



# Modernized eFile (MeF)

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Software Developer's Handbook and Test Package

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Tax Year 2018

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## INTRODUCTION

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The Arizona Department of Revenue (ADOR), in conjunction with the Internal Revenue Service (IRS), is accepting Individual and Fiduciary Income Tax returns and corresponding forms and schedules for Tax Year 2018 by the Modernized e-File (MeF) system.

The transmission method is a Web Service using Simple Object Access Protocol (SOAP) with attachments messaging. The return data is formatted using eXtensible Markup Language (XML). Authorized e-File providers, also known as Electronic Return Originators (ERO's), can submit returns to the IRS MeF system for federal and state return processing. State returns can be submitted as a federal return with a state return attached, called a "Linked" submission. Each Linked return must be in a separate submission. Multiple submissions may be contained in a single message payload. Software developers must test with ADOR prior to submitting live returns.

### Purpose of This Manual

This guide has been prepared for tax preparation software vendors that have been or need to be approved by ADOR and describes:

- How to register with ADOR once accepted into the IRS MeF program.
- How to meet state legal requirements.
- How to request a review for testing certification.
- How to format and package data for electronic transmissions.
- How to submit software test returns to ADOR.

### Before Testing

Prior to testing, all software developers and ERO's transmitting directly with ADOR must:

- ❖ Have or obtain an Electronic Transmitter Identification Number (ETIN) through the IRS.
- ❖ Complete the Letter of Intent (LOI).

Once the LOI has been processed, the e-File coordinator will add the contact(s) on the LOI to the Federation of Tax Administrators (FTA) State Exchange System (SES) where the software documentation will be available.

Assurance Testing System (ATS) must be completed before transmission of any production returns. Once ATS is successfully completed, notification of acceptance will be emailed by the e-File coordinator.

To support previous years in addition to the current year e-File returns, successful completion of a set of tests for previous year forms if required, if ATS was not previously passed for the previous years.



## Individual Test Return Requirements

ADOR has changed its testing process to make testing easier. ADOR does not require the use of a specific set of state return scenarios. Instead, ADOR allows each vendor to supply its own test returns that reflect the forms, schedules and features its software supports. A list of general conditions that must be followed within the returns is provided in section Test Scenarios of this document. All required test returns must be accepted with no rejects before the software will be considered for final acceptance.

Prepare test returns using the following taxpayer IDs and spouse IDs structure.

Taxpayer ID: 400-00-XXXX

Spouse ID: 600-00-XXXX

## Schema Version

For processing year 2019, the schema(s) will be posted as a package. The most recent schema versions will be packaged for tax years 2015 through 2018. **Please take note of versioning for each of the tax years.**

The schema package has changed to accommodate the field changes on 2018 tax year forms and to correct any issues with prior year schemas.

During testing and production this year, ADOR will be implementing backwards compatibility between the current and the most recent previous schema version for tax year 2018 schemas. In general, this backwards compatibility will be for a two-week time frame when a new schema version is released. The backwards compatibility period may be shortened or lengthened dependent upon the severity and complexity of the changes. When a new schema version is announced, it will also be accompanied by a release date and a sunset date for the previous schema version.

ATS will begin on October 31, 2018\*. ATS may be submitted until March 19, 2019.

\*May be adjusted, depending on IRS open.

## Linked Returns

ADOR primary returns require a linked federal return.

## Binary Attachments

ADOR accepts binary attachments. Certain business rules and schema elements require specific naming convention for binary attachments. Unless otherwise specified, there are no formal naming conventions for binary attachments. Please use unique names when attaching multiple binary attachments of the same form.

## Transmission of Credit Forms – Form 300 Series

Attaching the Credit Form 301 is required when claiming credits. This will be checked in business rule(s) 801 and 802.



## CHANGES FOR TAX YEAR 2018

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### Approval Changes

To improve data integrity, approvals for tax year 2018 will now be based on forms that each vendor supports. Approval emails will now contain the SoftwareID and the forms approved for filing.

### Form Changes

The Forms 140, 140PY, 140NR and 141AZ forms were modified for the following:

- Added elements 'NetCapLossExchOfLegalTender' and 'NetCapGainExchLegalTender'
- Removed LTHSAPenalty checkbox (Forms 140, 140PY, 140NR)

These credits have been repealed or expired and no longer available beginning with tax year 2018:

- Credit Form 307 – Recycling Equipment Credit
- Credit Form 342 – Credit for Renewable Energy Industry
- Credit Form 344 – Solar Liquid Fuel Credit
- Credit Form 347 – Credit for Qualified Health Insurance Plans

Credits Forms 321, 322, 323, 348 and 352 were modified to allow taxpayers to report more than three qualifying charitable organizations in the form XML.

Credit Forms 321, 322 and 352\*

- Removed the location column and added a new Code column

\*More information in the Other Items of Note section

### New Form(s)

The following form(s) are now available to be filed electronically for (and starting with) tax year 2018:

- Form 203 is now available as an XML for tax year 2018.

### Business Rules

A total of 27 new business rules were added for tax year 2018 primarily dealing with:

- Approval by forms per SoftwareID
- Validating data on Credit Forms 321, 322 and 352
- Corroborating taxpayer IDs on Form 141AZ
- Calculations on Form 203
- Preventing duplicate IDs in the dependent section

The business rules are posted on the FTA SES website.



## Standard Deduction

The standard deduction changed for tax year 2018. The amounts are:

Single and Married Filing Separate = \$5,312

Head of Household and Married Filing Joint (MFJ) = \$10,613

## Personal Exemption

The personal exemption changed for tax year 2018. The amounts are:

Single	\$2,200
MFJ/claiming no dependents	\$4,400
MFJ/claiming at least one dependent	\$6,600
Head of Household and not married	\$4,400
Head of Household and married	\$3,300
MFS/neither spouse claiming a dependent	\$2,200
MFS/one spouse claiming at least one dependent, excluding persons listed who did not qualify as a dependent on the federal return	\$3,300

## Tax Rate Table

The 2018 Arizona Tax Tables X and Y and Optional Tax Tables for Forms 140, 140A and 140EZ were updated and consolidated. There are now only two tables.

## Extension Due Date Change for Fiduciary Income Tax

Arizona will follow the federal extension for the 2018 Arizona Form 141AZ. The extension time was extended to 5.5 months (due date for calendar filers is September 30, 2019). There is an exception: a Qualified Funeral Trust using federal Form 7004 for its extension will be given the same extension period allowed at the federal level (6 months) and its due date to file the 2018 Arizona Form 141AZ will be October 15, 2019.



Other Items of Note

Arizona Income Ratio in a Simplified Table:

AZ Income (A)	Fed Adj. Income (F)	Ratio
+	+	A/F or 1.000
+	0	1.000
+	-	1.000
0	+	0.000
0	0	1.000
0	-	0.000
-	+	0.000
-	0	0.000
-	-	A/F or 1.000

Capital Gains and Loss Calculations Further Explained:

Capital Gains/Loss (when not completing the worksheet)

Taxpayer’s situation: Long-term loss of -43,245 | Short-term loss of -225,498

12	Federal adjusted gross income (from your federal return)	12	
13	Non-Arizona municipal interest	13	
14	Partnership Income adjustment: See instructions	14	
15	Total federal depreciation	15	
16	Other Additions to Income: See instructions and include your own schedule	16	
17	Subtotal: Add lines 12 through 16 and enter the total	17	
18	Total net capital gain or (loss): See instructions	18	-3,000
19	Total net short-term capital gain or (loss): See instructions	19	-225,498
20	Total net long-term capital gain or (loss): See instructions	20	222,498
21	Net long-term capital gain from assets acquired after December 31, 2011. See instructions.	21	
22	Multiply line 21 by 25% (.25) and enter the result	22	

Because federal Form 1040, line 13, is limited to a current year’s loss of -3,000, this is the correct amount to enter on Arizona Form 140, line 18.

The following example may help to illustrate what should be entered on lines 19 and 20, when line 18 is showing a loss of -3,000 due to the federal limitation for the taxable year.

Line 18, total net capital gain or (loss).....-3,000  
 Line 19, total net short-term capital gain or (loss).....-3,000  
 Line 20, total net long-term capital gain or (loss).....0.0

Lines 19 and 20 may be reversed depending on the taxpayer’s actual usage on the federal form, or split between the two, e.g., -750 short-term loss and -2,250 long-term loss; or -1,500 short-term loss and \$-1,500 long-term loss. As you can see, the amounts between the two lines reflect only the actual amounts used in computing FAGI, which does not include amounts that are unused and carried forward.





## Arizona Department of Revenue

### New Codes for Credit Forms 321, 322, and 352:

Effective for tax year 2018, ADOR has assigned a five (5) digit code number to identify each Qualifying Charitable Organization (QCO) and Qualifying Foster Care Charitable Organization (QFCO) for Arizona tax credit purposes on Form 321 and Form 352, which is included with the Arizona income tax return.

Taxpayers must use the “QCO Code” or “QFCO Code” of certified organizations to claim the tax credits for contributions QCOs or QFCOs.

ADOR’s lists of qualifying charities include the code assigned to each organization and are available at [azdor.gov/tax-credits/contributions-qcos-and-qfcos](http://azdor.gov/tax-credits/contributions-qcos-and-qfcos) and on the FTA SES.

For the purpose of claiming Arizona’s tax credit for contributions made or certain fees paid to a public school (Credit Form 322), ADOR now requires taxpayers report the school’s County Code, Type Code, District Code and Site (CTDS) number on Form 322, which is included with the Arizona income tax return. The CTDS is a nine (9) digit number that the Arizona Department of Education uses to identify Arizona public and charter schools (format NN-NN-NN-NNN).

The list of CTDS number for a public school in Arizona will be located at:

- <http://www.ade.az.gov/edd>,
- [https://azdor.gov/sites/default/files/media/PUBLICATION\\_ADESchoolListing.pdf](https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf), and
- the FTA SES.

The list of CTDS number for a charter school in Arizona will be located at:

- <http://www.ade.az.gov/charterschools/search/>,
- [https://azdor.gov/sites/default/files/media/PUBLICATION\\_ADESchoolListing.pdf](https://azdor.gov/sites/default/files/media/PUBLICATION_ADESchoolListing.pdf), and
- the FTA SES.

These lists will be updated throughout tax season; there will be a tax year 2018 list and a tax year 2019 list of QCO/QFCO/public schools/charter schools posted on the FTA SES. Each list will include a changes column to denote additions, deletions and name/code modifications.

## Contact Personnel

The e-File coordinator will be your main point of contact during the ATS process. For assistance in formatting and transmitting your e-File returns, or for questions regarding test conditions contained in this publication, please contact the e-File coordinator.

- XML Schemas
  - Test Returns
  - Website for MeF Filing
  - Missing Acknowledgements
  - MeF Approval
- Email: [AZEfile@azdor.gov](mailto:AZEfile@azdor.gov)

Web Address: [www.azdor.gov](http://www.azdor.gov)



## Home Service Center (IRS)

Arizona's Federal Home Service Center is Fresno.

## Quick Links

Individual Income Tax (Ruling): <https://azdor.gov/legal/rulings>

Individual Income Tax Filing Assistance: <https://azdor.gov/individual-income-tax-filing-assistance>

AZTaxes (to submit payment): <https://www.AZTaxes.gov/Home/PaymentIndividual/>

Free Electronic Filing webpage: <http://www.azdor.gov/EServices/Individuals.aspx>

## ACCEPTANCE AND PARTICIPATION

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### Assurance Testing System (ATS)

Testing of software developed for electronic filing is mandatory. All software must be tested using conditional scenarios. Submission of the Letter of Intent (LOI) is required by all developers prior to testing.

Developers will be given formal confirmation when software has been successfully tested for electronic filing. Only approved software may be released and distributed by the developer. Test scenarios will not utilize federal ATS data. Arizona's tests are developed independent of federal testing. ADOR does not require developers to use a specific set of state return scenarios. Instead, ADOR allows each developer to supply its own test returns that reflect the forms, schedules and features its software supports. In addition, test scenarios should include retrieval of state acknowledgements.

It is important to note that the SoftwareID identified on the LOI is the main indicator that will allow submissions to go through ADOR's test environment and (when approved) ADOR's production environment. All submissions must have the SoftwareID.

### Forms Selection

Beginning tax year 2018, submissions that contain forms not listed on the submitted LOI will reject with BR 206- HDR - *The SoftwareID is not valid or has not been approved for filing this form type*. This is true for testing and production. If more forms need to be tested than are indicated on the LOI, a new LOI will need to be submitted and a waiting period of 1-4 business days will be needed before new submissions are made, to ensure the forms supported have been updated by ADOR.



## Assurance Testing System (ATS) Test Scenarios

Prepare the test returns according to the following requirements:

- Provide at least two return examples of each return type that you will support (i.e. – Form 140, Form 140NR, etc.). In addition, the specific conditions below must be included among the return examples provided.
- At least one of every form, schedule and feature supported (according to the list of supported forms, schedules, and features provided on the LOI submitted) must be included among the total number of test returns submitted.
- Include at least one example of an entry that meets each of the following general conditions, applicable to all form types and features supported:
  - For the use of the extension box.
  - Direct debit transaction to pay liability.
  - Foreign address.
  - A binary attachment included with return.
  - Individual Income Tax
    - Prior year last name different.
    - Claiming a qualifying parent.
    - Filing status 1 (MFJ) with spouse last name different.
  - For Fiduciary/Trust
    - Beneficiary listed as a resident.
    - Nonresident beneficiary.
    - A beneficiary resident with a K-1.
  - Form Specific Scenarios
    - 321, 322, 352
      - The use of the newly implemented code for column (a).
      - The use of the continuation sheet.

## Testing for Multiple Products Using the Same Platform (Engine)

If a developer creates more than one product (example: online and professional), it is not necessary to undergo the entire testing procedure for each product. Once the initial ATS is approved, inform ADOR of any additional products and ADOR will discuss with the developer whether any additional testing will be required. Usually, only two tests are required for each additional product that uses the same software engine.

## Forms Available to e-File for Tax Year 2018

Vendor Supported?	Tax Forms
	140 Resident Personal Income Tax Return
	140A Resident Personal Income Tax Return (Short Form)
	140EZ Resident Personal Income Tax Return (EZ Form)
	140PY Part-Year Resident Personal Income Tax Return
	140NR Nonresident Personal Income Tax Return
	204 Application for Filing Extension (Individual)
	141AZ Arizona Fiduciary Income Tax Return
	141AZ EXT Application for Filing Extension (Fiduciary)



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Vendor Supported?	Supporting Forms
	140PTC Property Tax Refund (Credit) Claim
	140 Schedule A Itemized Deduction Adjustments
	140PY Schedule A(PY) Itemized Deductions for Part-Year Residents
	140PY Schedule A(PYN) Itemized Deductions for Part-Year Residents with Nonresident Income
	140NR Schedule A(NR) Itemized Deductions for Nonresidents
	141AZ Schedule K-1 Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment
	141AZ Schedule K-1 (NR) Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment
	131 Claim for Refund on Behalf of Deceased Taxpayer
	201 Renter's Certificate of Property Taxes Paid
	202 Personal Exemption Allocation Election
	203 Request for Injured Spouse Protection from Application of Joint Overpayment Against Spouse's Delinquencies or Debts
	221 Underpayment of Estimated Tax by Individuals
	Arizona Claim of Right - Individual
	Arizona Claim of Right - Fiduciary
	Federal Form 1040, Schedule A, Itemized Deductions
	Federal 1099G Certain Government Payments
	Federal 1099R Distributions From Pensions, Annuities, Retirement or Profit Sharing plans, IRAs
	Federal 1099INT Interest Income
	Federal 1099MISC Miscellaneous Income
	Federal W2 Wage and Tax Statement
	Federal W2G Certain Gambling Winnings

Vendor Supported?	Tax Credit Forms
	301 Nonrefundable Individual Tax Credits and Recapture
	304 Enterprise Zone Credit
	305 Environmental Technology Facility Credit
	306 Military Reuse Zone Credit
	308I Credit for Increased Research Activities - Individuals
	309 Credit for Taxes Paid to Another State or Country
	310 Credit for Solar Energy Devices
	312 Agricultural Water Conservation System Credit
	315 Pollution Control Credit



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Vendor Supported?	Tax Credit Forms
	319 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets
	320 Credit for Employment of TANF Recipients
	321 Credit for Contributions to Qualifying Charitable Organizations
	322 Credit for Contributions Made or Fees Paid to Public Schools
	323 Credit for Contributions to Private School Tuition Organizations
	325 Agricultural Pollution Control Equipment Credit
	331 Credit for Donation of School Site
	332 Credit for Employment by a Healthy Forest Enterprise
	333 Credit for Employing National Guard Members
	335-I Credit for Business Contributions by an S Corporation to School Tuition Organization-Individual
	336 Credit for Solar Energy Devices - Commercial and Industrial Applications
	336-T Credit for Solar Energy Devices – Commercial and Industrial Applications - Transferred from Taxpayer to Third Party
	338 Credit for Investment in Qualified Small Businesses
	340 Credit for Donations to the Military Family Relief Fund
	341-I Credit for Business Contributions by an S Corporation to School Tuition Organizations for Displaced Students or Students with Disabilities - Individual
	343 Renewable Energy Production Tax Credit
	345 Credit for New Employment
	346 Additional Credit for Increased Research Activities for Basic Research Payments
	348 Credit for Contributions to Certified School Tuition Organization-Individuals
	349 Credit for Qualified Facilities
	351 Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers
	352 Credit for Contributions to Qualifying Foster Care Charitable Organizations

### Exclusions from Electronic Filing

The following forms and schedules are excluded from this year's Arizona e-File program:

- Forms not listed under “Forms Available to e-File for Tax Year 2018” above
- Any year other than tax year 2015 to current
- State returns having a different “Federal Adjusted Gross Income” than that provided on the federal return
- State-Only returns for which a federal return was not completed, i.e., Form 140X and Form 140PTC.  
Note: Form 140PTC can be an attachment to the appropriate Form 140 series.



### DEVELOPER RESPONSIBILITIES

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Arizona participates in the federal/state electronic filing program. Any software developed must meet all federal and state requirements. The following guidelines complement IRS and Arizona publications and are not intended to alter or amend the IRS requirements.

#### Error Detection

ADOR will immediately notify the developer when it detects a software problem or error. Likewise, software developers are required to immediately notify ADOR of problems or errors associated with the software or its use. Such notifications are made by e-mailing the e-File staff at AZEfile@azdor.gov.

When a software error is identified, it is the responsibility of the software developer to immediately notify their user population, correct the problem, and expeditiously distribute the appropriate software revision (correction) to their clients. Additionally, ADOR is to receive immediate notification of all software errors and problems. ADOR is to be advised when corrections are made and supplied with the related version number and release date. ADOR must be kept advised of all software versions (identification number and distribution date) distributed to the e-File community.

### MISCELLANEOUS

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#### Return Due Dates – Individual Income Tax

The original due date of the Arizona Individual Income Tax Return for (calendar) tax year 2018 is April 15, 2019 and the extended due date is October 15, 2019.

Fiscal year filers - Returns are due by the 15th day of the fourth month following the close of the taxable year (original due date). The extended due date is six months after the original due date.

A federal extension is accepted for Arizona purposes. If tax is due, the Arizona extension (Form 204-E) can be filed and payment can accompany the transmission.

#### Return Due Dates – Fiduciary Income Tax

The original due date of the Arizona Fiduciary Income Tax Return for (calendar) tax year 2018 is April 15, 2019 and the extended due date is September 30, 2019. *Exception:* A Qualified Funeral Trust using a federal extension (Form 7004) to file its federal Form 1041-QFT has an extended due date of October 15, 2019.

Fiscal year filers - Returns are due by the 15th day of the fourth month following the close of the taxable year (original due date). The extended due date is five and a half months after the original due date.

A federal extension is accepted for Arizona purposes. If tax is due, the Arizona extension (Form 141AZ EXT) can be filed and payment can accompany the transmission.



## Application for Filing Extension

Arizona allows for electronic filing of extension applications and payment via direct debit.

## Decedent Returns

Arizona accepts decedent returns electronically from the surviving spouse who is using the “Married Filing Joint” filing status. If a refund is expected, Form 131, Claim for Refund on Behalf of Deceased Taxpayer, must accompany the e-Filed joint return. The death certificate is NOT required as an attachment, but must be kept for tax records. A zero/even balance or a balance due decedent return is also accepted.

## Form Approval

NOTE: Approval of software for electronic filing does not include approval of any **form developed/produced for hardcopy submission** to ADOR. The Forms Unit must approve Arizona substitute tax forms included in software. Direct inquiries and requests for paper tax form approval to:

Kim Freeman  
Forms Administrator  
Taxpayer Services  
Arizona Department of Revenue  
1600 West Monroe, Division Code 16  
Phoenix, AZ 85007-2650  
602-716-6799  
[kfreeman@azdor.gov](mailto:kfreeman@azdor.gov)

## 2019 State Holidays

<u>HOLIDAY</u>	<u>DATE OBSERVED</u>
New Year's Day	Tuesday, January 1
Martin Luther King, Jr./Civil Rights Day	Monday, January 21
Lincoln/Washington/Presidents' Day	Monday, February 18
Memorial Day	Monday, May 27
Independence Day	Thursday, July 4
Labor Day	Monday, September 2
Columbus Day	Monday, October 14
Veterans' Day	Monday, November 11
Thanksgiving Day	Thursday, November 28
Christmas Day	Wednesday, December 25



## 2018 Arizona E-File Calendar

### Individual Income Tax

#### For Tax Period Beginning 2018

Transmission of live IRS e-File returns begins:	TBD
Last date for timely filed returns	April 15, 2019
Last date for retransmitting rejected timely filed returns	April 20, 2019
Last date for transmitting late or returns on extension	October 15, 2019
Last date for retransmitting rejected late or returns on extension	October 20, 2019

### Fiduciary Income Tax

#### For Tax Period Beginning 2018

Transmission of live IRS e-File returns begins:	TBD
Last date for timely filed returns	April 15, 2019
Last date for retransmitting rejected timely filed returns	April 20, 2019
Last date for transmitting late or returns on extension	September 30, 2019
Last date for retransmitting rejected late or returns on extension	October 5, 2019





# 2019

January							February							March							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
		1	2	3	4	5						1	2						1	2	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	3	4	5	6	7	8	9	
13	14	15	16	17	18	19	10	11	12	13	14	15	16	10	11	12	13	14	15	16	
20	21	22	23	24	25	26	17	18	19	20	21	22	23	17	18	19	20	21	22	23	
27	28	29	30	31			24	25	26	27	28			24	25	26	27	28	29	30	
														31							
April							May							June							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
		1	2	3	4	5	6				1	2	3	4							1
7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8	
14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15	
21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22	
28	29	30					26	27	28	29	30	31		23	24	25	26	27	28	29	
														30							
July							August							September							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
		1	2	3	4	5	6					1	2	3	1	2	3	4	5	6	7
7	8	9	10	11	12	13	4	5	6	7	8	9	10	8	9	10	11	12	13	14	
14	15	16	17	18	19	20	11	12	13	14	15	16	17	15	16	17	18	19	20	21	
21	22	23	24	25	26	27	18	19	20	21	22	23	24	22	23	24	25	26	27	28	
28	29	30	31				25	26	27	28	29	30	31	29	30						
October							November							December							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
		1	2	3	4	5						1	2	1	2	3	4	5	6	7	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					



### ACKNOWLEDGEMENT SYSTEM

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The purpose of the state acknowledgement is to confirm that ADOR successfully received a transmitted return. It is not intended to convey or indicate that the received return is accurate or is error-free. Arizona uses a “Received”, “Accepted” or “Rejected” acknowledgement system.

- ❖ A “Received” notification indicates that the state submission was received by ADOR. The electronic return *has not* been through the schema or business rules at this point.
- ❖ An “Accepted” acknowledgement indicates the electronic return was received by ADOR and successfully completed the schema and business rule validation process. No further action is forthcoming regarding the transmission.
- ❖ A “Rejected” acknowledgement indicates the electronic return was received, but failed to successfully complete the schema and/or business rule validation process. If the return rejects with a schema error it is not able to go through the business rule logic. When the return is resubmitted it will go through the schema and business rules. The “Rejected” acknowledgement will contain a business rule error indicating the error causing the rejection. The error condition must be corrected, after which the return can be re-transmitted as a “linked” return, or submitted as a paper return.

NOTE: During ATS testing, the error should be fixed and the return resubmitted.

### SCHEMAS AND BUSINESS RULE SPECIFICATIONS

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Each version of the XML schemas has a unique version number. It is important to note the following principles regarding version numbers:

Each tax return’s schema version has an associated set of business rules. This ensures that each updated schema version includes an updated set of business rules for each Tax Year going forward. Business rules for Tax Year 2018 may or may not be the same as tax year 2015 or tax year 2016.

Throughout ATS testing, multiple versions of XML, schemas and business rules may be posted to the FTA SES. During the release of a new schema version, there may be a compatibility period, where two schema version numbers will be accepted. If there is a schema version change there will be notification prior to the migration to test or production environment.

When a business rule error occurs on an electronic return, processing may stop so there may be additional errors in the file that have not been identified.



Top Five (5) Business Rule violations (for the tax year 2017):

1. BR 500 - Return failed Schema Level Validation.
2. BR 702 FRM - The amount on the Net Capital Gain line is not consistent with values on related lines.
3. BR 204 HDR - <ReturnTs> AND, if included, <StateSubmissionIdDateOrig> OR <OriginalSubmissionDate> must be less than or equal to current date.
4. BR 801 CRE - Credit form indicated on Form 301 was not attached or received.
5. BR 403 EXE - Missing Arizona Form 202 when filing status is MFS.

## GENERAL INFORMATION

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### Testing Period

ADOR begins accepting ATS tests through the IRS gateway tentatively by October 29, 2018, or later, depending on the IRS open. ATS may be submitted until March 19, 2019. The LOI must be received before testing can start. A LOI is required for each tax year.

### Signature Documents/Process

*Ruling ITR 14-5 Electronic Signature for Arizona Form AZ-8879.*

*Ruling ITR 14-4 What method can an electronic return preparer use to sign an individual income tax return? (Supersedes GTR 01-1)*

<https://azdor.gov/legal/rulings>

### Payment Methods

Online Payment by 140V:

Payment may be made online at <https://www.AZTaxes.gov/Home/PaymentIndividual/>.

The following payment options are available:

- 140ES - Individual Income Estimated Payments
- 140V - Payment Voucher for e-Filed Returns
- 204 - Individual Income Extension Payments
- Liability - Payment for Unpaid Individual Income Tax

By mail: Payment, together with the AZ-140V, is to be mailed to:

Arizona Department of Revenue  
AZ-140V  
P.O. Box 29085  
Phoenix, Arizona 85038-9085



## Direct Debit

Arizona strictly prohibits a Direct Payment/Direct Debit date later than April 15, 2019 (or original due date of the return) on a return that is transmitted before April 15, 2019 (or on the original due date). Timely filed returns with a Direct Payment/Direct Debit date later than April 15, 2019 (or the original due date) will be rejected. If a date is not elected on a return transmitted before April 15, 2019, or if a return is transmitted on or after April 16, 2019 (or the original due date), the date defaults to the original transmission date.

Fiscal year filing return due dates are the 15th day of the fourth month following the close of the taxable year.

Taxpayers may elect a future date if the return is transmitted before April 15, 2019 or the original due date. That "Future Date" may not exceed "20190415". If a "Future Date" is not elected or when a return is transmitted on or after April 15, 2019; this date is to default to the transmission date. If a non-banking day is selected, the withdrawal will occur on the next banking day.

Direct Debits may be for an amount less than the full amount due. A billing will automatically be generated for any difference, in addition to any corresponding penalties and/or interest.

Note about Direct Debit payments for your clients:

If a client has an Automated Clearing House (ACH) debit block on its bank account, the client must inform its bank of ADOR's Company ID number to avoid rejection of its payment. ADOR's Company ID number is 4866004791. Due to a National Automated Clearing House Association (NACHA) rule change, ADOR may be fined for payments that are rejected by the bank. Please know the client will be charged for payments returned as unauthorized by the client's bank. By submitting this payment, the client acknowledges that it has authorized ADOR to debit its account, and the client accepts responsibility for any resulting fees.

## Direct Deposit

Direct Deposit is offered on electronic returns for tax year 2018. If this is elected, the entire refund amount will be deposited. Partial electronic refunds will not be allowed.