



Modernized eFile (MeF) Software Developer's Handbook Tax Year 2014

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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 2014 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 guide has been prepared for tax preparation software vendors that have been or need to be approved by The Arizona Department of Revenue.

It describes:

- How to register with Arizona once accepted into the Internal Revenue Service (IRS) MeF program;
- How to meet product state legal requirements;
- How to request a review for testing certification.
- How to format and package data for electronic transmissions and;
- How to submit software test returns to the department.

Schema Version

For processing year 2015, the schema(s) will posted as a package. The most recent schema versions will be packaged for tax years 2012, 2013 and 2014. Please take note of versioning for each of the tax years.

CHANGES IN TAX YEAR 2014

Form Changes

There are many line changes to the Individual forms. The structure of the forms was changed to provide an easier flow of the calculations.

Schema

The schema package has changed to accommodate the field changes on our 2014 Tax Year forms and to correct any issues with our prior year schemas.

For processing year 2015, the schema(s) will be posted as a package. The most recent schema versions will be packaged for tax years 2012, 2013 and 2014. Please take note of versioning for each of the tax years.

This version will be ready for the ATS testing on November 01, 2014.

Business Rules

We have added new business rules. The listing is posted on our website at WWW.AZDOR.GOV.

Standard Deduction

The standard deduction changed for tax year 2014. The amounts are:

Single and Married Filing Separate = \$5,009

Head of Household and Married Filing Joint = \$10,010

Transmission of Credit Forms – Form Series 300

Attaching the Credit Form 301 is required when claiming credits. This will be checked in business rule(s) 523 and 524.

New Forms

The following forms are now available to be filed electronically for (and starting with) tax year 2014:

I40PTC

I40X (linked to the federal return)

I41AZ

I41AZ EXT

I41AZ Schedule KI

I41AZ Schedule K1NR

Credit form 351

Binary Attachments

We now accept binary attachments. Unique reference IDs have been assigned to match the BinaryAttachment.Reference element.

Contact Personnel

For technical questions regarding:

- XML Schemas
- Test returns
- Website for MeF filing
- Missing Acknowledgements
- MeF Approval

Email: AZEfile@azdor.gov

Patricia Vaughan - E-File Testing

Mailing Address: 1600 W Monroe Phoenix, AZ 85007

Voice: 602.716.6535

Cynthia Ramey

Voice: 602.716.6095

Email: azefile@azdor.gov

Web Address: www.azdor.gov

Home Service Center (IRS)

Arizona's Federal Home Service Center is Fresno.

Quick Links

Signature process/documents For Individual Income Tax (Ruling): <http://www.azdor.gov/LegalResearch/Rulings.aspx>

EFile FAQs: <http://www.azdor.gov/About/FAQs/EFile.aspx>

AZTaxes (to submit payment): <https://www.aztaxes.gov/Home>

Free Filing webpage: <http://www.azdor.gov/EServices/Individuals.aspx>

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, 2014. ATs may be submitted until February 28, 2015. 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:

- ❖ I40 Resident Personal Income Tax Return
- ❖ I40A Resident Personal Income Tax Return (Short Form)
- ❖ I40EZ Resident Personal Income Tax Return (EZ Form)
- ❖ I40PY Part-Year Resident Personal Income Tax Return
- ❖ I40NR Nonresident Personal Income Tax Return
- ❖ I40PTC Property Tax Credit
- ❖ I4IAZ Fiduciary Return
- ❖ I40X Amended Tax Return

Supporting forms available for electronic filing:

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
I40 Schedule A State I40, 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
Schedule S Allocation of Income by Same-Sex Couples Filing a Joint federal Return
I4IAZ Schedule K-1 Resident or Part-Year Resident Beneficiary's Share of Fiduciary Adjustment
I4IAZ Schedule K-1 (NR) Nonresident Beneficiary's Share of Income and Share of Fiduciary Adjustment
Application for Filing Extension For Fiduciary Returns Only
Form 131 Claim for Refund on Behalf of Deceased Taxpayer
Form 201 Renter's Certificate of Property Taxes
Paid 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) 2014:

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 (308-I)
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
- 318 Credit for Taxes Paid for Coal Consumed in Generating Electrical Power
- 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 Contributions Made or 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
- 342 Credit for Renewable Energy Industry
- 343 Renewable Energy Production Tax Credit
- 344 Solar Liquid Fuel Credit
- 345 Credit for New Employment
- 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
- 349 Credit for Qualified Facilities
- 350 Credit for Airline Bankruptcy Payments
- 351 Credit for Renewable Energy Investment and Production for Self-Consumption by Manufacturers

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

State returns having a different "Federal Adjusted Gross Income" than that provided on the federal return

State-Only returns for which a federal return was not completed

Electronic signatures on State-Only 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:

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 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 (calendar) tax year 2014 is April 15, 2015 and the extension due date is October 15, 2015.

Fiscal year filers - Returns are due by the 15th day of the fourth month following the close of the taxable year.

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.

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.

Alerts and Information

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

Send an email to AZEFILE@AZDOR.GOV. Please put “subscribe” in the message subject. To discontinue receiving the alerts, send an email to AZEFILE@AZDOR.GOV and put “unsubscribe” in the message subject.

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 Taxpayer and External Services Division must approve Arizona substitute tax forms included in software. Direct inquiries and requests for tax form approval to:

Mailing Address:

Kim Freeman
Forms & Communications Administrator
Taxpayer & External Services Division
Arizona Department of Revenue
1600 West Monroe, Division Code 4
Phoenix, AZ 85007

Contacts:

Sharyn Kerr	Michelle Carella
Voice: 602-716-6798	Voice: 602-716-6542
Email: skerr@azdor.gov	Email: mcarella@azdor.gov

2015 State Holidays

Holiday	Date Observed
New Year’s Day	Thursday, January 1
Martin Luther King Jr./Civil Rights	Monday, January 19
Presidents’ Day	Monday, February 16
Memorial Day	Monday, May 25
Independence Day	Friday, July 3
Labor Day	Monday, September 7
Columbus Day	Monday, October 12
Veterans’ Day	Wednesday, November 11
Thanksgiving Day	Thursday, November 26
Christmas Day	Friday, December 25

2015 Arizona E-File Calendar

For Tax Period Beginning 2014

Transmission of live IRS E-File returns begins: January 20, 2015

Last date for timely filed returns April 15, 2015

Last date for retransmitting rejected timely filed returns April 20, 2015

Last date for transmitting late or returns on extension October 15, 2015

Last date for retransmitting rejected late or returns on extension October 20, 2015

January

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

February

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

March

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15	16	17	18	19	20	21
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29	30	31				

April

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			1	2	3	4
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May

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31					1	2
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17	18	19	20	21	22	23
24	25	26	27	28	29	30

June

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21	22	23	24	25	26	27
28	29	30				

July

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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August

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30	31					1
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23	24	25	26	27	28	29

September

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October

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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November

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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December

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27	28	29	30	31		

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 2014 may or may not be the same as tax year 2012 & 2013.

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 2013 tax year):

1. BR 500 Schema Error – Incorrect version, incorrect tax year, incorrect tax period and or incorrect phone number.
2. BR 504 Duplicate SSN - SSN has already been used with a return for the same tax year.
3. BR 510 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 519 The amount on the Net Capital Gain line is not consistent with values on related lines.
5. BR 517 SSNs on W2s and 1099s must match SSN for tax payer, spouse and dependents as applicable.

GENERAL INFORMATION

Testing Period

Arizona begins accepting ATS tests through the IRS gateway tentatively by November 03, 2014. ATs may be submitted until February 28, 2015. The Application to Participate must be received before you can start testing. An Application to Participate is required for each tax year.

Signature Documents/Process

A ruling has been drafted regarding the process of signature documents. When this ruling is approved it will be posted under individual income tax rulings at <http://www.azdor.gov/LegalResearch/Rulings.aspx>

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, 2015 (or your due date) on a return that is transmitted before April 15, 2015 (or your due date). Timely filed returns with a Direct Payment/Direct Debit date later than April 15, 2015 will be rejected. If a date is not elected on a return transmitted before April 15, 2015 or if a return is transmitted on or after April 16, 2015 (or your due date), the date defaults to the original transmission date.

Since we are now accepting fiscal year filings return due dates are determined by the 15th day of the fourth month following the close of the taxable year.

Taxpayers may elect a future date if the return is transmitted before April 15, 2015 or your due date. 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 2014. 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 State-only unlinked are accepted at AZDOR. However, the exception is the amended return. A linked return is required when filing an Arizona state amended return.

For processing year 2015, AZDOR will be accepting tax years 2012, 2013 & 2014 (Each tax year has their applicable schema and business rule versions.)

Handling of Attachments

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

AZ Form 202 Requirements

If there are zero dependents, and personal exemption amount is \$2100.00 or less, the AZ 202 is not required. If it's greater than \$2100.00 reject return with Business Rule 514.

If the number of dependents is 1 or greater and personal exemption amount is \$3150.00 or less, the AZ 202 is not required. If greater than \$3150.00 reject return with business rule 514.