

Virginia Department of Taxation



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

Tax Year 2015



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Guide Overview

The Virginia Department of Taxation (the Department) designed this guide to provide information and links to the following areas of the e-File program for electronic filing of the Corporate and Pass-Through Entity (PTE) tax types data.

- Overview of Virginia e-File system – important to all tax professional audiences
- Software Vendor / Developer details – important to Vendors & Developers
- Electronic Return Originator & Tax Preparers' details – important to EROs & Tax Preparers
- Appendices
 - Schema Validation Rules – important to Vendors & Developers
 - Business Rules – important to Vendors & Developers
 - Sample non-XML Attachment – important to Vendors & Developers
 - Contact Information – important to all tax professional audiences
 - Website Resources – important to all tax professional audiences

General & Legislative Updates

This section provides an overview of processing updates and legislative changes that impact Corporate Income Tax and Pass-Through e-Filing. Additional details can be found on the Department's [website](#) and in the tax return instructions.

Software Partner Agreements

Beginning for Tax Year 2015, in order to participate in the Virginia Fed/State e-File program, all vendors supporting Virginia returns must submit a Software Partner Agreement. The Department will release schema documentation once the signed Software Partner Agreement is received.

Details regarding the Software Partner Agreements are forthcoming and will be provided on the [e-File Developer Specifications Web Page](#).

Codes Removed for TY 2015

- Removed – Subtraction Code 53 (Form 500)
- Removed – Subtraction Code 42 (Form 502)

Recyclable Materials Processing Equipment Credit

The PDF attachment requirement of this credit for Form 500CR and Form 502-ADJ has been removed.

Form 500A Triple Weighted Factor, Section B

The triple weighted factor has been removed. Instead, retail companies with taxable years beginning on or after July 1, 2015, now use single factor and all electing manufacturers use single factor computation.

Overview of Virginia Fed/State e-File Program

Virginia's Corporate and Pass-Through Entity e-File program works with the IRS Federal/State e-File program.

This allows Providers to file both federal and state returns electronically for the taxpayer. In addition to accepting federal and state corporate income tax returns or PTE tax returns electronically in a single transmission, State Only returns are also accepted.

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.

The Corporate and Pass-Through Entity e-File program will start accepting production Corporate and Pass-Through Entity (PTE) income tax returns in January when the IRS is open. This date is based upon IRS System availability and is subject to change.

For TY2015, Virginia's Corporate and Pass-Through Entity e-File program will accept the following returns:

- Form 500
- Form 502

Virginia e-File Calendar – Tax Year 2015

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

- ATS testing begins (in conjunction with the IRS) November 2, 2015
- Begin transmitting returns to IRS/Virginia (To Be Determined)

Supported Tax Years

- Tax Year 2015
- Tax Year 2014
- Tax Year 2013

Supported Forms and Schedules

The Virginia schemas are used in conjunction with IRS Federal/State schemas. Virginia's state specific schemas support the forms and schedules listed below.

Corporate Income Tax Return

- **Form 500** – Virginia Corporate Income Tax Return
- **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 500A** – Multistate Corporate Allocation and Apportionment of Income
- **Schedule 500CR** – Credit Computation Schedule
- **Schedule 500FED** – Schedule of Federal Line Items
- **Form 500C** – Underpayment of Virginia Estimated Tax
- **Form 500T** – Telecommunications companies Minimum Tax
- **Form 500EL** – Electric Suppliers Corporation Minimum Tax and Credit Schedule

Virginia PTE Return of Income & Return of Nonresident Withholding Tax Return

- **Form 502** – Virginia Pass-Through Entity Return of Income and Return of Nonresident Withholding Tax
- **Schedule 502A** – Multistate Pass-Through Entity
- **Schedule 502ADJ** – Pass-Through Entity Schedule of Adjustments
- **Schedule VK-1** – Owners Share of Income and Virginia Modifications and Credits

Types of Electronic Filing

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

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 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. In this case, the next correct transmission should include **both** the federal return and the state return.

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

PDF Attachments

The PDF attachment(s) for credits, adjustments or amounts requiring documentation is optional. Even though the PDF attachment(s) was made optional, the PDF is still required for specific filing scenarios.

A missing document letter requesting the document in paper format will be sent out to the users if certain scenarios exist and the PDF attachment(s) are not properly attached (via its **referenceDocumentId**) to the Virginia Return.

Missing PDF attachments and PDFs not properly attached (via its **referenceDocumentId**) will delay the processing of the return and the credit, adjustment or amount could be denied. Virginia approved software vendors **are required** to provide a message to users advising taxpayers of this potential.

Reference Doc IDs (ex. Page 10) are necessary in the programming to ensure correct attachment of the PDF.

Form 500 – PDF Attachments

PDFs are required with Form 500 for the following scenarios.

- Computation documentation is required when the combined or consolidated checkbox is checked on Page 1 of the Form 500.
- The Nonapportionable 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 – PDF Attachments

PDFs are required with Form 500CR for the following scenarios.

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

Schedule 502-ADJ – PDF Attachments

PDFs are required with Schedule 502 ADJ for the following scenarios.

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

Electronic Postmark

A Transmitter may provide an electronic postmark to taxpayers 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 taxpayer must adjust the electronic postmark to the time zone where the taxpayer resides in order to determine the postmark's actual time.

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

Acknowledgement of e-File Returns

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

Accepted

- 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.

Rejected

- This indicates that the electronic return was received and rejected.
- Virginia approved software vendors **must** mirror image the provided Acknowledgement Error Message for each reject while sending it back to the taxpayers.
- The Acknowledgment contains codes with error descriptions, detailed in [Appendix B](#), which indicate the cause of the rejection.
- The error condition(s) must be corrected before the return can be re-transmitted.

Perfection Periods for Rejected Submissions

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

Additional e-File Related Documents

The following three documents are available on the applicable [Tax Professionals](#) subpages. Instructions on how to complete the forms are included with the document.

Software may also produce these forms; the produced forms must match the official Department versions.

- **Form VA-8453C** – VA Corporate e-File Signature Authorization Form
NOTE: Software **must not** present/print this form if the e-File PIN method to sign a return is used.
- **Form VA-8879C** – VA Corporate e-File Declaration for Electronic Filing
- **Form VA-8453P** – VA Pass-Through Entity e-File Signature Authorization Form
NOTE: Software **must not** present/print this form if the e-File PIN method to sign a return is used.
- **Form VA-8879P** – VA Pass-Through Entity e-File Declaration for Electronic Filing

Important Information

Details related to each tax professional audience can be found here.

- For ERO information – review the [Electronic Return Originator & Tax Preparer's](#) section.
- For Software Vendor and Software Developer information – review the [Software / Developer](#) section.
- For the Appendices A, B, C or D – review beginning with [Appendix A](#).

Software Vendor / Developer Section

Purpose

This section provides special guidance for the vendors to handle the important changes made by Virginia for Tax Year 2015.

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 the Department's [Laws, Rules & Decisions](#).
 - Tax Code of VA, Regulations, Legislative Summaries & Rulings of the Tax Commissioner
 - Tax Bulletins, Attorney General's Opinion & Guidance Documents
- Provide accurate Virginia Corporate income and accurate Virginia PTE 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.

IRS Routine Maintenance

The IRS schedules routine maintenance generally on Sunday from 1:00 am to 7:00 am, EST.

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 and sign up for [IRS Alerts](#).

Validating Tax Returns

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.

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 4 Virginia schema validation business rules can be found in [Appendix A](#) of this guide.

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 [Appendix B](#) of this guide.

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	PTE
VAST	VA502	CORP – attaching Federal 1120 Family PART – attaching Federal 1065 Family	PTE – attaching Federal 1120 Family PART – attaching Federal 1065 Family

Transmission Requirements

An **Authorized e-file Provider** participating in Virginia e-file as a Transmitter **must**:

- Retrieve the acknowledgement file within two business days of transmission and match it to the original transmission file;
- Send the acknowledgement file containing all conditions on accepted returns to the ERO or Intermediate Service Provider within two business days of retrieving the acknowledgement file;
- Retain an acknowledgement file until the end of the calendar year in which the return was e-filed;
- Contact the Corporate e-file Administrator at Bus_eFile@tax.virginia.gov for further instructions, if an acknowledgment of acceptance for processing has not been received within two business days of transmission;
- Correct an error that causes a the transmission to be rejected;
- Ensure the security of all transmitted data and ensure against unauthorized use of its EFIN or ETIN.

Transmission Requirements

If the Department **accepts** the e-filed return, the **Transmitter** must notify the taxpayer of the following:

- The date the transmission was accepted
- The Submission ID

If the Department rejects the e-filed return, the **Transmitter** must notify the taxpayer 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 taxpayer must file a timely **paper** return:
 - if the electronic return cannot be corrected and retransmitted to the Department, or
 - if the Virginia Tax Department cannot accept the return for processing.

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.

Additional Requirements for Transmitters Participating in Online Filing

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 Intermediate Service Provider's EFIN is included in the electronic return data, when applicable;
- Assign a Submission ID to each taxpayer's return and include it in the e-filed transmission;
- Notify the taxpayer of the return's status electronically within two business days of retrieving the acknowledgement file or by mail within one 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.

PDF – Binary Attachments

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

The **referenceDocumentId** attribute must be used to link the attachment to the appropriate location on the return.

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.

Names and Descriptions for PDFs

For all PDF attachments, the preparation software must provide the taxpayer the ability to enter a meaningful description.

Virginia requires a separate PDF file and **referenceDocumentId** for each attachment.

For example, if three 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**. The same applies to Credits on Schedule CR that require PDF attachments.

A missing document letter requesting the document in paper format will be sent out to the users if the PDF attachment(s) are missing or not properly attached (via its **referenceDocumentId**) to the Virginia Return, including the Reference Document ID.

PDF File Guidelines

When creating a PDF file for the e-File submission, follow these guidelines.

The IRS and Virginia Tax Department need a readable 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.
NOTE: 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 by the submitter tries to alter a PDF outside of the product that created it.

Required Checkbox Element in Schema

Virginia use the required element, <FederalReturn> with 2 choices <AttachingXMLChkbox> and <AttachingPDFChkbox> to identify if the federal form is attached as an XML or a PDF.

Child element <AttachingPDFChkbox> has a required attribute, referenceDocumentId in the schema.

The two checkboxes are not located on the tax form as an element but are schema requirements.

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

PDF Guidelines

Create the PDF File

Create one 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.

PDF File Name

- The file name must **exactly match** the name provided in the “AttachmentLocationTxt” element and is case sensitive.
- The schema for the Binary Attachment document is defined in the file named “BinaryAttachment.xsd”.

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 files contents.
NOTE: Form 306 or Form 301 is meaningful, while Other, Miscellaneous and Form Attachment are not.

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.

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.

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.

File Structure & Return Packaging

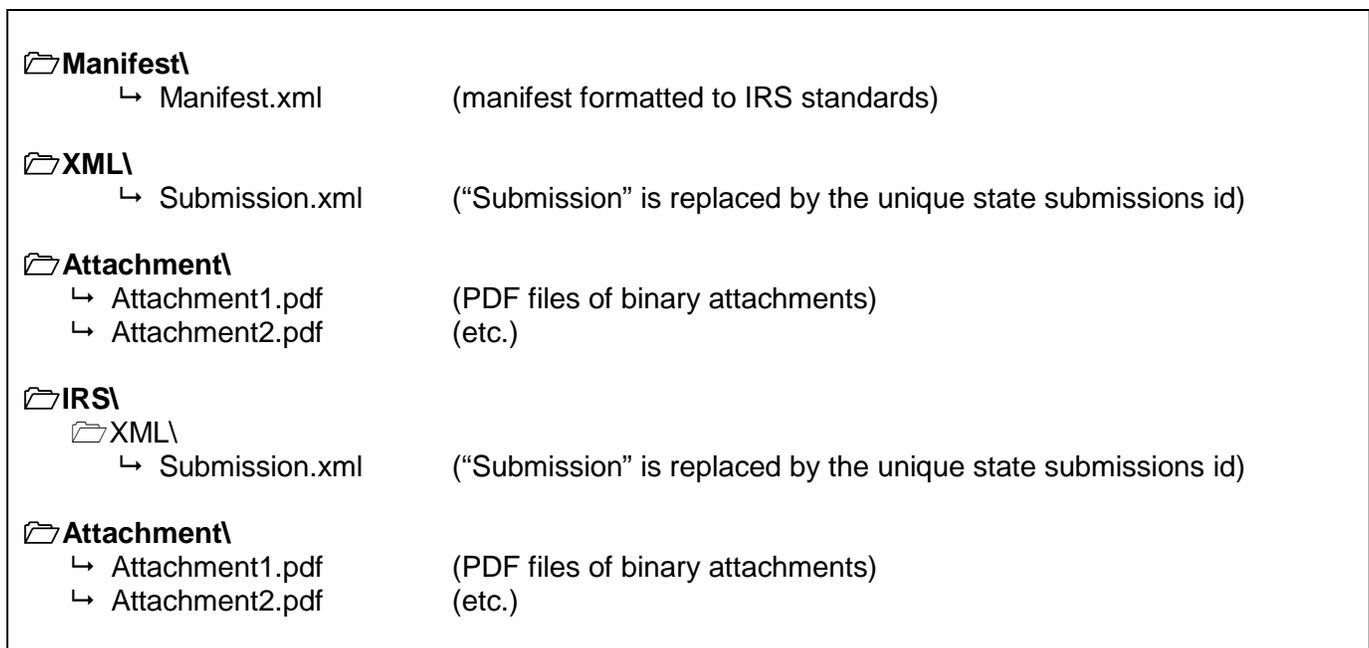
Transmitters can transmit federal and state submissions using Web Services.

A state submission contains XML data and binary attachments. The state return may also contain a copy of part or all of the taxpayer's federal return. The state determines what part of the federal return the taxpayer 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) each in their own zip file.

The state submission or filing under Corporate/PTE e-File is a zipped package. The following diagram shows the structure of the unzipped return package.

The leading slash, “/” is optional. The submission is accepted with or without it.



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.

See [Appendix C](#) for an example of a non-XML PDF attachment for a submission.

e-File Software Acceptance, Testing and Approval Guidelines

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

To schedule testing, e-mail the Virginia e-File Administrator at Bus_eFile@tax.virginia.gov prior to submitting tests. The Virginia Electronic Filing Software Partner Agreement clarifies the testing requirements.

Test returns must be transmitted through the IRS ATS System. Virginia requires a copy of the complete federal return in the state submission, including binary attachments. 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.

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 specifications
- Edits agree with Virginia specifications
- Electronic submissions are retrieved and processed correctly
- Transmitters retrieve responses from e-File including acknowledgement files

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 TY2015 Virginia returns. Prior to testing, all software developers and transmitters must have obtained an ETIN and an EFIN from the IRS.

Test Submissions Schedule

Test submissions to Virginia are scheduled to begin November 2, 2015.

This is subject to change depending on IRS ATS system availability and Virginia availability. Software developers may transmit test returns for TY2015 until the IRS e-File system shuts down for filing season.

The Department expects initial testing for approvals to be completed before the IRS e-File processing season opening date.

Transmitting Test Submissions

Software developers should email the Business e-File Administrator at Bus_eFile@tax.virginia.gov prior to testing and provide the following information.

- Company name
- Contact person
- Email address
- Phone number
- Software limitations

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 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.

What is Tested

The test package contains the test scenarios for the test returns to be submitted for product approval. Testing scenarios will be provided in the **Corporation and Pass-Through Entity e-File Test Package**, once Corporation Income and PTE form/schedule instructions are posted.

The range of test FEINs 00-0200000 through 00-2500000. Virginia only accepts these FEINs during testing. If a **live return** is submitted with a FEIN with this range, it will be **rejected**.

It is mandated to support the Virginia corporate income tax form (Form 500) and PTE (Form 502) in addition to all schedules. However, the test scenarios may be submitted with adjustments for those schedules not supported. For example, credit(s) on the return from Schedule 500CR may be omitted if the Schedule 500CR is not supported.

Testing of additional conditions is permitted, but software developers must use test FEINs outside the test FEIN range (00-0200000 through 00-2500000) used for the test scenarios included in the **Corporate and Pass-Through Entity e-File Test Package**. If interested in testing additional conditions, Developers must notify the Virginia e-File Administrator at Bus_eFile@tax.virginia.gov.

Acknowledgements on Test Submissions

Virginia 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.

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

Once the test package passes business rules and schema validations, vendors can provide Submission IDs to the e-File Administrator at the Bus_eFile@tax.virginia.gov mailbox for it to be reviewed. 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 two days after receipt of the acknowledgement.

Software Approval

For final approval, the software vendor 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 vendor must confirm receipt of the state acknowledgements. They should coordinate ATS test submissions with the submission of paper forms for testing and approval whenever feasible to avoid delays in full approval.

Once testing is complete, an email is sent to the software developer vendor to confirm the product(s) approval and to request the company logo (125 x 40) and the company URL to be added to the Department's website as an approved Virginia certified software product.

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

Appendix Information

Information contained in Appendices A, B, C or D can be found beginning with [Appendix A](#).

Electronic Return Originator & Tax Preparers' Section

Purpose

This section provides details for the Electronic Return Originators (ERO) and the Tax Preparers to handle the important changes made by Virginia.

Safeguarding e-File from Fraud and Abuse

All Providers must be on the lookout for fraud / abuse; the EROs must be diligent while acting in their capacity as the first contact with taxpayers filing a return.

Providers **must** cooperate with the Department's investigations related to the potential fraud or abuse.

Automatic Registration

In order to e-File returns, tax professionals must register with and be accepted by the IRS as an ERO. The IRS assigns each ERO an Electronic Filer Identification Number (EFIN).

Acceptance by the IRS as an ERO automatically qualifies tax professionals to e-File Virginia returns. For more information, visit the [IRS](#) website.

Obtaining, Handling and Processing Return Information

An ERO originates the electronic submission of a return after the taxpayer authorizes the filing of the return via e-file.

The ERO must always:

- Have either prepared the return or collected it from a taxpayer;
- Identify the paid preparer (if any) in the appropriate field of the returns it originates; and
- Ensure the PTIN (preferred) or SSN of the individual who prepared the return is present.

Software Issues / Errors

The Virginia Tax Department does not develop or sell tax preparation or electronic return data transmission software.

If facing software issues, contact the vendor of the software or the technical support option that comes with the software package.

Software errors that cause rejections to return submissions after the vendor is approved, **must** be addressed timely with immediate communications and update release to the software users.

Please also contact the Department, Bus_eFile@tax.virginia.gov, with related information in order to help the Department advise and assist customers with their e-File concerns and issues.

Signing an Electronic Return

There are currently **two methods** of using a Personal Identification Number (PIN) for electronic signatures for e-filing income tax returns.

The electronic PIN forms (with details on how to use each form) are available on the Tax Professionals [Preparers & Providers](#) page.

- Self-Select e-File PIN
- Practitioner PIN

Regardless of the method used, taxpayers may enter their own e-File PINs; EROs may select and enter the taxpayers' e-File PINs; or the software may generate the taxpayers' e-File PINs in the return.

Submitting the Electronic Return

Once signed with the PIN, an ERO must originate the electronic submission of a return as soon as possible.

Advise taxpayers that State returns can neither be entered into the software nor be transmitted until the date the IRS accepts transmission of electronic returns.

Providing Information to the Taxpayer

EROs must provide a complete copy of the return to the taxpayer. The ERO should advise the taxpayer to keep a complete copy of the return and supporting materials for three years (to assist with authentication with subsequent years).

EROs may provide this copy in any media, including electronic, that is acceptable to both the taxpayer and the ERO. The copy need not contain the SSN of the paid preparer.

Acknowledgements of Transmitted Return Data

The Virginia Department of Taxation electronically acknowledges the receipt of all transmissions. Returns in each transmission are either **accepted or rejected** for specific reasons.

The ERO is responsible for ensuring that each transmission is acknowledged. If an acknowledgement has not been received within two business days for a transmitted return, the ERO should contact the [Business e-File Administrator](#).

Accepted returns meet the processing criteria and the Department considers the returns "filed." Rejected returns fail to meet processing criteria and are considered "not filed."

The acknowledgement identifies the source of the problem according to error reject codes that explain why the return rejected. Details are available in [Appendix B](#).

The ERO should:

- regularly check acknowledgements to identify returns requiring follow up action; and
- take reasonable steps to address issues identified in acknowledgements

After the data is resent, the acknowledgement files must be retained for one year after transmission.

Resubmission of Rejected Tax Returns

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

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

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

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

Refund Returns

Taxpayers may opt to have part or all of their overpayment applied to their estimated taxes for the next year. For other arrangements, taxpayers may contact [Customer Services](#).

EROs should advise taxpayers 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 it.

Balance Due Returns – Electronic Funds Withdrawal and Direct Debit

All corporations and PTEs must pay the tax due payment electronically. Three options are available to comply with the electronic requirement.

- Via the e-File system as a direct debit online;
- Via the [eForms](#) 500V or 502V;
- or via an ACH Debit established through their bank

Prior to initiating an ACH Debit transaction, notify the bank that the Department is authorized to debit the bank account. Some banks use a "filter", which prevents unauthorized debits against a customer's account to occur.

- If the bank requests a filter number / Company ID for the debit transactions, contact (804) 367-8037 to obtain this number / ID.
- If the bank denies the EFT payment, the denial is handled like a returned check and late payment charges apply.

Taxpayers can schedule/warehouse a payment for withdrawal on a future date. Scheduled payment must be effective **on or before** the return due date.

Timely Filing

Existing rules for due dates apply to e-File returns. EROs **must** ensure that returns are processed timely.

If the due date falls on a Saturday, Sunday or legal holiday, then the return is due on the next business day. **Until** the return is **acknowledged as accepted** by Virginia, the return is considered **not filed**.

ERO / Preparer Documents

Corporations and Pass-Through Entities may submit a request if the corporation is unable to or needs more time to file and/or pay the related tax electronically. These forms are available on the Tax Professionals [Preparers & Providers](#) page.

- Corporation Income Tax Electronic Filing Waiver Request Form
- Pass-Through Entity Tax Electronic Filing Waiver Request Form

Electronic Signature and Storage for Forms VA-8453C/P and VA-8879C/P

These electronic signature forms use the two PIN methods covered on Page 18. EROs **must not** send Forms VA-8453 and/or VA-8879 to the Department.

Appendix Information

Information contained in Appendices A, B, C or D can be found beginning with [Appendix A](#).

Appendix A – Schema Validation Business Rules

Rule Number	Business Rules
VAFForms – 002	The PDF Files cannot be found in the submission.
VAFForms – 003	The document ID could not be found in the submission.
VAFForms – 004	Document does not pass the schema validation.
VAFForms – 005	IRS information is missing.

Appendix B – Business Rules

Form 500

Rule Number	Business Rules
500-003	Federal Forms 1120, 1120F, 1120-POL, 990, 990EZ, 990N and 990PF XMLs must exist. PDF must exist when the Attaching PDF Checkbox is populated.
500-004	Tax Year must equal the current Tax Year being supported.
500-005	Begin Date and End Date are required when the return is a fiscal or short year return.
500-019	Schedule 500A is required when the Multistate Schedule 500A Checkbox is populated.
500-020	Schedule 500AC must exist when Combined – Schedule 500AC Attached Checkbox is populated. Tax return computation documentation must be present when Combined – Schedule 500AC Attached Checkbox is populated.
500-032	Schedule 500ADJ must exist when Form 500 Lines 2 and/or 4 are populated.
500-036	Form 500 Line 7 must equal the sum of Lines 1 and 2 and minus the sum of Lines 4 and 6.
500-039	Form 500 Line 8c must equal Schedule 500A Section B Line 3c when Combined - Sch 500AC Attached Checkbox is not populated.
500-040	Form 500 Line 8d must equal Schedule 500A Section B Line 3e when Combined - Sch 500AC Attached Checkbox is not populated.
500-041	Form 500 Line 9 must equal .06 x Line 8a when Combined - Sch 500AC Attached Checkbox is not populated and the multistate schedule checkbox is populated.
500-042	Form 500 Line 9 must equal .06 x Line 7 when Combined - Sch 500AC Attached Checkbox is not populated and the multistate schedule checkbox is not populated.
500-043	Form 500 Line 10 must equal to Schedule 500CR, Part XXXI Line 139. Schedule 500CR must exist when Form 500 Line 10 is greater than zero.
500-044	Form 500 Line 11 must equal to Line 9 minus Line 10 when Corporate or Noncorporate Telecommunications Company and/or the Electric Supplier Company indicators are not populated.
500-047	Form 500 Line 14 must equal to Schedule 500CR, Part XXXV Line 147. Schedule 500CR must exist if Line 14 is greater than zero.
500-048	Form 500 Line 15 must equal to Schedule 500ADJ Section D, Total Withholding. Schedule 500ADJ must exist.
500-049	Form 500 Line 16 must equal the sum of Lines 12, 13, 14 and 15.
500-050	Form 500 Line 17 must equal Line 11 minus Line 16.
500-057	Form 500 Line 24 must equal Line 22 minus Line 23.
500-059	Vendor ID must be valid/approved.
500-061	Schedule 500AC must exist when Consolidated – Schedule 500AC Attached Checkbox is populated. Tax return computation documentation must be present when Consolidated – Schedule 500AC Attached Checkbox is populated.
500-062	Schedule 500C must exist when Form 500 Line 20 is populated with a value greater than zero.
500-063	Form 500 Line 20 must equal Schedule 500C, Line 17 when Line 20 is populated with a value greater than zero.
500-065	Schedule 500ADJ must be present when Amended Return checkbox is populated.
500-067	Schedule 500A must be present when Schedule 500A Changes checkbox is populated.
500-068	Schedule 500CR must be present when Nonrefundable or Refundable Credit Change checkbox is populated.
500-069	Schedule 500AB must be present when Schedule 500AB Changes checkbox is populated.
500-071	FEIN cannot duplicate the FEIN of a previously accepted return for the tax year being filed.

Schedule 500A

Rule Number	Business Rules
500A-029	Schedule 500A Section A Line 1, Line 2, Line 3, Line 4, Line 5, Line 6 or Line 7 must be populated when Schedule 500A is present.
500A-030	Schedule 500A Section A Lines 6a and 6b must be populated when Section A, Line 6 checkbox is populated.
500A-031	Schedule 500A Section A Line 6a must equal to or greater than 07/01/2011 when Section A Line 6 checkbox is populated.
500A-032	If the Combined - Sch 500AC Attached Checkbox is not populated, Schedule 500A Section A, Line 1, Exception 1 or Exception 2 checkbox is populated when Motor Carriers Apportionable Income is not applicable Schedule 500A Section B Line 1 must be populated.

Schedule 500A (con't)

Rule Number	Business Rules
500A-043	If the Combined - Sch 500AC Attached Checkbox is not populated, Schedule 500A Section B Line 3a must equal Form 500, Line 7.
500A-052	If the Combined - Sch 500AC Attached Checkbox is not populated, Schedule 500A Section B Line 3j must equal Line 8a of Form 500.

Schedule 500AB

Rule Number	Business Rules
500AB-011	Schedule 500AB Line 10 must equal Form 500ADJ Section A Line 3.

Schedule 500AC

Rule Number	Business Rules
500AC-005	All applicable columns for Affiliates must be populated on Schedule 500AC when Consolidated or Combined Checkbox is populated on page 1 of Form 500.

Schedule 500ADJ

Rule Number	Business Rules
500ADJ-007	If Form 500ADJ Section A Line 3 is greater than zero, Schedule 500AB must exist.
500ADJ-010	Schedule 500ADJ Section A Line 7 must equal the sum of Lines 1 + 2 + 3 + 4 + 5 + 6 (all Other Additions Amounts).
500ADJ-012	Schedule 500ADJ Section A Line 7 must equal form 500 Line 2.
500ADJ-019	Explanation must be provided for Subtraction Code 99.
500ADJ-020	Schedule 500ADJ Section B Line 10 must equal the sum of Lines 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 (all Other Subtractions Amounts).
500ADJ-021	Schedule 500ADJ Section B Line 10 must equal Form 500 Line 4.
500ADJ-022	Form 500 Line 15 must equal Schedule 500ADJ Section D-Schedule of VK-1 Withholding.
500ADJ-023	Explanation must be provided for Addition Code 99.

Schedule 500C

Rule Number	Business Rules
500C-001	Exception 3 Explanation Box must be populated when Form 500C Line 12 is populated.

Schedule 500CR

Rule Number	Business Rules
500CR-119	Schedule 500CR Part XXXI Line 139 must equal the lesser of the sum of all Nonrefundable credits being claimed or the amount on Line 1 of Schedule 500CR.
500CR-120	Schedule 500CR Part I Line 1 must equal Form 500 Line 9.
500CR-121	Schedule 500CR Part XXXV Line 147 must equal the sum of all Refundable credits being claimed.

Financial – 500

Rule Number	Business Rules
FIN-011	State Payment identified as International ACH Transaction (IAT) is not eligible for e-File.
FIN-015	Bank Account Number cannot equal all zeros.
FIN-019	Bank Routing and Transit Number cannot equal all zeros.
FIN-033	For timely filed returns, the direct debit date must be on or before Return Due Date. You cannot warehouse your payment for returns submitted after the due date. Leave the payment date blank and your payment will be processed within a day or two of processing your return.
FIN-100	Payment Amount cannot exceed the amount owed and the amount owed must be greater than zero.

Form 502

Rule Number	Business Rules
502-010	The Federal PTE Form (federal Form 1120S or federal Form 1065 or federal Form 1065B) must exist.
502-020	If the Change in Fiscal Year check box is populated, Fiscal or Short Year Filer Beginning Date and Ending Date are required.
502-030	Schedule 502A must exist when Line 7 (Virginia apportionment percentage) is populated with a value less than 100%.
502-040	Schedule 502ADJ must exist when Line 12, (Total additions) or Line 17 (Total subtractions), or Line 19 (Total nonrefundable credits) or Line 20 (Total refundable credits) is populated with an amount greater than zero.
502-050	Form 502, Line 1 (Total of taxable income amounts) must equal Schedule 502A, Section C, Line 1 (Total of Taxable Income Amounts).
502-060	Form 502, Line 4 (Income allocated to Virginia) must equal Schedule 502A, Section C, Line 2 (Commercial domicile is in Virginia).
502-070	Form 502, Line 5 (Income allocated outside of Virginia) must equal Schedule 502A Section C Line 3e (Allocable income).
502-080	Form 502 Line 6 (Apportionable income) must equal Schedule 502A Section C Line 4 (Apportionable income).
502-090	Form 502, Line 12 (Total additions) must be equal to the sum of Schedule 502ADJ, Section A (Total Additions).
502-100	Form 502, Line 13 (Total additions) must equal the sum of Line 8 (Fixed-date conformity-depreciation), Line 9 (Fixed-date conformity-other), Line 10 (Net Income or other tax used as a deduction in determining taxable income), Line 11 (Interest on municipal or state obligations other than from Virginia) and Line 12 (Total additions).
502-110	Form 502, Line 17 (Total subtractions) must be equal to the sum of Schedule 502ADJ, Section B (Total Subtractions).
502-120	Form 502, Line 18 (Total subtractions) must equal the sum of Line 14 (Fixed-date conformity-depreciation), Line 15 (Fixed date conformity-other, Line 16 (Income from obligations of the United States, Line 17 (Total subtractions).
502-130	Form 502, Line 19 (Total nonrefundable credits) must equal Schedule 502ADJ, Section C, Line 36 (Total Nonrefundable Credits).
502-140	Form 502, Line 20 (Total refundable credits) must equal Schedule 502ADJ, Section C Line 44 (Total Refundable Credits).
502-150	Form 502, Section 4, Line 12 (Amount of withholding overpayment to be refunded), must equal the difference of Form 502, Section 4, Line 10 (Net Overpayment) and Form 502, Section 4, Line 11 (Amount of withholding overpayment to be credited to next year).
502-160	Vendor ID must be valid/approved.
502-170	FEIN cannot duplicate the FEIN of a previously accepted return for the tax year being filed.

Form 502A

Rule Number	Business Rules
502A-010	Schedule 502A Section A Line 1 or Line 2 or Line 3 or Line 4, or Line 5 or Line 6 or Line 7 must be populated when Schedule 502A is present.
502A-020	Schedule 502A Section A Lines 6a and 6b must be populated when Section A, Line 6 checkbox is populated.
502A-030	Schedule 502A Section A Line 6a must equal to or greater than 07/01/2011 when Section A Line 6 checkbox is populated.
502A-040	Schedule 502A Section A, Motor Carrier Line 1 Exception 1 checkbox or Exception 2 checkbox is populated, an amount must be in Section B, Line 1 Columns 1, 2 and 3.

Form 502ADJ

Rule Number	Business Rules
502ADJ-010	Schedule 502ADJ, Section A, Line 5 (Total Additions) must equal the sum of all Additions Amounts.
502ADJ-020	Explanation must be provided for Addition Code 99.
502ADJ-030	Schedule 502ADJ, Section B, Line 5 (Total Subtractions) must equal the sum of all Subtractions Amounts.
502ADJ-040	Explanation must be provided for Subtraction Code 99.
502ADJ-050	Schedule 502ADJ, Section C, Line 44 (Total Refundable Credits) must equal the total of Lines 40, 42 & 43.
502ADJ-060	Total Nonrefundable Credits on Schedule 502ADJ Line 36 must equal the sum of all Nonrefundable Credits on Schedule 502ADJ Section C Lines 1 – 19 plus Lines 22 – 35.

Financial – 502

Rule Number	Business Rules
FIN-011	State Payment identified as International ACH Transaction (IAT) is not eligible for e-File.
FIN-015	Bank Account Number cannot equal all zeros.
FIN-019	Bank Routing and Transit Number cannot equal all zeros.
FIN-033	For timely filed returns, the direct debit date must be on or before Return Due Date. You cannot warehouse your payment for returns submitted after the due date. Leave the payment date blank and your payment will be processed within a day or two of processing your return.
FIN-100	Payment Amount cannot exceed the amount owed and the amount owed must be greater than zero.

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

Example of binary attachment linking an element:

```
<Sch500CR>  
<AgriculturalBestMgmtPractices>  
<AgCarryOCredFrmPriorYr>932</AgCarryOCredFrmPriorYr>  
<AgQualCredAndCarryOAvail>932</AgQualCredAndCarryOAvail>  
<AgCredAllow referenceDocumentId="U7">932</AgCredAllow>  
</AgriculturalBestMgmtPractices>  
</Sch500CR>  
</ReturnDataState>  
<BinaryAttachment documentId="U7">  
<Reference>AGRICULTURAL BEST MA</Reference>  
<DocumentTypeCd>PDF</DocumentTypeCd>  
<Desc>AGRICULTURAL BEST MANAGEMENT CERTIFICATE</Desc>  
<AttachmentLocationTxt> AGRICULTURAL BEST MANAGEMENT  
CERTIFICATE.PDF</AttachmentLocationTxt>  
</BinaryAttachment>
```

Appendix D – Virginia Contacts & Resources

e-Alerts

Virginia e-Alerts is 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 [e-Alerts](#) to receive these emails.

Phone Numbers & Email

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

- Customer Services – (804) 367-8037
- Tax Professionals Hotline – (804) 367-9286
- Corporate & PTE e-File mailbox – Bus_eFile@tax.virginia.gov

Website Resources

This section provides general website resources that impact e-Filing Corporate and PTE data.

Additional details can be found in the links to the Department [website](#) as well as in the instructions for Corporate and PTE tax returns.

[Corporate e-File](#) – information and updates to Corporate e-File stakeholders

[PTE e-File](#) – information and updates to PTE e-File stakeholders

[e-File Developer Specifications Web Page](#) – provides technical requirements, software partner agreements, business rules and testing scenarios used in the development of e-File software

[Online Services](#) – options for electronic return payments, electronic bill payments and related tax information

[Early Release Forms \(TY2015\)](#) – drafts of tax forms (TY2015)

[Web Forms](#) – all forms supported by the Department

[Substitute Forms](#) – specs for all Corporation and PTE substitute forms

[Legislative Summary Reports](#)

What's New – [Corporations / PTE](#) and [Tax Credits](#)

Virginia's Fixed Date Conformity with the Internal Revenue Code

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