

# Virginia Department of Taxation



Corporation and Pass-Through Entity e-File Test Package

Tax Year 2018



# Overview

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This publication provides scenarios for the Software Developer to test their software with the Fed/State e-File program for the Corporation and Pass-Through Entity tax form packages: 500 and 502.

Please refer to the 2018 Corporation and Pass-Through Entity Guide and Specifications for important details and guidance concerning certain Virginia tax computations and other information important to developing Virginia tax preparation software.

## 500 Test Scenarios

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## 502 Test Scenarios

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# 500 Test Scenarios

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## Test Scenario #1 – FEIN 00-0200001

File a fiscal tax year consolidated Virginia corporate return, Form 500, with a name change and Schedule 500A attached with Section A Line 7, Enterprise Data Center Operation populated. There are 10 affiliates filing in a consolidated return Form 500.

There is Pass-Through Entity (PTE) withholding for 7 PTEs on Line 15. Taxpayer populated Form 500, Page 1, Line D with 7.

There is an Addition reported on Schedule 500ADJ – Code 10.

There are Subtraction Codes reported on Schedule 500ADJ.

- Code 57
- Code 62
- Code 63
- Code 99

There are Credits reported on Schedule 500CR.

- Telework Expenses Tax Credit, Section 1 Part 28
- Agricultural Best Management Practices Tax Credit, Section 3 Part 4

The taxpayer made estimated payments and the return results in an overpayment with 25% of the overpayment applied to next year's estimated tax and 75% refunded.

Forms to include:

- Form 500
- Schedule 500AC
- Schedule 500ADJ
- Schedule 500A
- Schedule 500AB
- Schedule 500AC
- Schedule 500CR
- Schedule 500FED
- Form 1120
- Binary Attachment – Agricultural Best Management Practices Tax Credit

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## Test Scenario #2 – FEIN 00-0200002

File a Virginia corporate return, Form 500, for a corporation who files a return with the Certified Company Apportionment Sch. 500AP Enclosed checkbox populated.

Schedule 500A is attached and the taxpayer elected to apportion their income using the Multi-Factor Formula with Double-Weighted Sales Factor, Apportionment Method Section A, Line 8 and the certified company conducting business in certain disadvantaged localities electing to use modified apportionment method (enclose Form 500AP) checkbox populated.

There are Additions reported on Schedule 500ADJ.

- Code 03
- Code 19
- Code 99

There are Credits reported on Schedule 500CR.

- Education Improvement Scholarships Tax Credit, Section 1 Part 29
- Food Crop Donations Tax Credit, Section 1 Part 30

The return results in a balance due which includes interest and/or penalty for underpayment of estimated Virginia income tax (Form 500C). The payment made uses direct debit with a Requested Payment Date provided by the taxpayer. The return is filed before the due date.

Forms to include:

- Form 500
- Schedule 500ADJ
- Schedule 500A
- Schedule 500AP
- Form 500C
- Schedule 500CR
- Schedule 500FED
- Form 1120

## 500 Test Scenarios (con't)

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### Test Scenario #3 – FEIN 00-0200003

File a combined Virginia corporate return, Form 500, for a corporation who files a fiscal tax year federal return. Schedule 500A is attached. There are 5 affiliates.

There is taxable income with an Addition, Interest on state obligations other than Virginia, Section A, Line 5 of Schedule 500ADJ.

There are Credits reported on Schedule 500CR.

- Farm Wineries and Vineyards Tax Credit, Section 1 Part 21
- International Trade Facility Tax Credit, Section 1 Part 22

The return results in an overpayment and the corporation has requested a refund.

Forms to include:

- Form 500
  - Schedule 500A
  - Schedule 500CR
  - Schedule 500FED
  - Schedule 500AC
  - Schedule 500ADJ
  - Form 1120
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### Test Scenario #4 – FEIN 00-0200004

File a Virginia multistate corporate return, Form 500, with taxable income and Schedule 500A attached. The corporation files as a Construction Corporation. There are Nonapportionable Investment function income and Nonapportionable Investment function loss reported.

There are Additions and Subtractions reported on Schedule 500ADJ.

- Section A, Line 2, Fixed date conformity addition - Other
- Section B, Line 3, Income from obligations or securities of the U. S. exempt from state income taxes, but not from federal income taxes
- Section B, Line 8, Dividends received from corporations in which the recipient owns 50% or more of the voting stock, to the extent remaining in federal taxable income
- Section B, Line 9, Code 99, Other Subtractions

There are Credits reported on Schedule 500CR.

- Port Volume Increase Tax Credit, Section 1 Part 23
- Clean-Fuel Vehicle and Vehicle Emissions Testing Equipment Credit, Section 1 Part 8

There are estimated payments and an overpayment credit from the prior year reported. The return results in a tax due paid by direct debit and is filed within the automatic extension period.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500FED
- Schedule 500ADJ
- Schedule 500AB
- Form 1120
- Binary Attachment
  - Clean-Fuel Vehicle and Vehicle emissions Testing Equipment Credit
  - Nonapportionable Investment function income statement
  - Nonapportionable Investment function loss statement

# 500 Test Scenarios (con't)

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## Test Scenario #5 – FEIN 00-0200005

File a fiscal tax year Virginia multistate corporate return, Form 500, with taxable income and a Schedule 500A attached.

The taxpayer is a Home Service Contract Provider.

The taxpayer is reporting Nonapportionable Income on Schedule 500A – Section B, Line 3c.

There are Credits reported on Schedule 500CR.

- Major Business Facility Job Tax Credit, Section 1 Part 9
- Barge and Rail Usage Tax Credit, Section 1 Part 24
- Livable Home Tax Credit, Section 1 Part 25

There is an overpayment to be applied to next year's estimated tax.

Forms to include:

- Form 500
- Form 500HS
- Schedule 500CR
- Schedule 500A
- Schedule 500FED
- Form 1120
- Binary Attachment - Nonapportionable Investment function income statement

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## Test Scenario #6 – FEIN 00-0200006

File a calendar tax year Virginia corporate return, Form 500, for a telecommunications company.

There are Additions reported on Schedule 500ADJ.

- Line 1, Fixed date conformity addition - Depreciation
- Line 5, Interest on state obligations other than Virginia
- Line 6 – Code 14, Other Additions

There are Credits reported on Schedule 500CR.

- Community of Opportunity Tax Credit, Section 1 Part 19
- Research and Development Expenses Tax Credit, Section 1 Part 26

There are Credits reported on Schedule 500T.

- Historic Rehabilitation Tax Credit, Part 1 2(L)
- Education Improvement Scholarships Tax Credit, Part 1 2(DD)
- Major Research and Development Expenses Tax Credit, Part 1 2(EE)
- Agricultural Best Management Practices Tax Credit, Part 1 2(FF)

The taxpayer reported estimated payments and the return results in a balance due and the taxpayer pays by EFT.

Forms to include:

- Form 500
- Form 500T
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Form 1120
- Binary Attachment - Agricultural Best Management Practices Tax Credit

## 500 Test Scenarios (con't)

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### Test Scenario #7 – FEIN 00-0200007

File a short year Virginia consolidated corporate return, Form 500, with federal taxable income and Schedule 500A is attached. The taxpayer populated Line C2, Form 500, page 1.

Four payments are made to related entities reported on Schedule 500AB, Part 1. There is an Addition reported on Schedule 500ADJ – Section A, Line 2.

There are Credits reported on Schedule 500CR.

- Riparian Waterway Buffer Tax Credit, Section 1 Part 16
- Land Preservation Tax Credit, Section 1 Part 17
- Virginia Coal Employment and Production Incentive Tax Credit, Section 1 Part 18

There is a balance due on this return.

Forms to include:

- Form 500
- Schedule 500AB
- Schedule 500AC
- Schedule 500FED
- Schedule 500A
- Schedule 500ADJ
- Schedule 500CR
- Form 1120
- Binary Attachment
  - Virginia Coal Employment and Production Incentive Tax Credit
  - Net Operating Loss Deduction

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### Test Scenario #8 – FEIN 00-0200008

File a fiscal tax year Virginia corporate return, Form 500. The taxpayer is an Electric Supplier.

Taxpayer allows Virginia Tax to discuss the return with the tax preparer and answered **Yes** on Line E, Form 500, Page 1 with years 2003 and 2004 reported. There is no overpayment or balance due.

Forms to include:

- Form 500
- Schedule 500EL
- Schedule 500FED
- Form 1120

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### Test Scenario #9 – FEIN 00-0200009

File a calendar tax year Virginia consolidated corporate return, Form 500, with 6 affiliates reported and Schedule 500A attached. The taxpayer is filing as a Homeowners Association attaching 1120H as a PDF.

There are Additions reported on Schedule 500ADJ

- Section A, Line 4, Net income tax and other taxes that are based on, measured by, or computed with reference to net income
- Section A, Line 5, Interest on state obligations other than Virginia

There are Credits reported on Schedule 500CR.

- Enterprise Zone Act Tax Credit, Section 1 Part 3
- Motion Picture Production Tax Credit, Section 3 Part 2

Estimated payments are reported and the return results in an amount due, filed late and paid by direct debit.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500AC
- Schedule 500ADJ
- Schedule 500FED
- Binary Attachment
  - Enterprise Zone Act Tax Credit
  - 1120H

## 500 Test Scenarios (con't)

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### Test Scenario #10 – FEIN 00-0200010

File a Virginia corporate return, Form 500, filing as an Electric Cooperative. Virginia taxable income is fully taxable (apportionment factor = 100%).

There are Subtractions reported on Schedule 500ADJ.

- Section B, Line 1, Fixed date conformity subtraction - Depreciation
- Section B, Line 5, Interest on state obligations other than Virginia

There are Credits reported on Schedule 500CR.

- Neighborhood Assistance Act (NAA) Tax Credit, Section 1 Part 2
- Conservation Tillage Equipment Tax Credit, Section 1 Part 4

The return results in a balance due and the taxpayer is paying by EFT.

Forms to include:

- Form 500
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Schedule 500MT
- Form 1120
- Binary Attachment – Conservation Tillage Equipment Tax Credit

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### Test Scenario #11 – FEIN 00-0200011

File an amended 2018 Virginia corporate Form 500, with Federal Audit changes increasing Virginia taxable income by \$20,000.00 and Schedule 500A attached. Amended Return Explanation is included.

There are changes reported on these forms.

- Schedule 500CR – Precision Fertilizer and Pesticide Application Equipment Tax Credit, Section 1 Part 6
- Schedule 500ADJ – Section B, Line 1
- Schedule 500ADJ – Section B, Line 5

The return results in a balance due and the taxpayer is paying by EFT.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Form 1120
- Binary Attachment – Precision Fertilizer and Pesticide Application Equipment Tax Credit

# 502 Test Scenarios

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## Test Scenario # 12 – FEIN 00-0200012

File a fiscal tax year Virginia Form 502 with 10 nonresident owners. Schedule 502A is present with Section A Line 8 checked. The taxpayer is a Home Service Contract Provider and attaches Form 500HS

There are Additions reported on Schedule 502ADJ.

- Code 10
- Code 13
- Code 14
- Code 20
- Code 21

There are Subtractions reported on Schedule 502ADJ.

- Code 11
- Code 49
- Code 53

Nonrefundable Tax Credits are being claimed on Schedule 502ADJ.

- Major Research and Development Tax Credit
- Food Crop Donation Tax Credit

Refundable Tax Credit of Motion Picture Production Tax Credit is being claimed on Schedule 502ADJ.

Taxpayer made withholding payments and the return results in an overpayment with 25% of the overpayment applied to next year's tax and 75% refunded.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- Form 500HS
- VK-1
- Form 1120S



## 502 Test Scenarios (con't)

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### Test Scenario # 13 – FEIN 00-0200013

File a calendar tax year Virginia Form 502 with 3 nonresident owners and federal Form 1120S attached.

A certified company conducting business in certain disadvantaged localities electing a modified apportionment method (enclose Schedule 500AP) checkbox is populated on Schedule 502A with Section A Line 3 populated.

There are Fixed-Date Conformity Additions and Subtractions reported on Form 502.

There are Additions reported on Schedule 502ADJ.

- Code 15
- Code 21

There are Subtractions reported on Schedule 502ADJ.

- Code 12
- Code 52

There are Nonrefundable Tax Credits reported on Schedule 502ADJ.

- Waste Motor Oil Burning Equipment Tax Credit
- Research and Development Expenses Tax Credit

Taxpayer filed over 6 months late with a balance due of withholding tax and is thereby liable for Late Filing penalty of 30% on the balance of tax due. Taxpayer is also liable for late filing penalty of Form 502 of \$1200.00. Payment is made using direct debit.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- Schedule 500AP
- Schedule 500AB
- VK-1
- Form 1120S
- Binary Attachment – Waste Motor Oil Burning Equipment Tax Credit

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### Test Scenario # 14 – FEIN 00-0200014

File a calendar tax year Virginia Form 502 with 4 owners and Final return checkbox is checked with Federal Form 1065 attached. Schedule 502A is present and they file as a Construction Corporation.

There is a refundable tax credit, Coalfield Employment Enhancement Tax Credit reported on Schedule 502ADJ. The return results in an overpayment.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- VK-1
- Form 1065
- Binary Attachment – Form 306

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### Test Scenario #15 – FEIN 00-0200015

File an amended tax year 2018 Virginia Form 502 reporting a change in the total number of owners, an address change and an increase of Withholding tax of \$5,000.00 resulting in additional tax owed. Federal Form 1120S is also attached.

There is an Addition Code 10 reported on Schedule 502ADJ.

Forms to include:

- Form 502
- Schedule 502ADJ
- VK-1
- Form 1120S