return corrected and transmitted to Virginia Tax, or if Virginia Tax cannot accept the return for processing, the user must file a timely paper return.

10.7 Perfection Periods for Rejected Submissions

Virginia Tax does not allow the IRS return perfection period. A return must be transmitted and accepted by the due date of the return to be considered timely filed.

11.0 Validating Tax Returns

11.1 Description

Once the transmission file passes validation, the e-File program validates the submissions contained in the file. Submission validation consists of two parts: Schema Validation and Business Rule Validation.

11.2 Schema Validation

Schemas provide the basic definition for elements – field length, data type, allowable values, etc. Data integrity depends on each data element complying with the data format specifications. If the tax preparation software uses the State-defined XML schemas to create the XML tax return, there should be no data format errors in the return.

If an error is found during Schema Validation, processing stops. Neither the remaining Schema Validations nor the Business Rules will be applied to that submission. If the error is found in the Manifest (described in the next section), the submission (xml archive) will not be Schema Validated either.

The e-File program verifies this by validating each return in the transmission file against the schemas. The four Virginia Tax schema validation business rules can be found in the SES site.

11.3 Business Rule Validation

The e-File program uses a business rule engine to validate returns against the rules.

As submissions are validated, the acknowledgements are made available to the transmitter for retrieval.

When a rule with severity “reject and stop”, or “reject” is violated – an error is generated. Errors result in a rejected return. The complete listing of business rules can be found in the SES site.

11.4 Manifest Values

The state manifest **must match** the Government Code, State Submission Type and Submission Category listed below.

GovernmentCd **(Government Code)**	**StateSubmissionTyp** **(State Submission Type)**	**SubmissionCategoryCd** **(Submission Category)**
VAST	VA500	CORP
VAST	VA502 (CORP)	**CORP** – attaching Federal 1120 Family **PART** – attaching Federal 1065 Family
VAST	VA502 (PTE)	**PTE** – attaching Federal 1120 Family **PART** – attaching Federal 1065 Family

12.0 Transmission Requirements

12.1 Authorized e-file Providers participating in Virginia Tax e-file as a Transmitter **must**:

- Within 2 business days of transmission:
  - Retrieve the acknowledgement file of transmission and match it to the original transmission file; and
  - Send the acknowledgement file containing all conditions on accepted returns to the ERO or Intermediate Service Provider;
- Retain an acknowledgement file for 1 year after submission;
- Contact the e-file Administrator for further instructions; if an acknowledgment of acceptance for processing has not been received within 2 business days of transmission;
  - Corporate – Bus_eFile@tax.virginia.gov
  - PTE – Bus_eFile@tax.virginia.gov
- Correct an error that causes the transmission to be rejected;
- Ensure the security of all transmitted data and ensure against unauthorized use of its EFIN or ETIN.

12.2 Transmission Requirements

A Transmitter that receives returns from an Intermediate Service Provider for Online Filing must adhere to the same requirements as a Transmitter that transmits ERO returns received from Intermediate Service Providers.

12.3 Transmissions – Accepted

If Virginia Tax **accepts** the e-filed return, the **Transmitter** must notify the user of the following:

- The date the transmission was accepted
- The Submission ID

12.4 Transmissions – Rejected

If Virginia Tax rejects the e-filed return, the **Transmitter** must notify the user of the following:

- The date the transmission was rejected and what the reject code(s) mean;
- Steps to take to correct the errors; and
- The user must file a timely **paper** return:
  - if the electronic return cannot be corrected and retransmitted to Virginia Tax, or
  - if Virginia Tax cannot accept the return for processing.

12.5 Additional Requirements for Online Transmitters Participating

Transmitters participating in Online Filing must follow all of the above requirements and also **must**:

- Ensure the transmission includes the assigned Online Filing EFIN in the appropriate field;
- Ensure that the ISP's EFIN is included in the electronic return data, when applicable;
- Assign a Submission ID to each user's return and include it in the e-filed transmission;
- Notify the user of the return's status electronically within 2 business days of retrieving the acknowledgement file or by mail within 1 business day of retrieving the acknowledgement file;
- Provide the Internet Protocol Information (Address, Date, Time and Time Zone of the computer used to e-file);
- Include the "Online" in the "Originator Type Code" schema element.

13.0 Software Acceptance and Testing

13.1 e-File Software Guidelines

This section includes information for testing Virginia Tax e-File returns through the e-File platform (Assurance Testing System, ATS). Based on the current Virginia schemas, included in the separate e-File Test Package, are multiple test scenarios that reflect the required test criteria for acceptance into the Fed/State e-File Program.

To schedule testing, e-mail the Virginia Tax e-File Administrator (Bus_eFile@tax.virginia.gov) prior to submitting tests. The Virginia Software Partner Agreement clarifies the requirements for software providers to start testing.

Test returns must be transmitted through the IRS ATS System with complete submissions. The transmission method is a Web Service using Simple Object Access Protocol (SOAP) with attachment messaging.

Return data is formatted using XML. Each return should be in a separate submission and multiple submissions may be within a single message payload. Software developers will be notified of the test results and approval by email.

13.2 Testing Purpose

The purpose of testing prior to live processing is to ensure that the following conditions are met.

- Software is correctly formatted
- Schemas agree with Virginia Tax specifications
- Edits agree with Virginia Tax specifications
- Business Rules agree with Virginia Tax Specifications
- Electronic submissions are retrieved and processed correctly
- Transmitters retrieve responses from e-File including acknowledgement files

13.3 Who is Required to Test

Tax software developers and transmission software developers planning to participate in the Virginia Fed/State e-file Program must submit tests and be approved prior to submitting live TY2018 Virginia returns.

Prior to testing, all software developers and transmitters must have obtained an ETIN and EFIN from the IRS. They must also have completed the Virginia Registration and submitted a signed Virginia LOI.

13.4 Test Submissions Schedule

Test submissions to Virginia Tax are scheduled to begin early November 2018.

This is subject to change depending on IRS ATS system availability and Virginia availability. Software developers may transmit test returns for TY2018 until the IRS e-File system shuts down for filing season. Virginia Tax expects initial testing for approvals to be completed before the IRS e-File processing season opening date.

13.5 Transmitting Test Submissions

Software developers should email the e-File Administrator prior to testing and provide the following information:

- Company Name
- Contact Person
- Email Address
- Phone Number

Returns must be transmitted through the IRS e-File System. Both Linked returns and Unlinked returns can be submitted through the IRS Federal/State System.

Virginia Tax requires a copy of the **complete federal return** in the state submission, including binary attachments. Each return should be in a separate submission and multiple submissions may be within a single message payload.

13.6 What is Tested

The test package contains **multiple test scenarios** consisting of various forms/schedules/attachments to be submitted for product/software approval. Testing scenarios will be provided per the **Virginia e-File Test Package document** located in the SES site, once tax form/schedule instructions are posted.

Virginia Tax expects Software Providers to support all Virginia tax forms and applicable schedules pertaining to Corporate Tax and PTE Income Tax. However, if Virginia Tax approved an exception, test scenarios may be submitted with adjustments for those forms and schedules not supported.

Testing of additional conditions is permitted. SSNs / FEINs used for the test scenarios in the **Virginia e-File Test Package document** must not be used on additional tests. Notify the Virginia Tax e-File Administrator if / when additional tests have been submitted to ensure that these tests are downloaded and processed timely.

13.7 Acknowledgements on Test Submissions

Virginia Tax sends acknowledgements to the IRS e-File Fed/State Acknowledgement System in the format defined by the IRS Acknowledgement schema for both testing and production (efileAttachment.xsd).

Acknowledgements are sent through Virginia's ATS system for the returns received. Allow 3 – 5 business days to receive state acknowledgments. Software Providers must retransmit a test return until all tests have been accepted.

Once the test package passes business rules and schema validations, software providers can email Submission IDs to the e-File Administrator mailbox for it to be reviewed. Your email should include any test limitations for the product / test package. Software developers will be notified of the test results and approval by email.

Unless the software developer is the ERO, the developer is responsible for providing the Virginia acknowledgements to the ERO within 2 days after receipt of the acknowledgement.

14.0 Software Product Approval

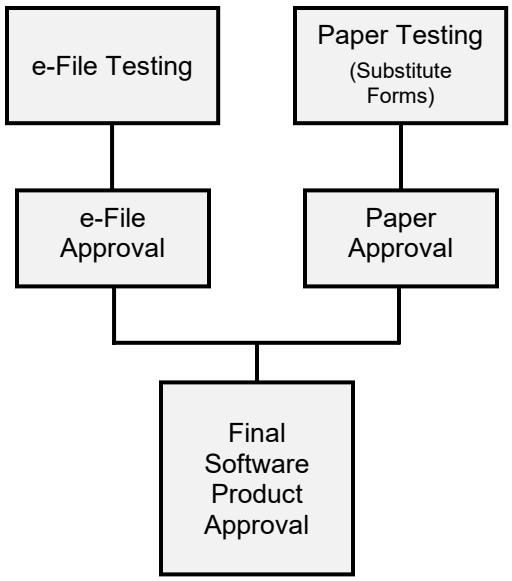
14.1 Approval Procedure

For final approval, the software provider must transmit all test returns in one single transmission **without errors** which includes business rules error, schema errors and errors pointed out by the Virginia e-File unit. The software provider must confirm receipt of the state acknowledgements.

The software provider should coordinate ATS test submissions with the submission of paper forms for testing and approval to avoid delays in full approval, as both the print and electronic testing must be complete before access to e-File Production is allowed.

- Once **e-File testing** is complete, an email is sent by the e-File team to confirm approval of the product for e-File.
- Once **paper form testing** is complete, an email is sent by the Substitute Forms team to confirm approval of the product for paper filing.

Once **all testing** is complete, an email is sent by Vendor Management (vendors@tax.virginia.gov) to the software developer and related contacts to confirm the product(s) approval. Vendor Management will request that the company / product URL to be added to our website as an approved Virginia Tax certified software product.



NOTE – during and after this process, Virginia Tax may request software providers to produce certain screenshots to ensure messaging for data collection is clear.

14.2 Product Updates – After Product Approval

If a software developer initially tested with limitations and **later decided** to support additional forms or schedules not included in the initial testing, the software developer **must** inform the e-File Administrator. The added forms or schedules **must** successfully pass testing before moving to Production.

15.0 Special Instructions – Corporate Income Tax

15.1 Conformity Messaging & Form Impacts

Historically, Virginia has conformed to the Internal Revenue Code, although we have not yet fully conformed for Taxable Year 2018. We anticipate that the date of conformity will be advanced during the 2019 General Assembly Session, and are preparing for filing season accordingly.

Virginia Supplemental ADJ Schedule (500-ADJS)

- For paper return filers with additions, subtractions, or deductions that exceed the number allowed on Schedule 500-ADJ, use the new Schedule 500-ADJS.
- Include the total from the supplemental schedule in the total reported on Schedule 500-ADJ.
- This new process applies to business returns filed on paper: Forms 500 and 502.

15.2 Due Date

Refer to Corporate Income Tax Instructions for all due date scenarios. If the due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next succeeding day that is not a Saturday, Sunday or legal holiday. Virginia Tax does not recognize Washington DC's Emancipation Day as a holiday.

Reminder for C-corporations – the automatic filing extension period was extended from 6 months to 7 months. For calendar year filers, this makes extended due date be November 15th.

15.3 Credits & Codes Updates

- **Added** – Schedule 500-ADJ/S supports the new subtraction Code 63 for Virginia Venture Capital Account Income. This includes a new related 9-character "Certification Number" field.
    - Code 63 can only be claimed when an approved Certification Number is provided by the user.
    - For printed tax returns, the Certification Number is displayed only when Code 63 is claimed by users.
    - The Certification Number is formatted as 'VCFYY####', where 'VCF' represents Venture Capital Fund, 'YY' represents the year the fund is certified, and the '####' value is assigned by the Subtraction Bank.
- **Subtraction Codes** – review the TY2018 Instructions for changes to codes for subtractions for the 500-ADJ/S.

15.4 Required Checkbox Element in Schema

Virginia Tax uses the required element for a checkbox as described below.

- <FederalReturn> with 2 choices <AttachingXMLChkbx> and <AttachingPDFChkbx> to identify if the federal form is attached as an XML or a PDF.
- Child element <AttachingPDFChkbx> has a required attribute, referenceDocumentId in the schema.
- The 2 checkboxes are not located on the tax form as an element but are schema requirements.
- Virginia Tax requires a copy of the complete federal return, including federal binary attachments, in the state submission.

15.5 Form Updates & New Forms

Form 500

- New Checkboxes – Certified Company Apportionment (Schedule 500-AP) and Noncorporate HSCP (Form500HS)
- New Amount Field – Home Service Contract Provider, entered from Line 7 on Form 500HS
- New Amount Field – Coalfield Employment Enhancement Tax Credit, entered from Line 11 on Form 306
- Line 8 – "Apportionable Income (Schedule 500A Filers)" has replaced the Multistate Corporation reference

Schedule 500A

- New Checkbox – "A certified company conducting business in certain disadvantaged localities electing to use a modified apportionment method"
- Line E – the VEDP / Enterprise Data Center field has been removed
- Line G – the Double-Weighted Sales Factor has replaced the Multifactor Percentage calculation.

15.5 Form Updates & New Forms – continued

Schedule 500AC

- The # of Schedules AC attached to the submission must equal the number of affiliates reported on Form 500.
- Details for Code 63 (Venture Capital Income) are located above in Section 15.3 (Credits & Code Updates).

Schedule 500AP – **NEW**

- This new form is for VEDP-Certified companies that must use the 500AP to determine the factor attributable to Virginia prior to completing the apportionment schedule appropriate for their return type.
- The amount attributable to Virginia is transferred to the applicable form (Schedule 500A, 500AC, or 502A).

Form 500HS – **NEW**

- This new form is for home service contract providers as they are exempt from the insurance premiums license tax and instead are subject to the Virginia corporation income tax.
- Lines 10 and 11 from Form 500 must be used in the computations that determine the tax liability on Form 500-HS.

16.0 Special Instructions – Pass-Through Entity Tax

16.1 Conformity Messaging & Form Impacts

Historically, Virginia has conformed to the Internal Revenue Code, although we have not yet fully conformed for Taxable Year 2018. We anticipate that the date of conformity will be advanced during the 2019 General Assembly Session, and are preparing for filing season accordingly.

Virginia Supplemental ADJ Schedule (502-ADJS)

- For paper return filers with additions, subtractions, or deductions that exceed the number allowed on Schedule 502-ADJ, use the new Schedule 502-ADJS.
- Include the total from the supplemental schedule in the total reported on Schedule 502-ADJ.
- This new process applies to business returns filed on paper: Forms 502 and 500.

16.2 Due Date

Refer to Pass-Through Entity Returns Instructions for all due date scenarios. If the due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next succeeding day that is not a Saturday, Sunday or legal holiday. Virginia Tax does not recognize Washington DC's Emancipation Day as a holiday.

16.3 Credits & Codes Updates

- **Added** – Schedule 502-ADJ/S supports the new subtraction Code 53 for Virginia Venture Capital Account Income. This includes a new related 9-character "Certification Number" field.
    - Code 53 can only be claimed when an approved Certification Number is provided by the user.
    - For printed tax returns, the Certification Number is displayed only when Code 53 is claimed by users.
    - The Certification Number is formatted as 'VCFYY####', where 'VCF' represents Venture Capital Fund, 'YY' represents the year the fund is certified, and the '####' value is assigned by the Subtraction Bank.
- **Subtraction Codes** – review the TY2018 Instructions for changes to codes for subtractions for the 502-ADJ/S and Schedule VK-1.

16.4 Required Checkbox Element in Schema

Virginia Tax uses the required element for a checkbox as described below.

- <FederalReturn> with 2 choices <AttachingXMLChkbx> and <AttachingPDFChkbx> to identify if the federal form is attached as an XML or a PDF.
- Child element <AttachingPDFChkbx> has a required attribute, referenceDocumentId in the schema.
- The 2 checkboxes are not located on the tax form as an element but are schema requirements.
- Virginia Tax requires a copy of the complete federal return, including federal binary attachments, in the state submission.

16.5 Form Updates & New Forms

Schedule 502A

- New Checkbox – "A certified company conducting business in certain disadvantaged localities electing a modified apportionment method"
- Line E – the Quadruple-Weighted Sales Factor Apportionment has been removed from the calculation
- Line G – the new Double-Weighted Sales Factor has replaced the Multifactor Percentage calculation.
- As per Form 500AP – the amount attributable to Virginia is transferred to Schedule 502A for the VEDP-Certified Companies eligible to use the 500AP to apportion their Virginia income.

Schedule 502-ADJ/S

- See the details for new Code 53 (Venture Capital Income) located in Section 15.2 (Credits & Code Updates)
- Line 16 – the Agriculture Best Management Practices Tax Credit has been moved to Line 39 in the Refundable Credits section. Line 16 is now "Reserved for Future Use".
- Line 34 – the Telework Expenses Tax Credit is eligible to use for tax year 2018.
- Line 43 – the new field for "2018 Coalfield Employment Enhancement Tax Credit earned to be used when completing your 2021 return" has be added to the Refundable Credits section.