2017 Virginia Tax Software Provider Letter of Intent
Due October 30, 2017

Complete this form to continue to request approval from the **Virginia Department of Taxation (Virginia Tax)** with the second part of the process to provide tax preparation software for electronic and paper forms submission. By completing this Letter of Intent (LOI) form, you continue the process to partner with Virginia Tax to support electronic and paper form filing. Completion of this form and the previous Software Provider Registration Form means you agree to comply with all national security summit standards and requirements and state specific requirements identified in these documents.

Email the completed LOI form to: **Vendors@tax.virginia.gov**. If your submitted form is not complete, we will deny your request.

Note: Complete a LOI form for each unique product your company offers. The details on Page 1 of the LOI and Page 1 of the Registration Form should match; these details will be used to connect the Registration Form with the corresponding LOI.

Name of Company	Primary Product Name	State Software ID
DBA Name	NACTP Member Number	State Account Number (if applicable)
Address	Website Address/URL	Company FEIN
City	State	Zip Code

Primary Individual MeF Contact	Phone	Email Address
Secondary Individual MeF Contact	Phone	Email Address
Primary Business MeF Contact	Phone	Email Address
Secondary Business MeF Contact	Phone	Email Address

Primary Leads Reporting Contact *	Phone	Email Address
Secondary Leads Reporting Contact *	Phone	Email Address
Primary Leads Feedback Contact *	Phone	Email Address
Secondary Leads Feedback Contact *	Phone	Email Address

* Must match the FTA Master List

National Security Summit Standards and Requirements

National standards have been developed to protect taxpayers from identity theft tax refund fraud. You are agreeing to adhere to all IRS, State, and Industry Security Summit guidelines as a condition of providing tax software product(s) to taxpayers and tax professionals for individual and business income tax MeF.

Standards in this section apply to all Do It Yourself (DIY) Consumer and Professional, Paid Preparer Products, tax professional, and volunteer (VITA) products.

Note: Items highlighted in blue indicate a national security summit standard or requirement document. A comprehensive list of those documents is also provided at the end of this document.

Authentication Data Elements

The state e-standards **Authentication Header Schema** has been established to identify and authenticate a taxpayer and prevent identity theft tax refund fraud. Tax Software Providers are required to transmit all data elements included in the *state authentication data elements* when available. If you are not providing all data elements you must explain what you are not providing and why you are unable to provide them in the space provided below.

Authentication Trusted Customer Requirements

Nationally identified minimum **Industry Trusted Customer Requirements** have been established to authenticate the customer logging in and prevent identity theft tax refund fraud. Tax Software Providers are required to adhere to the minimum standards. You must verify that you are adhering to minimum standards in the space provided below.

For Online Do-It-Yourself software:

1. How do you use out-of-band verification practices for your customer account verification process? Please describe what you do and how it is used. Attach a separate sheet if necessary.

2. Do you meet nationally recognized standards for implementing customer account authentication by using:
    a. The standards identified in the Minimum Requirements for Identity Authentication section of the 2018 DIY Trusted Customer Requirements? Please explain how you meet those standards. Attach a separate sheet if necessary.

b.   An equivalent standard for identity authentication that meets or exceeds the minimum requirements? If yes, please describe your proposed process. Attach a separate sheet if necessary.

3.   For the Online Do-It-Yourself software, when there is more than one account using a Primary and/or Secondary SSN this or the previous year:

a.   Do you notify both account holders that the SSN is used within another account for the current and previous year? (This also requires including the appropriate authentication review code within the return schema when the SSN is used in another account for the current and previous year.) **Or**

b.   Do you notify both account holders that the SSN is used within another account only for the current year? (This also requires including the appropriate authentication review code within the return schema when the SSN is used in another account for the current and previous year.)

For Tax Professional software:

1.   Describe the process in which the new and returning tax professionals gain access to use your product. Attach a separate sheet if necessary.

2.   Do you meet nationally recognized standards for implementing customer account authentication by using:

a.   The standards identified in the Minimum Requirements for Identity Authentication section of the 2018 Tax Pro Trusted Customer Requirements? Please explain how you meet those standards. Attach a separate sheet if necessary.

b.   An equivalent standard for identity authentication that meets or exceeds the minimum requirements? If yes, please describe your proposed process. Attach a separate sheet if necessary.

3. Do you use out-of-band verification? If yes, how do you use out-of-band verification practices for your customer account verification process? Please describe what you do and how it is used. Attach a separate sheet if necessary.

Information Sharing

Nationally identified **Information Sharing** standards for analyzing and reporting questionable activity associated with identity theft tax refund fraud have been established. You are required to provide regular leads reporting according to the information sharing requirements.

Rapid Response Process

Nationally identified **Rapid Response** procedures have been established. When industry, states, or the IRS discover an incident or threat of significance in the tax ecosystem, the rapid response process must be activated. Tax software providers should:

- Conduct initial analysis and immediately take steps to block or contain any threat.
- Share detailed information with the impacted states as soon as it becomes available and permitted by applicable laws, regulations, and relevant information sharing agreements.
- Initiate the rapid response team per the Rapid Response document.

Note: If the tax software provider fails to timely notify the affected state of a significant, escalating issue, their ability to submit returns to the state may be removed.

Safeguarding e-file/Information

Nationally recognized rules and standards to safeguard e-file information from fraud and abuse have been established.

All Individual (1040 family) return providers must adhere to the **Safeguarding E-File Standards** as outlined in IRS Publication 1345.

All business return providers must adhere to the "MeF Rules Protecting Taxpayer Information" and "Safeguarding MeF Data from Fraud and Abuse" sections of **IRS Publication 4163**. This includes sections 2.3, 2.4, and 2.5 of the publication.

Note: If the tax software provider fails to adhere to these rules and standards as published by the IRS for the respective return types submitted to Virginia Tax, their ability to submit such returns to Virginia Tax may be removed. This includes reporting security-related incidents to Virginia Tax.

Strategic Threat Assessment & Response (STAR)

Nationally identified **Security Control** standards have been established. Tax software providers must adhere to these security controls. Provide an answer to the questions listed below. Attach a separate sheet if necessary.

1. Have you implemented the current requirements defined in the Security Control standard? At what level will your company implement the STAR security controls for the filing season? If no, provide an explanation of your current progress and remediation plans. Provide documentation to validate your statement.

2. Have you implemented controls beyond the 1st and 2nd year's requirements? If yes, explain what you've implemented.

National Disclosure and Use of Information Standards

Nationally established language has been developed for the disclosure and use of information related to filing a tax return. This section provides the language to which tax service providers must adhere.

Tax Service Provider Definitions

In this section, "tax services provider" is defined three different ways:

- An **Electronic Return Originator (ERO**) is authorized IRS e-file Provider that originates the electronic submission of returns to the IRS.

- A **Software Developer** is an authorized IRS or state e-file Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to Publication 4164 or state specifications and/or (b) transmitting the electronic portion of returns directly to the IRS or the state. A Software Developer may also sell its software.

- A **Transmitter** is an authorized IRS or state e-file Provider that transmits the electronic portion of a return directly to the IRS or the state. An entity that provides a "bump up" service is also a Transmitter. A bump up service provider increases the transmission rate or line speed of formatted or reformatted information that it is sending to the IRS or the state via a public switched telephone network.

Note: A tax service provider may serve its customers in more than one of these roles.

Disclosure and Use of Information Language

A tax service provider may use any tax return information provided by a taxpayer, for the current or prior tax years, for the purpose of identifying a suspicious or potentially fraudulent return that claims to be from, or related to, that taxpayer. For these purposes, "tax return information" means any and all documents or materials that the tax service provider uses in the course of the return preparation and submission process that are provided by the taxpayer or that are required by the taxing authority that the tax service provider uses in the course of the return preparation and submission.

Tax service providers must produce analytic compilations of federal and state tax return and submission information that directly relate to the internal management or support of the tax service provider's business, which must include aggregated data compilations to identify potentially fraudulent behaviors or patterns.

Tax service providers must disclose the compilations of tax information to [state] through IRS secure data transmission on at least a weekly basis and identify by use of federal and state submission IDs any return the preparer believes is potentially fraudulent.

In addition, if a tax service provider has a bona fide belief that a particular individual's activity, violated a state or federal law, the tax services provider must disclose that individual's tax return information to Virginia Tax.

The following consent language **must be added to electronic filing software** to notify the user of the use of this information.

For Do-It-Yourself software:
By using a computer system and software to prepare and transmit return(s) electronically, I consent to the disclosure of all information pertaining to my use of the system and software to Virginia Tax, as applicable by law, and to the transmission of my tax return(s).

For Tax Professional software:
By using a computer system and software to prepare and transmit <u>my client's return</u> electronically, I consent to the disclosure of all information pertaining to my use of the system and software to create my client's return and to the electronic transmission of my client's tax return to Virginia Tax as applicable by law.

For Business software:
By using a computer system and software to prepare and transmit this business return electronically, I consent to the disclosure of all information pertaining to the user of the system and software to create this business return and to the electronic transmission of this business tax return to Virginia Tax.

State Specifications and Communication

State Documents and Materials

The Virginia Tax e-file and paper form documentation will be posted / provided at the following locations.

| X | FTA State Exchange System (SES) |

| X | State Website: www.tax.virginia.gov |

| ☐ | Other/Please Specify |

State Refund Expectations

To assist Taxpayers and Tax Professionals expecting refunds, Virginia Tax is providing a URL to our "Where's my Refund" online program. Industry partners should use this information to communicate and help set the appropriate expectations with external stakeholders. Providing this information will:

- Help eliminate phone calls from Taxpayers, Tax Professionals and Industry about refunds
- Ensure that Taxpayers and Tax Professionals receive the appropriate message

Virginia Tax Refund URL: https://www.tax.virginia.gov/wheres-my-refund

State Questions, Requirements, Standards and Recommendations

Virginia Special Statement / Notice

Virginia Tax is committed to providing secure, efficient and accurate returns processing to all who are required to file a tax return in Virginia. Virginia Tax places high standards on itself, its filers, and its software providers to deliver on this commitment to our Virginia taxpayers.

To meet this commitment, Virginia Tax has implemented monitoring tools that help us to evaluate how each software provider is performing, is adhering to Virginia Tax specific requirements and meets the tax preparation needs of Virginia taxpayers. Software providers who have actively supported Virginia Tax e-File programs during calendar / filing season 2017 will receive a report detailing the results of the monitoring. These reports will be issued annually no later than early Fall.

Going forward annually, Virginia Tax will begin providing guidance as to the minimum standard requirements that a software vendor must meet to be eligible to participate and support Virginia Tax's e-File programs.

Important Notice

Virginia Tax reserves the right to decline, decertify, revoke or limit approval or acceptance of any software provider's product and thereby refuse to accept any additional returns from such software product that does not adhere to the specified requirements.

Should your product be decertified by Virginia Tax, you agree to remove references asserting your product's ability to service Virginia taxes from all public materials within 48 hours notice from Virginia Tax, and to provide immediate notice to any clients in the process of filing with Virginia Tax before ceasing Virginia services.

Virginia Tax shall:

- Review the Tax Software Provider Registration form and perform a suitability review and notify the Tax Software Provider of the results of the review within 10 business days.

- Publish on the Virginia Tax's website Virginia forms in early release by August 15th. Instructions will be published in early release by August 31st to ensure that software providers have adequate time to develop their programs and complete all required testing and approvals through Virginia Tax.

Virginia Tax shall:

- Publish final schemas and business rules no later than August 31st or within 7 business days of E-Standards final approval of the annual states' schema set.

- Publish a scenario based testing regimen for all e-File certifications with the Testing Packages published by August 31st.

- Publish e-File guides and special specifications on the FTA Secure State Exchange System by August 31st.
  - Virginia Individual e-File Guide
  - Virginia Corporation and PTE e-File Guide
  - Virginia Fiduciary Income e-File Guide

- Publish substitute forms guidelines / specifications on the FTA Secure State Exchange System by August 31st.
  - Virginia Substitute Forms Guidelines and Standards for Formatting, Content and Approval
  - 760CG Documents: Form Package, Test Scripts, and Exact Positioning Specifications
  - 1D Barcode Detail Documents
  - Spec Tables for all Substitute Forms
  - Check Digit Calculator

- Publish 760CG Substitute Forms Test Package by August 31st.

- Make available to the Electronic Return Originator (ERO) acknowledgement of acceptance or rejection of taxpayer returns within 2 business days of the return being made available from the IRS.

- Begin ATS e-File testing with the opening of the IRS' ATS testing in early November.
  - Initial test submissions will be acknowledged within 3-5 business days of receipt.
  - Subsequent re-test transmissions will be reviewed, acknowledged and feedback will be provided be provided within 5 business days.

- Virginia Tax will commence annual paper forms testing October 1st with the exception of the 760CG package of forms which will commence November 1st through February 1st. All other business forms, sales, withholding, and miscellaneous forms will be performed on a continuous cycle.
  - Initial test submissions will be reviewed and acknowledged with feedback within 5 days of receipt.
  - Subsequent re-test submission will be reviewed and acknowledged with feedback 7-10 business days.

- Notify the software provider immediately when errors within their software are adversely affecting the processing of Virginia returns.

- Classify software errors as critical or non critical. This applies to both errors found by Virginia Tax and errors identified by the software provider.

Software Provider agrees to:

- Notify Virginia Tax immediately when errors in their software affect Virginia taxpayers.
  - Critical errors will be resolved within 3 to 5 business days.
  - Non-critical errors will be resolved within 5 to 10 business days.
  - Notify Virginia Tax when the problem is resolved.
  - Provide timely software updates and technical support to their Virginia customers.
  - If software provider is unable to resolve a critical error within specified timeframe, Virginia Tax may temporarily suspend accepting and processing returns until the error is resolved.

- To the extent that a critical error is found that negatively impacts Virginia taxpayers and is directly and solely caused by the tax preparation software, the software provider will work with Virginia Tax and affected taxpayers to find appropriate solutions and mitigate the impact of the error.

- Notify customers of minimum computer and print settings needed when submitting forms and payments either electronically or on paper for processing purposes.

Software Provider agrees to:

- Abide by the following testing standards.
  - Prior to the opening of IRS' e-File for the 2018 Filing Season, the vendor will provide Virginia Tax with either a "beta" version (ex. CD) or access to their online tax preparation program that allows Virginia Tax to review:
    - all user screens,
    - all interview questions,
    - all messaging,
    - final submission screens, and
    - printing substitute forms (as applicable to the product).
  - Work directly with Virginia Tax staff to satisfy testing requirements in a timely fashion.
  - Submit test returns within the test timeframes detailed in the section above. Exceptions may be considered on a case by case basis.
  - Create tax returns that incorporate all the criteria detailed within each test scenario provided by Virginia Tax.
  - The software provider will not be allowed to submit returns before successfully completing all required testing and approval has been issued by Virginia Tax.
  - Software vendors with previous history of issues with their products in Virginia may be required to perform a more rigorous testing methodology to validate the adequacy of their product.
  - While every effort will be made to be flexible during the testing window, Virginia Tax reserves the right to decertify the participation of a software provider if testing is inadequate, not completed timely or continues to be a strain on Virginia Tax testing resources.

- Develop substitute tax forms in accordance with the Virginia Substitute Forms Guidelines and Standards for Formatting, Content and Approval and the 760CG Exact Positioning Specifications issued by Virginia Tax and agrees to:
  - Submit all required computer generated Virginia forms to Virginia Tax for testing and approval.
  - Not allow the forms to be printed from their software until fully approved by Virginia Tax.

- Adhere to all specifications in Virginia Publications.
  - Virginia Individual e-File Guide
  - Virginia Corporation and PTE e-File Guide
  - Virginia Fiduciary Income e-File Guide
  - Virginia Substitute Forms Guidelines and Standards for Formatting, Content and Approval
  - 760CG Exact Positioning Specifications
  - Virginia Tax Form Instructions

- Withhold advertising Virginia's acceptance of their software, and will not accept Virginia returns, until Virginia Tax's certification is complete.

- Appropriately and timely respond to changes requested by Virginia Tax throughout the filing season to include providing a projected implementation date for agreed upon changes.

- Not use any branding logo or trademarks of Virginia Tax without the expressed written consent.

- Retrieve the acknowledgements within 2 business days of Virginia Tax's transmission of those acknowledgements and will send to the taxpayer within one business day.

Standards and Requirements for Transferring Data Year over Year

Transferring data year-over-year that is not initially entered accurately causes issues with processing tax returns. The following items should not be transferred year over year:

- State driver's license data elements;
- State withholding account numbers;
- State identity PINs;
- Locality codes; and
- Direct deposit and direct debit bank routing and transit number and account number.

State Specific Questions

1. Do you support unlinked state returns?

    Yes

    No

2. What refund products or payment vehicles do you offer your customers? If you partner with an entity to provide refunds (e.g. Amazon.com or other pre-paid cards), provide the names and bank routing numbers (RTNs) of each company. Attach a separate sheet if necessary.

3. Do you require your users/customers to download and apply product updates to continue to electronically file and/or print tax returns with your software? Explain the timeline and process for this once an update is available for your product.

Data Breach Reporting

All software providers executing this agreement are subject to the data breach security laws of Virginia Code Section 18.2 – 186.6 and/or regulations of the Virginia Office of the Attorney General including but not limited to provisions regarding who must comply with the law, definitions of "personally identifiable information", what constitutes a breach, requirements for notice, and any exemptions.

For more information see **Virginia Data Breach Notification**. In addition to the provisions above, you are also required to notify Virginia Tax of any unauthorized disclosure or data breach involving Virginia taxpayers.

State Driver's License / ID Card Data Expectations

At this time, Virginia taxpayers are not required to provide their Drivers License/State ID information when completing their Virginia income tax returns; however, they are strongly encouraged to provide it.   When the information is provided, Virginia Tax requires the software provider to pass the information to Virginia via the return.

- **For e-File returns** – always pass the Driver's License / State ID information in the appropriate schema element. Refer to the Individual e-File Guidelines for details.
- **For printed/paper returns** – always print the full Driver's License / State ID information on the paper return. Do not mask or truncate the information.

Communication:

To assist Taxpayers and Tax Professionals filing returns, Virginia Tax is providing a URL regarding expectations for the Driver's License/ID Card information. Industry partners will use this information to communicate and help set the appropriate expectations with external stakeholders. Providing this information will:

- Help eliminate phone calls from Taxpayers, Tax Professionals and Industry about Driver's License/ID Card data Collection and Reporting
- Ensure that Taxpayers and Tax Professionals receive the appropriate message

Virginia Tax Driver's License URL: https://www.tax.virginia.gov/refund-fraud-prevention

Signature

- The signed and completed agreement must be received by Virginia Tax by **October 30, 2017**.

- Email the completed LOI to: **Vendors@tax.virginia.gov**

Mark these checkboxes to acknowledge compliance as indicated.

I acknowledge that all e-file ATS tests submitted during the approval process are created in and originate from the actual software.

I acknowledge that all electronic returns received by Virginia Tax generated from this software will be electronically filed from the initially approved product version, or a subsequent product update.

I acknowledge that all paper returns received by Virginia Tax generated from this software will be printed from the initially approved product version, or a subsequent product update.

I acknowledge that Virginia Tax will be notified of any incorrect and/or missing calculation or e-file data element for any paper or electronically returns submitted to Virginia Tax.

As the representative of the above named organization, I agree, on behalf of the organization, to comply with all requirements listed above. Furthermore, by signing this agreement, my organization is agreeing to all of the requirements listed above. Virginia Tax reserves the right to revoke approval acceptance of any company and thereby refuse to accept any additional returns from such software company that does not adhere to above stated requirements.

As an approved Virginia Tax provider, I agree to provide true, accurate, current, and complete information about my company. I understand that if I provide any information that is untrue, inaccurate, obsolete, or incomplete, Virginia Tax has the right to deny, suspend, or terminate my account.

(AUTHORIZED REPRESENTATIVE) PRINTED NAME	EMAIL ADDRESS	PHONE NUMBER
(AUTHORIZED REPRESENTATIVE) SIGNATURE	DATE	