

2018 Filing Season

Individual Income Tax Processing

Commissioners of the Revenue

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Howard Overbey

howard.overbey@tax.virginia.gov

804.367.1129

www.tax.virginia.gov



To make the training document easier to follow, we have separated this narrative into 2 sections: Section 1 for “What’s New”, and Section 2 for “Processing Reminders”.

As always, it’s very important that you review **all TARP Processes, Tasks, User Guides and Job Aids**.

SECTION 1

WHAT’S NEW for FILING SEASON 2018:

More Emphasis on Eliminating Duplicate Assessments

As you know, taxpayers often become confused between filing directly with Virginia Tax versus filing with a locality. It would be great if they were always inclined to pay where they file. But when they don’t, it creates an opportunity to “trip us up” unless we do some research first. The following two scenarios are typical examples where duplicate billings and subsequent exonerations often come into play:

Orphaned Payments:

- **The problem:** We discovered cases this year where taxpayers direct filed their tax due return, and then went to the Commissioner of the Revenue’s Office to pay. The COR’s office accepted the money, created an assessment, and sent the money to the Treasurer’s Office for deposit. Hence the taxpayer received a bill because IRMS did not match the **local** payment to the **direct filed** return.
- **The fix:** Before you accept a payment from a taxpayer for a tax due without a return, do not assume the payment was associated with a local filed return. Always check IRMS to see if the taxpayer did, in fact, E-file his/her return, or, file paper directly with Richmond. If the return was direct filed, the payment needs to be sent to Virginia Tax with a Form PMT. The payment will then be processed as direct-filed and will keep the taxpayer from being billed.

Payment Received with a Paper Copy of an E-Filed Return - New E-file Indicator:

- **The problem:** A taxpayer may come into your office with a paper copy of a return, which **may** be a copy of a return that was e-filed, with his/her payment attached, with the simple intent of paying his/her tax due. The COR’s office may assume that it is a local filed return and accept the payment. If the payment is processed locally, a bill will be created. This continues to be an issue as the number of exonerations have continued to increase due to duplicate billings.

Changes to LAP-SORT 2

If a Computer-generated version of these forms bearing the indicator is received, the return **should not** be processed by the Commissioner of the Revenue. The form should be forwarded to Virginia Tax with a [LAP-Sort 2](#) form to be handled as DIRECT.

The LAP-Sort 2 has also been updated and enhanced to reference the new XXXXX indicator.

Category 7 – Direct filed items – Changes to Contributions

- You will notice in “Open and Sort Mail” that contribution Codes 74 and 81 have been removed as reasons for sending in a return as direct- filed.
- For Tax Year 2017, returns showing contribution codes **11, 71, 72, 73** and **92** should be sent to Virginia Tax as direct-filed.

SECTION 2

PROCESSING REMINDERS – these are topics that continue to top our list of things to watch out for:

- Understanding LAP-Sort Forms
 - Always use the correct LAP-Sort form depending on the returns being transmitted to Virginia Tax.
 - **Do not** staple LAP-Sort forms to returns.
 - Do not use old outdated LAP-Sort forms.
 - Check your inventory and discard all old forms
 - The most recent version of both LAP-Sort Forms are available for download in Locality TARP.
- Write the postmark date on every return filed after May 1, 2018.
- Screening Tax Returns - there are no new additional screening codes for tax year 2017 returns. Review **TARP Job Aid: Locality Screening Code Matrix – Tax Year 2017** for all Screening Codes and Screener actions.
 - Review **TARP Process:** Screen Local Filed Tax Returns - Tax Year 2017.
 - Review **TARP Task:** General Screening of Individual Income Tax Returns -*Tax Year 2017 (for all form types)*.
 - Review **TARP Detailed Screening Tasks** (for each specific form type).

- Handling Tax Returns
 - Do not combine different types of returns within the same bundles, such as refunds with tax dues, or 2D bar code returns with 1D computer-generated returns.
 - Do not cut down envelopes to where only the postage stamp is showing. We need the whole front of the envelope for scanning purposes.
 - 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 2017, Procedure Step 12).
- Send all Tax Returns to Richmond weekly – do not hold any returns for any reason.
- Use Form 759 for every tax due return that is locally processed.
- Use Form 759 and Procedures for all types of Penalty and Interest calculations, to include Extension penalties, Late Filing penalties, and Late Payment penalties.
 - Examples of “counting months”
 - When to start interest
 - Using the cumulative interest factors
- Pay close attention to which payment voucher should be used when sending in a direct-filed payment to Virginia Tax.
 - Use the **760-PFF** to process **Farmer/Fisherman** payments due by Postmark March 1, 2018.
 - Use the **760-PMT** for individual tax return payments that are due May 1.
- If the return has been E-filed, you must treat the payment as a direct-filed payment and send it with a 760PMT so it may be processed as direct-filed (or 760-PFF if farmer / fisherman).
- Make sure Line 30 on the 760 represents either 1) what you actually collected OR 2) what you are taking responsibility for collecting. If line 30 is left blank, Virginia Tax will bill for the whole tax due amount regardless of whether the taxpayer has paid you or not.
- Do not date timely returns. Only write the date on those postmarked after May 1.
- Refund Review Process Reminders:
 - We continue to refine our refund review models to review all returns before issuing refunds.
 - YTD we’ve denied or reduced over \$50 million in fraudulent refunds.

- Our goal is to continue to reduce false positives as much as possible.
- If a taxpayer receives a letter requesting additional documentation from us, please instruct them to respond immediately.
- We're working on a solution for this coming filing season that will allow taxpayers to upload requested documents electronically.
- Please use **red** pen/ink for any notations you make on tax returns.
- Always check the LTD box at the bottom of the return and enter a payment amount if processing a local-filed tax due. When no money is included but the locality will bill for the tax due amount, a "0" should be entered on the line to the right of the LTD bubble. This year, we saw several situations where NO payment notations were made on the returns, the returns somehow were miss-sorted and then processed as Direct---taxpayers received duplicate assessments.