State Corporate Tax E-Filing Teleconference

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e-Filing Is Not "One Size Fits All"

- Many jurisdictions participate in the IRS Fed/State Program and thus have a common framework for the package delivered via the IRS
- Each jurisdiction has its own nuances, e.g.
  - Federal attachments included
  - Forms supported via XML vs. PDF
  - Use of business rules to create additional validation requirements

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e-Filing Is Not "One Size Fits All"

- These jurisdictional differences affect:
  - Software vendor's ability to deliver the product
  - Taxpayer processes required to fulfill the various requirements for the different jurisdictions
- As a software company, we're well positioned to deal with the various jurisdictions, but it is additional work
- Higher cost for software developers translates to higher costs for taxpayers

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Common Jurisdictional Differences

- Strictness of requirements for an e-file package to be considered "acceptable"
  - The IRS and some states duplicate paper filing requirements as much as possible to increase the taxpayer's likelihood of having a timely filing
  - Other states use electronic filing as a means to verify far more data than was previously done on paper, and thus make it more burdensome for taxpayers to comply in a timely manner

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Common Jurisdictional Differences

- The degree to which the various jurisdictions "partner" with software vendors affects our ability to provide accurate error reporting that increases the likelihood of the taxpayer receiving an accepted return on the first transmission attempt
- Forms-based vs. category-based
  - IRS style sheets facilitate review
  - Most jurisdictions appear to have budgetary limitations that preclude providing a similar tool

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Common Jurisdictional Differences

- Each jurisdiction has its own rules regarding when a return must be filed electronically and when it can/must be paper-filed
  - Initial year returns
  - Multiple short-year returns
  - Final returns
  - Returns that require specific forms
- Time to correct return rejections differs
  - IRS deadline is 20 calendar days
  - MA deadline is 5 business days

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Common Jurisdictional Differences

- Vendor ability to deliver functionality in a timely manner is affected by:
  - Initial delivery of yearly schema
  - Stability of schema
  - Testing rules for software approval

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Steps Recommended For e-Filing Success

- Verify that your software vendor supports the jurisdictions where you need to file electronically
  - Many states have different mandates for tax return preparers vs. self-filers
  - Some state have e-file mandates but have not actually built the e-file infrastructure
  - Some states have e-file mandates and programs but are not currently enforcing the mandate

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Steps Recommended For e-Filing Success

- Inventory items previously included in paper return to determine how they will be included for electronic filing
  - Part of the XML file
  - As a PDF attachment
  - Separately submitted on paper
  - Not supported for electronic filing

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Steps Recommended For e-Filing Success

- Plan additional time to review your electronic return
  - The electronic return is not the paper return
  - The electronic return is the state XML plus any PDF attachments that can be included plus portions of the federal return and/or a federal pro forma return
  - Check with your vendor to find out what reviewing and printing options it provides for the actual electronic return

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Steps Recommended For e-Filing Success

- Plan to file early and know that you may need to re-file at the last minute if your return hasn't been accepted, in order to secure the longest perfection period
- Know how much time you have to address any remediation needs

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Steps Recommended For e-Filing Success

- Determine how you are going to get the return to the jurisdiction
  - States like MI and NY that participate in the IRS Fed/State program can be submitted through the IRS Web portal
    - If you transmitted your federal return as a large taxpayer using your own credentials, you can do the same thing for Fed/State jurisdictions
  - If you're already registered, are you comfortable submitting your return for the various jurisdictions?
  - Does your software vendor support transmission to the various jurisdictions?
    - If so, is there anything extra you have to do?

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Preparing To File Electronically - New York Example

- Determine whether or not the mandate applies to you
  - Do you file any separate-entity New York corporate returns?
  - Does NY support the main forms associated with your separate-entity corporate return?
    - For example, Form CT-32 - Banking Corporation Franchise Tax Return is not currently part of the NY corporate e-file program
  - Does your software support electronic filing?
    - Tax preparer mandate may affect you, even though you do not actually use a tax preparer for your return
  - Does your software support all the forms you need to include in the electronic package?

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Preparing To File Electronically - New York Example

- Determine whether you are required to file any forms that would prevent electronic filing
  - Forms supported as part of the XML file
    - CT-3, CT-3-ATT, CT-3-S, CT-3-S-ATT, CT-3M/4M, CT-4, CT-5, CT-5.1, CT-5.4, CT-34-SH, CT-38, CT-43, CT-46, CT-46-ATT, CT-47, and DTF-686
  - Forms supported as PDF attachments
    - CT-3-B, CT-3-C, CT-60-QSSS, CT-222, CT-324, CT-399, CT-600, DTF-625, DTF-627, DTF-627.1, DTF-686-ATT, TR2030, and TR-2030.1
  - All other forms cannot be included in an electronic package, and you must paper-file the return even if you otherwise meet the mandate requirements

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Preparing To File Electronically - New York Example

- Determine whether you must include a federal pro forma return
- Identify forms you'll need to include as PDF attachments and find out how your software supports this requirement
- After creating your NY e-file package, review the contents using printing and review tools provided by your software

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