2017 Filing Season - Individual Income Tax Processing

Commissioners of the Revenue

It's very important that you review **ALL** **TARP Processes, Tasks, User Guides and Job Aids.**

Please pay particular attention to the following critical procedures and critical reminders because these are some of the things we continue to see problems with:

Critical Procedures

- *Understanding Lap-Sort Forms*

    o Use the correct Lap-Sorts forms.

    o Do not staple Lap-Sort forms to returns.

    o Do not use old out-dated Lap-Sort forms – check your inventory and discard old forms – those associated with accelerated refunds (pink and green) have been eliminated for this coming year – see the latest versions of all Lap-Sorts in TARP.

    o Do not combine different types of returns with different Lap-Sorts.

- Write the postmark date on <u>every</u> return filed after May 1, 2017.

- Screening Tax Returns - there are no new additional screening codes for tax year 2016 returns, but the list of contribution codes has changed to include Contribution Code 11(Federation of Virginia Food Banks). Therefore, if a tax due return with any contributions for codes 11, 71, 72, 73, 74, 81 and / or 92, and any public school foundation codes are included, these need to be handled as "direct filed" and sent in on a lap-sort 2 form.

    Also, note the following change to coding for "Credit Claimed for Tax Paid to Another State" on forms 760, 760PY, and 763:

    ➢ If the other state's return is not included and the credit is less than $500.00, no action is required.

    ➢ If the other state's return is not included and the credit is equal to or greater than $500.00, code the return 'MX" ** **Special note** – you do not need to

determine if the claimed state is an "allowed" or "disallowed" state. Simply accept what the taxpayer has reported and apply the "$500" rule for coding or not coding.

- o Review **TARP Job Aid**: *Locality Screening Code Matrix – Tax Year 2016* for all Screening Codes and Screener actions.

- o Review **TARP Processes**: *Screen Local Filed Returns -Tax Year 2016.*

- o Review **TARP General Screening Tasks** for all forms.

- o Review **TARP Detailed Screening Tasks** for each specific form.

- Handling Tax Returns

- o Do not combine different types of returns within the same bundles, such as refunds with tax dues, or 2D bar code returns and vendor computer-generated returns.

- o Do not cut down envelopes to where only the postage stamp is showing. We need the whole front of the envelope for scanning purposes.

- o Know when and how to alter a 2D barcode return – for example, when the only change to the return is to add additional Penalty and Interest. (TARP - General Screening of Individual Income Tax Returns – Tax Year 2016, Procedure Step 12).

Critical Reminders:

- Send all Tax Returns to Richmond weekly – do not hold any returns for any reason.

- Use Form 759 and Procedures for all types of Penalty and Interest calculations, to include Extension penalties, Late Filing penalties, and Late Payment penalties.

- o Examples of "counting months"

- o When to start interest

- o Using the cumulative interest factors

- Processing Tax Due Returns

  o We discovered cases this year where taxpayers e-filed their returns, and then went to the Commissioner of the Revenue's Office to pay. The COR's office accepted the money, deposited it, and did not let TAX know. Hence the taxpayer received a bill because Advantage Revenue did not match the local payment to the direct filed e-file return.

  o We recommend that before you accept a payment from a taxpayer without the return, do not assume it was a paper filed return, but rather please check Advantage Revenue to see if the taxpayer did in fact e-file his / her return. If they did, the payment needs to be sent to TAX on a form PMT as direct filed to keep the taxpayer from being billed.

  o Please pay attention to which payment voucher to use when sending in a direct filed payment to TAX.

    ➢ Use the 760-PFF to process **Farmer/Fisherman** Payments due by Postmark March 1, 2017.

    ➢ Use the 760-PMT for individual tax return payments that are due May 2.

  o If the return has been e-filed, you must treat the payment as a direct file payment and send it in on a 760PMT as direct filed (or 760-PFF if farmer / fisherman).

  o Make sure Line 30 on the 760 represents 1) what **you** actually collected OR 2) what you are taking responsibility for collecting. **If line 30 is left blank, TAX will bill for the whole tax due amount regardless of whether the taxpayer has paid you or not.**

  o Use Form 759 for every tax due return that is locally processed.

  o Please use **RED** pens / ink for any markings you are making on tax returns.

- **Revised Form 916 (Request for Exoneration)**

  o On June 15, a communication was sent to all Commissioners of the Revenue and Treasurers announcing a "refreshing" of the form.

- The reason for the change is to eliminate confusion in the determination of who is taking responsibility for billing the balance of partial adjustments – the Department of Taxation or the localities.

- The new form is in the Locality TARP under 'Forms".

- **Elimination of Accelerated Refunds**

  - On October 12, a communication was sent to the Commissioners of the Revenue announcing that the accelerated refund program is being eliminated effective December 1, 2016.
  - All references to accelerated refund processing will be removed from the IRMS User Guide effective December 1 including instructions, screen shots, etc.
  - All references to accelerated refund procedures will be removed from TARP locality procedures effective December 1, including:
    - Task: Process Accelerated Refunds
    - Task: Report an Incorrectly Keyed Online Refund
  - All lap-sort forms specifically devoted to accelerated refunds are being removed from TARP and include:
    - Group Control Document – Local AR
    - Group Control Document – Local Denied
    - Incorrectly keyed accelerated refund form
  - All formerly eligible refund returns now need to be sent in on a lap-sort 1 or lap-sort 2 form, using the same criteria as regular returns that were not considered to meet accelerated refund criteria.