



Modernized eFile (MeF) Software Developer's Handbook Tax Year 2013

Publication AZ-1346

Draft
Revised: October 29, 2013



Arizona Department of Revenue
IT Applications Support
1600 W. Monroe – 4th Floor
Phoenix, Arizona 85007

Voice: 602-716-6535
Email: azefile@azdor.gov

MeF Arizona Dept of Revenue

TABLE OF CONTENTS

INTRODUCTION – Page 3

Changes for Tax Year 2013 –
Page 3

Contact Personnel – Page 4

Acceptance and
Participation Page 5

Developer Responsibilities -
Page 8

Miscellaneous - Page 8

Calendar – Page 10

Acknowledgement System –
Page 11

Schemas and Business Rule
Specification – Page 11

General Information – Page
12

INTRODUCTION

This publication provides information necessary for the development of software intended for use by businesses and individuals in electronically filing Arizona Individual Income Tax returns.

The Arizona Department of Revenue (department), in conjunction with the Internal Revenue Service (IRS), will begin accepting Individual Income Tax returns and corresponding forms and schedules for tax year 2013 by the Modernized e-File system.

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

Purpose of this manual

This manual provides general information to software developers, transmitters, and tax practitioners about Arizona's Modernized Electronic Filing Program for Individual Income Tax. While we attempt to answer all questions in this manual, we may have overlooked some.

Our goal is to maintain open lines of communication to assure the success of your software and the electronic filing program for the state of Arizona. You are invited to contact us with any question or comment you have regarding our electronic filing program.

Schema Version

The current schema version that Arizona uses for (2013 tax year) 2014 filing is AZIndividual2013V1.0. This is the schema that will be used for ATS testing. It is subject to change until announced as final.

CHANGES IN TAX YEAR 2013

Schema

The schema has changed to accommodate the field changes on our 2013 Tax Year forms.

(The schema version for tax year 2012 is AZIndividual2012v2.1). This version is effective 01/28/2014.

MeF Production Date

Arizona will begin accepting "live" production data, through the IRS gateway, January 28, 2014.

Standard Deduction

The standard deduction changed for tax year 2013. The amounts are:

Single and Married Filing Separate = \$4,945

Head of Household and Married Filing Joint = \$9,883

Capital Gains

New Line on Tax Form for “Net Capital Gain or (Loss) and Net Long-Term Capital Gain Subtraction”

This adds a new subtraction for a percentage of net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in a capital asset acquired after December 31, 2011.

A Business Rule has been added to confirm the amount entered on this line. See Business Rule document.

Aid to Education contribution

The contribution to the Aid to Education Fund has been renamed to Solutions Teams Assigned to School.

Transmission of Credit Forms – Form Series 300

Transmission of multiple copies of all credit forms (series 300) is allowed when there is not enough space to list all of the necessary information on a single copy of the form. For example, many taxpayers donate to more than two public schools. When more than two schools need to be listed, a second (or more) occurrence of Form 322 should be included in the transmission. This is also true for any other credit.

As indicated on the form, the maximum number of credit types/forms that can be filed electronically is 4.

Contact Personnel

Our goal is to maintain open lines of communication to assure the success of your software and the electronic filing program for the state of Arizona. You are invited to contact us with any question or comment you have regarding our electronic filing program.

Patricia Vaughan - E-File Testing

Mailing Address: 1600 W Monroe Phoenix, AZ 85007

Voice: 602.716.6535

Email: azefile@azdor.gov

Cynthia Ramey

Voice: 602.716.6095

Email: azefile@azdor.gov

Web Address: www.azdor.gov

The Arizona Department of Revenue’s website may be accessed for E-File updates including Publication AZMeF TY2013 Individual Income Business Rules v1.

Home Service Center (IRS)

Arizona’s Federal Home Service Center is Fresno.

ACCEPTANCE AND PARTICIPATION

Acceptance Testing (ATs)

Testing of software developed for electronic filing is mandatory. All software must be tested using state scenarios. Submission of the Application to Participate is required by all developers prior to testing. This document is available on the AZDOR eServices website <https://www.azdor.gov/EServices.aspx>.

Developers will be given formal confirmation when software has been successfully tested for electronic filing. Only approved software may be released and distributed by the developer. Business rules, schemas and test scenarios are available on the Arizona Department of Revenue website www.azdor.gov. Test scenarios will not utilize Federal ATs data. Arizona's tests are developed independent of Federal testing. Testing is to include retrieval of state acknowledgements.

It's important to note that the SoftwareId that is identified on the Application to Participate is the main indicator that will allow your submissions to go through our test and (when approved) our production environment. All submissions must have the SoftwareId

It may not be necessary to submit test returns for all test scenarios. For details involving scenario adjustments contact us.

Any developer wishing to conduct testing in addition to the scenarios supplied and required by the Arizona Department of Revenue must obtain approval to do so prior to test submission.

ERO Registration

Please instruct EROs that a separate registration is NOT required to e-file with Arizona. IRS approval is required, but it is not necessary that the ERO provide proof of the approval to Arizona.

ATS Testing Schedule

Arizona begins accepting ATS tests through the IRS gateway November 04, 2013. ATs may be submitted until February 28, 2014. The Arizona Department of Revenue strives to approve software applications in a timely fashion. Occasionally a test will need to be reviewed more than once to assure that our standards are met. This, combined with a late submission of test materials, may cause delays in approving your software.

Testing for Multiple Products Using the Same Platform (Engine)

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

Forms Available for Electronic Filing

Return Types and Forms Available for Electronic Filing - Both refund and payment due returns may be filed electronically. The primary personal income tax returns available for electronic filing are:

- 140 Resident Personal Income Tax Return
- 140A Resident Personal Income Tax Return (Short Form)
- 140EZ Resident Personal Income Tax Return (EZ Form)
- 140PY Part-Year Resident Personal Income Tax Return
- 140NR Nonresident Personal Income Tax Return

Supporting forms available for electronic filing:

- AZ Schedule S, Allocation of Income by Same-Sex Couples Filing a Joint Federal Return
- Schedule A Federal Form 1040 Schedule A, Itemized Deductions
- Federal 1099G Certain Government Payments
- Federal 1099R Distributions From Pensions, Annuities, Retirement or Profit Sharing plans, IRAs
- 140 Schedule A State 140, Schedule A Itemized Deduction Adjustment
- Schedule A(PY) Itemized Deductions for Part Year Resident
- Schedule A(PYN) Itemized Deductions for Part Year Resident with Nonresident Income
- Schedule A(NR) Itemized Deductions for Nonresident
- Form 131 Claim for Refund on Behalf of Deceased Taxpayer
- Form 202 Personal Exemption Allocation Elections
- Form 204 Application for Filing Extension
- Form 221 Underpayment of Estimated Tax by Individuals

Tax credit forms available for electronic filing (TY) 2013:

- 301 Nonrefundable Individual Tax Credits and Recapture
- 304 Enterprise Zone Credit
- 305 Environmental Technology Facility Credit
- 306 Military Reuse Zone Credit
- 307 Recycling Equipment Credit
- 308 Credit for Increased Research Activities - Individuals
- 309 Credit for Taxes Paid to Another State or Country
- 310 Credit for Solar Energy Devices
- 312 Agricultural Water Conservation System Credit
- 315 Pollution Control Credit
- 319 Credit for Solar Hot Water Heater Plumbing Stub Outs and Electric Vehicle Recharge Outlets
- 320 Credit for Employment of TANF Recipients

- 321 Credit for Contributions to Qualifying Charitable Organizations
- 322 Credit for Fees Paid to Public Schools
- 323 Credit for Contributions to Private School Tuition Organizations
- 325 Agricultural Pollution Control Equipment Credit
- 331 Credit for Donation of School Site
- 332 Credit for Healthy Forest Enterprise
- 333 Credit for Employing National Guard Members
- 334 Credit for Motion Picture Production Costs
- 336 Credit for Solar Energy Devices Commercial and Industrial Applications
- 338 Credit for Investments in Qualified Small Business
- 339 Credit for Water Conservation Systems
- 340 Credit for Donations to the Military Family Relief Fund
- 346 Additional Credit for Increased Research Activities for Basic Research Payments
- 347 Credit for Qualified Health Insurance Plans
- 348 Credit for Contributions to Certified School Tuition Organization-Individuals

Exclusions from Electronic Filing

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

Forms not listed under "Return Types Available for Electronic Filing"

Any year other than Tax Year 2012 to current

Non-calendar year returns

Amended returns

Fiduciary Returns

Linked returns for which a federal return was not completed

Electronic signatures on unlinked returns

DEVELOPERS RESPONSIBILITIES

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

Comply with all federal and state requirements specified in the following publications:

IRS Publications 1345,1345A and 1346.

Error Detection

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

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

MISCELLANEOUS

Return Due Dates

The original due date of the Arizona Individual Income Tax Return for tax year 2013 is April 15, 2014 and the extension due date is October 15, 2014.

A federal extension is accepted for Arizona purposes unless there is tax due. In this case, the Arizona extension (Form 204) should be filed and payment should accompany the transmission.

FORM 204 – Application for Filing Extension

Arizona allows for electronic filing of extension applications. The Form 204 also allows for the extension payment via direct debit. This request is transmitted as a State-Only Return.

Decedent Returns

Arizona accepts decedent returns electronically from the surviving spouse who is using the “Married Filing Joint” filing status. If a refund is expected, Form 131, Claim for Refund on Behalf of Deceased Taxpayer, must accompany the e-filed joint return. The death certificate is NOT required as an attachment, but must be kept for tax records. A zero/even balance or a balance due decedent return is also accepted. Taxpayers may use either the Practitioner PIN or the Self-Select PIN electronic signature, with the decedent’s return when filing the IRS and AZDOR returns together.

Alerts and Information

In order to receive updates and notices you may want to sign up for Arizona Alerts.

Send an email to E-fileAlert@azdor.gov. Please put “subscribe” in the message subject. To discontinue receiving the alerts, send an email to E-fileAlert@azdor.gov and put “unsubscribe” in the message subject.

Federal Income Statements

All wage and gambling statements and 1099R (when AZ withholding is reported) must accompany the Arizona transmission. Refer to the federal specifications for schema information.

If a 1099 statement is required, AZDOR will confirm that the social security numbers on the form(s) correspond to the social security numbers on return.

Form Approval

NOTE: Approval of software for electronic filing does not include approval of any form developed/produced for hardcopy submission to the Arizona Department of Revenue. The Arizona Department of Revenue’s External Services and Special Projects Division must approve Arizona substitute tax forms included in software. Direct inquiries and requests for tax form approval to:

Mailing Address:

Kim Freeman

Forms Administrator

Taxpayer & External Services Division

Arizona Department of Revenue

1600 West Monroe, Division Code 4

Phoenix, AZ 85007

Contacts:

Sharyn Zamora

Voice: 602-716-6798

Email: szamora@azdor.gov

Michelle Carella

Voice: 602-716-6542

Email: mcarella@azdor.gov

2014 Arizona E-File Calendar

For Tax Period January 1 – December 31, 2013

Transmission of live IRS E-File returns begins Tentatively - January 28, 2014

Last date for timely filed returns April 15, 2014

Last date for retransmitting rejected timely filed returns April 20, 2014

Last date for transmitting late or returns on extension October 15, 2014

Last date for retransmitting rejected late or returns on extension October 20, 2014

2014

January							February							March						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4							1							1
5	6	7	8	9	10	11	2	3	4	5	6	7	8	2	3	4	5	6	7	8
12	13	14	15	16	17	18	9	10	11	12	13	14	15	9	10	11	12	13	14	15
19	20	21	22	23	24	25	16	17	18	19	20	21	22	16	17	18	19	20	21	22
26	27	28	29	30	31		23	24	25	26	27	28		23	24	25	26	27	28	29
														30	31					

April							May							June						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5					1	2	3	1	2	3	4	5	6	7
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
27	28	29	30				25	26	27	28	29	30	31	29	30					

July							August							September						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5						1	2		1	2	3	4	5	6
6	7	8	9	10	11	12	3	4	5	6	7	8	9	7	8	9	10	11	12	13
13	14	15	16	17	18	19	10	11	12	13	14	15	16	14	15	16	17	18	19	20
20	21	22	23	24	25	26	17	18	19	20	21	22	23	21	22	23	24	25	26	27
27	28	29	30	31			24	25	26	27	28	29	30	28	29	30				
							31													

October							November							December						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4							1		1	2	3	4	5	6
5	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13
12	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20
19	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27
26	27	28	29	30	31		23	24	25	26	27	28	29	28	29	30	31			
							30													

Holiday

ACKNOWLEDGEMENT SYSTEM

The purpose of the state acknowledgement is to confirm the Arizona Department of Revenue successfully received a transmitted return. It is not intended to convey or indicate that the received return is accurate or is error-free.

Arizona uses a “Received”, “Accepted” or “Rejected” acknowledgement system.

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

SCHEMAS AND BUSINESS RULE SPECIFICATIONS

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

Each tax return’s schema version has an associated set of business rules. This ensures that each updated schema version includes an updated set of business rules for each tax year going forward. Business rules for 2013 may or may not be the same as tax year 2012.

Throughout ATs testing, multiple versions of XML, schemas and business rules may be posted to azdor.gov. AZDOR is currently limited to accepting one schema version at a time. If there is a schema version change there will be notification prior to the migration to test or production environment.

When a business rule is violated, processing may stop so there may be additional errors in the file that have not been identified.

Top five (5) Business Rule violations (for the 2012 tax year):

1. BR 500 Schema Error – Incorrect version, incorrect tax year, incorrect tax period and or incorrect phone number.
2. BR 508 Invalid SoftwareId - The software id on the Application to Participate did not match what we have in our database.
3. BR 509 Withholding or 1099 statement/form missing - If the amount on the withholding amount is greater than zero, a W-2 or 1099 form is expected.
4. BR 517 Withholding Social Security Number (SSN) must match – The SSN on the W-2 or 1099 does not match the SSN(s) on the return.
5. BR 512 List of Credit Forms missing – If Form 301 is attached; a credit type is expected on the return.

GENERAL INFORMATION

Testing Period

Arizona begins accepting ATS tests through the IRS gateway November 04, 2013. ATs may be submitted until February 28, 2014. The Application to Participate must be received before you can start testing. An Application to Participate is required for each tax year.

Signature Documents AZ-8879

E-File Signature Authorization Form – In some cases a taxpayer may wish to electronically sign the state return, but is unable or unavailable to return to the ERO's office to sign the electronically prepared state return. Form AZ-8879, (E-File Signature Authorization Form) authorizes the ERO to enter a PIN signature on behalf of the taxpayer(s). The taxpayer(s) must review their return and sign the AZ-8879 before the return can be electronically transmitted. The AZ-8879 must be retained by the ERO for a period of 4 years from the time the return is filed.

Payment Methods Online Payment by 140V:

Payment may be made online at www.aztaxes.gov. Online users may follow the link to "Individual Income" and "Make a Payment". "140V" is one of the payment types available.

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

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

Direct Debit

Arizona strictly prohibits a Direct Payment/Direct Debit date later than April 15, 2014 on a return that is transmitted before April 15, 2014. Timely filed returns with a Direct Payment/Direct Debit date later than April 15, 2014 will be rejected. If a date is not elected on a return transmitted before April 15, 2014 or if a return is transmitted on or after April 16, 2014, the date defaults to the original transmission date.

Taxpayers may elect a future date if the return is transmitted before April 15, 2014. That "Future Date" may not exceed "20140415". If a "Future Date" is not elected or when a return is transmitted on or after April 15, 2014; this date is to default to the transmission date. If a non-banking day is selected, the withdrawal will occur on the next banking day.

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

Direct Deposit

Direct Deposit is offered on electronic returns for tax year 2013. If this is elected, the entire refund amount will be deposited. Partial refunds will not be allowed.

Types of Filing Accepted

Both Fed/State linked and unlinked (State-only) are accepted at AZDOR.

Effective 01/28/2014, AZDOR will be accepting tax years 2012 and 2013. (Each tax year has their applicable schema and business rule versions.)

Handling of Attachments

For each submission, Efile supports attachments up to 2GB.

AZ Form 202 Requirements

If there are zero dependents, and personal exemption amount is \$2,100 or less, the AZ 202 is not required. If it's greater than \$2,100, reject return with Business Rule 514.

If the number of dependents is 1 or greater and personal exemption amount is \$3,150 or less, the AZ 202 is not required. If greater than \$3,150 reject return with business rule 514.