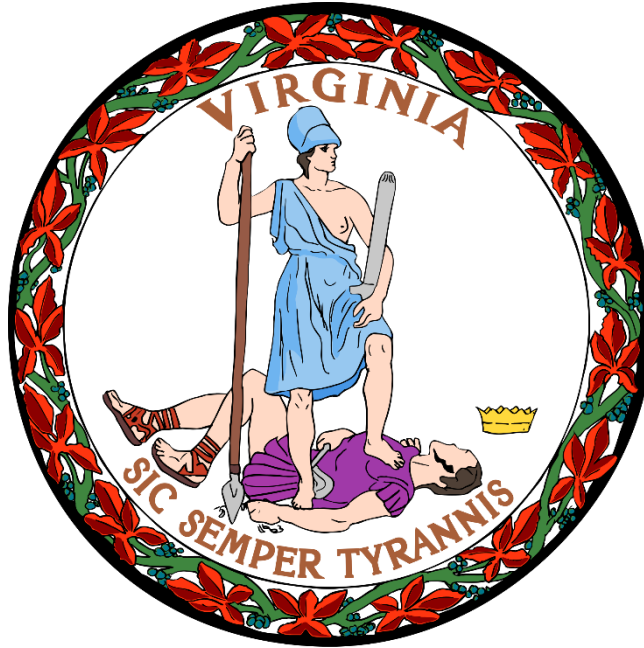


# Virginia Department of Taxation



Corporation and Pass-Through Entity e-File Test Package

Tax Year 2021



# 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 2021 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.

All test scenarios are required to be submitted. If an element of the test is not supported, please indicate as a limitation and submit the test without the element(s).

## 500 Test Scenarios

- [Test Scenario #1 – FEIN 00-0200001](#)
- [Test Scenario #2 – FEIN 00-0200002](#)
- [Test Scenario #3 – FEIN 00-0200003](#)
- [Test Scenario #4 – FEIN 00-0200004](#)
- [Test Scenario #5 – FEIN 00-0200005](#)
- [Test Scenario #6 – FEIN 00-0200006](#)
- [Test Scenario #7 – FEIN 00-0200007](#)
- [Test Scenario #8 – FEIN 00-0200008](#)
- [Test Scenario #9 – FEIN 00-0200009](#)
- [Test Scenario #10 – FEIN 00-0200010](#)

## 502 Test Scenarios

- [Test Scenario #11 – FEIN 00-0200011](#)
- [Test Scenario #12 – FEIN 00-0200012](#)
- [Test Scenario #13 – FEIN 00-0200013](#)
- [Test Scenario #14 – FEIN 00-0200014](#)

## Virginia Corporation and Pass-Through Entity Test Package – Change History

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Revision Date	Test Scenario #	Description
10/20/21		Original posting

# 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 checkbox populated and Schedule 500A attached with Section A Line 8 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 20 Addition Related to the Business Interest Deduction

There are Subtraction Codes reported on Schedule 500ADJ.

- Code 62 Historic Rehabilitation
- Code 64 Virginia Real Estate Investment Trust
- Code 66 Gain from Eminent Domain
- Code 99 Other

There are Credits reported on Schedule 500CR.

- Conservation Tillage Equipment Tax Credit, Section 1 Part 4
  - Carryover credit from prior year(s)
- Agricultural Best Management Practices Tax Credit, Section 3 Part 4
- Conservation Tillage and Precision Agriculture Equipment Tax Credit, Section 3 Part 5

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
  - Form 8990 (with Federal or State Return)

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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 9. The certified company conducting business in certain disadvantaged localities electing to use modified apportionment method (enclose Form 500AP) checkbox is populated.

There are Additions reported on Schedule 500ADJ.

- Code 03 Unrelated business taxable income
- Code 19 Food Crop Donation
- Code 99 Other

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 500FED
- Form 1120

# 500 Test Scenarios (cont'd)

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## Test Scenario #3 – FEIN 00-0200003

File a combined Virginia corporate return, Form 500, with Physical Address Change checkbox populated for a corporation who files a fiscal tax year federal return. Schedule 500A is attached. There are 5 affiliates with one affiliate filing Schedule 500AC Debt Buyers Apportionment Method Section B Line 6.

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 19
- International Trade Facility Tax Credit, Section 1 Part 20

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 with Section A Line 6 Debt Buyers checkbox populated. 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 21
- 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 supporting documentation
  - Nonapportionable Investment function income statement
  - Nonapportionable Investment function loss statement

## 500 Test Scenarios (cont'd)

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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
- Livable Home Tax Credit, Section 1 Part 23
- Virginia Housing Opportunity Tax Credit, Section 1 Part 29

There is a credit reported on Form 500HS, Virginia Housing Opportunity Tax Credit, Part 1 Line 2 (CC)

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 500T.

- Historic Rehabilitation Tax Credit, Part 1 Line 2 (K)
- Worker Training Tax Credit, Part 1 Line 2 (BB)
- Major Research and Development Expenses Tax Credit, Part 1 Line 2 (Z)
- Agricultural Best Management Practices Tax Credit, Part 1 Line 2 (GG)
- Conservation Tillage and Precision Agriculture Equipment Tax Credit, Part 1 Line 2 (HH)
- Virginia Housing Opportunity Tax Credit, Part 1 Line 2(CC)

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

## 500 Test Scenarios (cont'd)

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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 a Fixed Date Conformity addition reported on Schedule 500ADJ – Section A, Line 2.

There are Credits reported on Schedule 500CR.

- Virginia Coal Employment and Production Incentive Tax Credit, Section 1 Part 16
- Coalfield Employment Enhancement Tax Credit (both claimed from prior tax year and earned in current tax year), Section 3 Part 1

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 supporting documentation
  - Coalfield Employment Enhancement Tax Credit supporting documentation (Form 306, etc)
  - Net Operating Loss Deduction

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

File an Amended fiscal tax year Virginia corporate return, Form 500, reporting a Partnership-Level Federal Adjustment. 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 502FED-1
- 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
- Form 1120H

## 500 Test Scenarios (cont'd)

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### Test Scenario #10 – FEIN 000200010

File an amended 2020 Virginia corporate Form 500, with Federal Audit changes increasing Virginia taxable income from 5,000.00 to \$20,000.00 and Schedule 500A attached.

There are changes reported on these forms.

- Schedule 500CR – Precision Fertilizer and Pesticide Application Equipment Tax Credit, Section 1 Part 6 (carryover credit)
- Schedule 500ADJ – Fixed date conformity subtraction – Depreciation, Section B, Line 1
- Schedule 500ADJ – Refund or credit of income taxes included in federal taxable income, 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

## 502 Test Scenarios

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

File a fiscal tax year Virginia Form 502 with 10 nonresident owners. Schedule 502A is present with Multi-Factor Formula With Double-Weighted Sales, Section A Line 9 checked. The taxpayer is a Home Service Contract Provider and attaches Form 500HS

There are Additions reported on Schedule 502ADJ.

- Code 10 Interest on federally exempt U.S. obligations
- Code 13 Deduction for bad debts
- Code 14 Unrelated business taxable income
- Code 21 Food Crop Donation Tax Credit
- Code 22 Addition Related to the Business Interest Deduction

There are Subtractions reported on Schedule 502ADJ.

- Code 49 Income from Dealer Disposition of Property
- Code 53 Venture Capital Account Investment

Nonrefundable Tax Credits are being claimed on Schedule 502ADJ.

- Major Research and Development Tax Credit
- Food Crop Donation Tax Credit
- Worker Training Tax Credit
- Virginia Housing Opportunity Tax Credit

Refundable Conservation Tillage and Precision Agriculture Equipment 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
- Binary Attachment - Form 8990 (with Federal or State Return)
- Form 1120S

## 502 Test Scenarios (cont'd)

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### Test Scenario #12 – FEIN 00-0200012

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 Construction Corporation Completed Contract Basis Sales Factor, 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 Royalty addback for intangible expenses
- Code 21 Food Crop Donation Tax Credit

There are Subtractions reported on Schedule 502ADJ.

- Code 52 Gain from Historic Rehabilitation
- Code 54 Virginia Real Estate Investment Trust
- Code 57 Gain from Eminent Domain
- Code 99 Other

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 supporting documentation

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

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 with Debt Buyers checkbox populated, Section A Line 6.

There is a refundable tax credit, Coalfield Employment Enhancement Tax Credit (both claimed from prior tax year and earned in current tax year) is reported on Schedule 502ADJ. There is no overpayment or balance due.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- VK-1
- Form 1065
- Binary Attachment – Coalfield Employment Enhancement Tax Credit supporting documentation (Form 306, etc)



## 502 Test Scenarios (cont'd)

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

File an amended tax year 2020 Virginia Form 502 reporting a Partnership-Level Federal Adjustment with an increase of Withholding tax of \$5,000.00 resulting in additional tax owed. The Partnership is choosing to amend using the push out method whereby partners must amend and submit their own returns.

There is an Addition Code 23 reported on Schedule 502ADJ.

Forms to include:

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