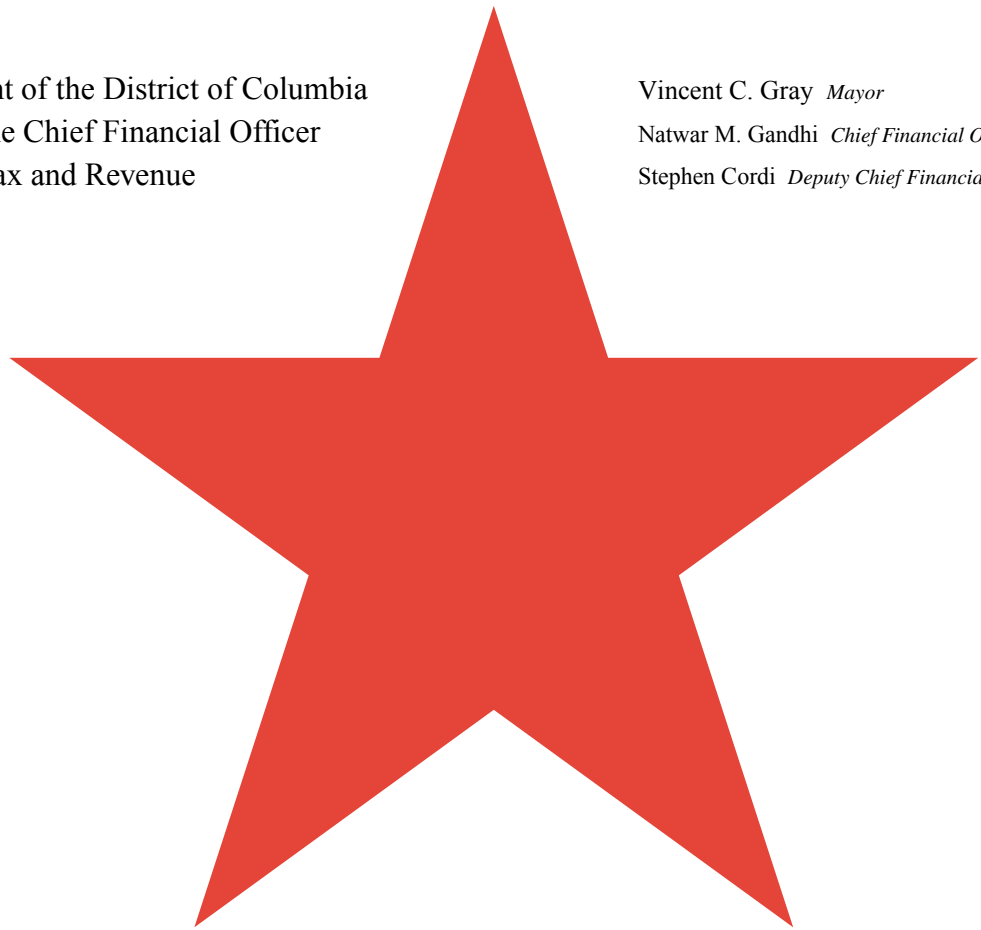Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue

Vincent C. Gray *Mayor*
Natwar M. Gandhi *Chief Financial Officer*
Stephen Cordi *Deputy Chief Financial Officer*

2012 DC-1345

District of Columbia Software Developer Handbook for Individual Income Tax Returns

VERSION 1.4, 01/09/2013

VERSION CONTROL

Version Number	Date	Comments
1.0	9/21/12	Creation
1.1	11/7/12	Updated business rules
1.2	11/30/12	Registered Domestic Partners added to filing status; dependent filing status change; updated business rules (V14) and updated Vendor ID/Software Developers listing
1.3	12/21/12	Updated calendar (Emancipation Day) and vendor ID listing
1.4	1/9/12	Schema version updated to 1.0 and contact personnel for acknowledgements

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CONTACT PERSONNEL

Technical questions, MeF Schema, and Business Rules:
Elizabeth Young
Elizabeth.Young@dc.gov
202-478-9153

Acknowledgements
Johnnie Simmons-York   Carla T. Williams
Johnnie.Simmons@dc.gov   Carlat.Williams@dc.gov
202-478-9240   202-442-7040

Non-technical questions, guidelines and procedures regarding MeF:
Mizuki Bridges   Sylvia M. Magby
Mikuki.Bridges@dc.gov   Sylvia. Magby@dc.gov
202-442-6279   202-442-6239
202-442-6330 (fax)   202-442-6330 (fax)

Substitute forms approval:
Paulette Gooden   Thaddina Wiley
Paulette.Gooden@dc.gov   Thaddina.Wiley@dc.gov
202-442-6262   202-442-6315
202-442-6330 (fax)   202-442-6330 (fax)

To send questions via our website regarding legislation or tax administration:
TAXHELP@dc.gov

Tax Forms:
www.taxpayerservicecenter.com, Tax Forms/Publications
(http://otr.cfo.dc.gov/otr/cwp/view,a,1330,q,594065.asp) or

Customer Service Administration
1101 4th Street, SW, 2nd Floor
Washington, DC 20024
202-442-6546

DISTRICT OF COLUMBIA (DC) ELECTRONIC FILING CALENDAR
TAX YEAR (TY) 2012

FOR TAX YEAR JANUARY 1, 2012 – DECEMBER 31, 2012

Begin IRS/State Acceptance Testing   November 5, 2012

NOTE: The District suggests state testing for software developers begin after developers have been accepted by the IRS

Begin Transmitting DC Electronic Returns   January 30, 2013

Last Date to Transmit Timely Filed Returns   April 15, 2013

Last Date for Re-transmission of rejected
Timely Filed Returns   April 22, 2013

Last Date to Transmit Federal/State DC Returns   October 15, 2013

Last Date for Re-transmission of rejected
Federal/State DC Returns   October 21, 2013

NOTE: These dates may be subject to change at any time

PUBLICTIONS

The following publications describe the process of federal electronic filing and Fed/State Electronic Filing:

INTERNAL REVENUE SERVICE

Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns (Tax Year 2012)

Publication 1346, Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns (Tax Year 2012)

Publication 1436, Test Package for Electronic Filing of Individual Income Tax Returns (Tax Year 2012)

Publication 3112, IRS E-file Application and Participation

Publication 4164, MeF Guide for Software Developers and Transmitters

IRS MeF Service Request Guidance for Software Developers/Transmitters and States, Version 1.0, August 30, 2012

DISTRICT OF COLUMBIA

DC MeF Software Developer Handbook For Individual Income Tax Returns, Tax Year 2012 (DC-1345)

DC MeF D40 Schemas for Tax Year 2012 – Beginning 1/22/13

DC MeF D40 Test Package for Tax Year 2012 (DC1436)

DC-1167, Substitute Forms Guidelines for Software Developers

WHAT'S NEW FOR TAX YEAR 2012

Registered domestic partners filing jointly and registered domestic partners filing separately on the same return will now have the option to file via MeF for those providers who offer the filing status options.

Filing Status codes:

1	Single
2	Married filing joint
3	Married filing separately
4	Dependent claimed by someone else (used to be filing status 7)
5	Married filing separately on the same return
6	Head of Household
7	
8	Registered domestic partner filing joint
9	Registered domestic partner filing separately on the same return

Low Income Credit table changed

DC Official Code Section 47-1806.03(a) is amended by adding a new paragraph "(8)" to read as follows:

"(8)(A) in the case of a taxable year beginning after December 31, 2010, there is imposed on the taxable income of every resident a tax determined in accordance with the following table:

If the taxable income is:	The tax is:
Not over $10,000	4% of the taxable income
Over $10,000 but not over $40,000	$400, plus 6% of the excess over $10,000
Over $40,000 but not over $350,000	$2,200, plus 8/5% of the excess over $40,000
Over $350,000	$28,550, plus 8.95% of the excess above $350,000"

REMINDERS

DC Office of Tax and Revenue (OTR) reserves the right to revoke the acceptance and/or approval of an ERO or transmitter for cause. Failure to comply with the guidelines set forth in the handbook for TY 2012 is considered just cause.

ERO's must be available to correct any software errors which may occur after production begins and work closely with the District to follow-up on any processing issues that may arise during the filing season. DC approval may be revoked if the software produces returns which are not in compliance with these specifications and the software company fails to correct the problem upon receiving notice from OTR. OTR also reserves the right to request a copy of the final version of the DC approved software.

OTR presumes the electronic return record will be made in accordance with these instructions and will not interrupt the processing of the tax return. If there is a disruption of the processing of the tax return, the taxpayer's return will result in a delay.

Rejection for TY 2012 will involve blocking developers that have not been approved by OTR. Any records received by OTR without the valid software developer identification (referred to as the Vendor ID# issued by the NACTP) **will not** be processed. OTR will be the range of test social security numbers assigned by IRS to DC. The IRS will only accept these social security numbers during testing and the returns will be rejected if these numbers are used after we go live.

Itemized deduction limitation: Effective January 1, 2011, DC Official Code §47-1803.03 provides that certain DC itemized deductions of DC taxpayers with more than $200,000 of DC AGI ($100,000 for a separate return filed by a married individual) will be limited. Reduce the DC itemized deduction amount by 5% of DC AGI in excess of $200,000 ($100,000 for a separate return filed by a married individual). The itemized deductions that are not subject to the 5% limitation are medical and dental expenses, expenses incurred in the production of investment interest and casualty or theft loss deduction.

ELECTRONIC FILING TAX YEAR 2012

TY 2012 will be the first year of Modernized e-File (MeF) returns being filed with the District of Columbia. This will allow preparers/ERO's to attach any necessary documentation to the return as a PDF document.

Electronic Return Originators (EROs) can submit both Linked (Federal/State) and Unlinked (State Only) returns to the IRS MeF system for the federal and state return processing. Each return must be a separate submission.

No DC filing mandates exist for DC at this time.

State Only Filing
The District participates in the Federal/State State-Only filing program. State-Only filing allows tax preparers to file state returns separately from federal returns. However, the electronic filing of the federal return is still required by the taxpayer by a software preparation package.

Electronic Funds Withdrawals
Taxpayers filing electronically with a balance due may pay the amount due by Electronic Funds Transfer (EFT) from their checking or saving account. Taxpayers may select the effective date of the transaction as long as it is a date equal to the current date. This date should be prior to the April 15th filing date to avoid penalty and interest. **EFT is not available to paper filers for balance due.**

Declaration for Electronic Filing (D-40E)
The Form D-40E, DC Individual Income Tax Declaration for Electronic Filing is the District's signature form equivalent to the federal Form 8453, US Individual Income Tax Declaration for Electronic Filing. Form D-40E must be completed and signed by all appropriate parties before the return is transmitted electronically to the IRS. The D-40E must be retained by the ERO for a period of three years from the end of the calendar year in which it is transmitted. **DO NOT SEND THIS DOCUMENT TO THE DC OTR**. Please be advised that a copy of the D-40E and all attached documents must be submitted to the DC OTR if specifically requested during the three-year retention period.

Corrections to Form D-40E
If the ERO changes the electronic return after the taxpayer has signed the Form D-40E, **but** before transmitting the data, the ERO must ask the taxpayer to sign a corrected Form D-40E if the DC taxable income changes by more than $25.00 or the DC refund changes by more than $2.00. **Non-substantive changes are permissible if the person making the corrections initials the changes**.

DC Official Code
The DC Official Code can be access through the following website:
http://dccouncil.washington.dc.us/legislation/

Extension of Time to File
DC OTR will provide a six-month extension of time to file from the original due date of the return. A filing extension is <u>not an extension</u> of the due date for paying any tax that may be owed. Before submitting an extension, estimate the taxes that will be owed and pay any part of that amount, not covered by DC withholding tax amounts and/or estimated tax payments.

RESPONSIBILITIES OF ELECTRONIC FILERS/TRANSMITTERS/EROs

Electronic filers, transmitters, and EROs must abide by the terms set forth in the DC Handbook and must maintain a high degree of integrity, compliance and accuracy to continue participation in the Federal/State Electronic Filing Program. They must also meet the following requirements. An authorized e-file provider can be included in one or more the categories defined below:

- Software Developer
- Intermediate service Provider
- Transmitter
- Electronic Return Originator (ERO)

Compliance

All electronic filers must comply with the requirements and specifications set forth in the Internal Revenue Publications 1345, 1345A, 1346, 3112 and Revenue Procedure 98-51; this DC MeF Software Developer Handbook for Individual Income Tax Returns (DC1345) and the DC Schemas for Tax Year 2012.

Software Developers

Electronic filers that function as software developers must:

- Follow the schema and business rule specifications when programming the software;
- Follow the requirements that are provided in this manual;
- Notify DC OTR, customers and clients within 10 business days when an issue has been discovered with the software;
- Quickly correct software errors that may cause electronic returns from being timely filed; and
- Notify DC OTR, customers and clients when the error has been corrected and provide DC OTR with satisfactory evidence that the error has been corrected.

Transmitters

Transmitters who provide transmission services must:

- Only accept electronic returns for transmission to DC OTR from an accepted electronic filer;
- Provide acknowledgement files to each client for their transmitted returns
- Include the ERO's EFIN on each return that the transmitter accepts from an ERO;

- Notify OTR is the transmitter ceases business operations;
- Ensure the security of all return data and information.

ERO's

If you function as an ERO, you must:
- Obtain two (2) forms of identification from taxpayers to discourage fraud
  - One form of ID should be a picture ID that reflects the taxpayer's name and current address if available;
  - The second form of ID should reflect the same name and the same social security number the taxpayer is using to file the return.
- Obtain the employer issued state copy of the wage and tax statement. Returns must be prepared using the related W-2, W-2G or 1099 forms prior to electronic filing.
- Use approved software for DC's program.
- Give taxpayers copies of all forms including attachments.
- Advise taxpayers of the option to receive their refund by direct deposit.
- Verify the direct deposit information is correct.
- Must never charge a separate fee for direct deposit.
- Advise the taxpayer that once the return has been accepted for processing by the IRS and DC OTR:
  - The direct deposit election cannot be rescinded;
  - The account number cannot be changed;
  - The routing transit number cannot be changed.
- Cross-check bank account information with repeat clients. Some software maintains the previous year's data and reuses it unless it is changed.

Timeliness of Filing

Transmitters and EROs must ensure that electronic returns are filed in a timely manner. The date of the IRS acknowledgement will be considered for the filing date for a DC return transmitted electronically. Transmitters and EROs must confirm acknowledgement of the state return by DC OTR before considering the state return received.

DC will accept electronically filed DC returns transmitted to the IRS through October 15, 2013. The IRS and DC OTR does honor the five (5) day perfection period for returns submitted timely and rejected by the IRS. Any DC returns submitted after October 15, 2013 must be filed as paper documents.

Filing an Extension

The IRS will accept Form 4868, Application for Automatic Extension of Time to File US Individual Income Tax Return, for electronic transmissions. If you are filing an electronic return after **April 15th**, an extension form should be filed for all electronic returns (refunds and zero balance due) so that the taxpayer does not reflect a history of filing delinquent returns.

Balance Due Extensions on the DC Return

The DC suggests that the submission of the FR-127 be completed at the same time as the IRS Form 4868 and transmitted electronically.

Deadline for Filing

The DC OTR will accept electronically filed DC returns transmitted to the IRS through October 15, 2013. OTR will honor the five (5) day perfection period for returns submitted timely and rejected by the IRS. Any DC returns submitted after October 15, 2013, must be filed as paper documents.

Responsibility to Clients

Preparers have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring that the return arrives at DC OTR. In the event an electronic return fails to arrive at DC OTR, preparers may resubmit the DC returns via State-Only Electronic Filing or notify their clients to file a paper return. As part of your interface, the client should be advised that the District conforms with Section 405, Title 42, of the United States Code in requesting the SSN be provided. The SSN will be used to establish the client's identity for tax purposes only.

FEDERAL/STATE ELECTRONIC FILING

How Fed/State or State Only Filing Works

Tax preparers and transmitters participate in the Fed/State Program by filing both the federal return and the state return in one transmission or the DC return only to the IRS. After acknowledging acceptance of the federal return with the state data to the transmitter, the IRS makes the state data available for retrieval. After retrieving the data, the DC OTR processes the return in the state's processing system.

DC OTR acknowledges to the transmitter receipt of all returns retrieved from the IRS. Transmitters should be able to retrieve DC acknowledgements within 72 hours of receiving the IRS acknowledgements (if a federal return was attached).

Taxpayers usually receive direct deposits or paper checks within three weeks of the transmission of the return. DC OTR does not provide a refund chart. The OTR generates refunds on a daily basis.

Who may participate?

All interested parties who wish to file DC electronic returns may do so if they meet the following requirements:
1. They must be accepted by the IRS for Fed/State Electronic Filing;
2. The must transmit the DC returns to the IRS using software accepted for Fed/State or State-Only Electronic Filing;
3. The EFIN must be accepted by the IRS;
4. All transmitters and EROs are required to test with DC OTR on an annual basis.

Application process

Those who wish to participate in the Fed/State Program must apply to the IRS by submitting Form 8633, Application to Participate in the Electronic Filing Program. Form 8633 is **ONLY** available from the IRS.

IRS Publication 3112 specifies the application process and requirements for federal participation. The IRS's definition of the various categories of electronic filers include Electronic Return Originator (ERO), transmitter, or software developer also applies to DC.

No separate application form is necessary for the DC OTR. You **DO NOT** need to provide the DC OTR a copy of the IRS acceptance letter.

ACCEPTANCE AND TESTING

Acceptance Process

DC is a 'piggy-back' state. EROs are automatically accepted into the DC electronic filing program upon acceptance by the IRS.

DC Testing

All software developers are required to test their software with the DC test data. Only software tested and accepted by DC OTR may be used for DC electronic filing.

Software developers will be provided software specifications and test materials with instructions. DC OTR will retrieve their state test data from the IRS. Test data will be processed, evaluated and software developers will be notified of results. **Neither transmitters nor preparers are required to submit test data or transmissions**. However, they should ensure that their respective software has been accepted by the IRS and DC OTR. Only software developers are required to test with DC OTR.

A software developer must test their software designed to electronically file a DC return and test all DC Individual Income Tax forms. An email will be sent to the developer notifying them of their e-file approval. Once you have received notification of approval, you may release your software product even if your forms have not been approved for paper filing. A banner needs to be placed over the D-40 and schedules, D-40ES, and FR-127 stating the form has not been approved for paper filing.

Final approval includes the following that must be submitted with the test returns at the same time. Please send copy via email to Mizuki Bridges (Mizuki.Bridges@dc.gov) or Sylvia Magby (Sylvia.Magby@dc.gov) or by fax to 202-442-6330.

- A copy of the final DC test acknowledgements;
- A copy of D-40P, Payment Voucher;
- A copy of D-40ES, Declaration of Estimated Taxes for Individuals
- A copy of FR-127, Extension of Time to File Individual Income Tax

EFIN and ETIN

Electronic Filer Identification Number (EFIN) and Electronic Transmitter Identification Number (ETIN) are assigned by the IRS. DC OTR will use the EFIN and the ETIN in the District's operation of the Fed/State Electronic Filing Program. These numbers will also be used to identify preparers and transmitters in the DC acknowledgement.

Forms Approval

Each software developer must obtain approval to produce paper substitute tax forms. This approval process is handled by the Returns Processing Administration's Systems and Forms Division. Visit the website at http://otr.cfo.dc.gov/otr/cwp/view.asp?a=1330&Q=594044 for more information about substitute forms approval.

DISTRICT OF COLUMBIA ELECTRONIC RETURN

The DC electronic return consists of electronically transmitted data. DC accepts refunds, balance due and zero-balance due returns. DC also supports direct deposit of refunds and direct debit for balance due. Credits for taxes paid to another state or returns with refundable and non-refundable credits claimed on the DC D-40 are supported.

Electronic DC Return
The following forms/schedules may be transmitted electronically (electronic return):

D-40 – Individual Income Tax Return
D-40EZ – Individual Income Tax Return **in a D-40** format (there is no schema for D-40EZ)
Schedule S – Supplemental Information and Dependents
Schedule H – Homeowner and Renter Property Tax Credit
Schedule U – Additional Miscellaneous Credits and Contributions
Schedule I – Additions to and Subtractions from Federal Adjusted Gross Income
Schedule N – DC Non-Custodial Parent EITC Claim
FR-127 – Extension of Time to File a DC Income Tax Return
D-40ES – Estimated Payment for Individual Income Tax

Supporting federal return and schedules
Software should be programmed to meet this requirement.

Exclusions imposed by the IRS (reference IRS Publication 1345 for additional information):
- Corrected Individual Income Tax Return
- Return of non-calendar year filer

Exclusions imposed by DC OTR
- Non-Resident Request for Refund (D-40B)
- Fiduciary returns (D-41)
- D-40 returns for any period other than January 1, 2012 – December 31, 2012
- FR-127 returns for any period other than TY 2012
- D-40ES returns for any period other than January 1, 2013 – December 31, 2013
- Foreign address
- Prior year returns (any return not for tax year 2012)

TRANSMITTING THE DC ELECTRONIC RETURN

Since the DC electronic return is transmitted to the IRS initially, the transmitter must comply with all electronic transmitting procedure, communications requirements, and technical specification required by the IRS as defined in IRS Publication 1345.

Software

Electronic return originators (EROs) and transmitters must use software that has been accepted by the DC OTR for filing the DC return along with the federal return in the Fed/State Electronic Filing program.

Where to transmit Federal/State or State-Only Returns

Returns must be transmitted to the IRS. An ERO whose business lies outside of the area supported by the IRS Service Center for DC must ensure that the EFIN is transmitting to the appropriate IRS Service Center.

Participants in the Fed/State or State-Only Electronic Filing Program should confirm with their software developers or direct transmitters that the software can process and transmit the state data along with the federal data to the appropriate IRS Service Center.

Rejection by the IRS

The IRS will identify certain conditions in the state return that will cause rejection upon receipt of return data. The IRS will provide a rejection code in the acknowledgement record, but this rejection is generated by the IRS and not DC.

If a federal return is rejected due to errors, the accompanying state return will also be rejected. IRS Publication 1345A provides a list of all reject codes, including those applicable to the state return. If the error is one that can be corrected and the record processed, both return records may be transmitted to the IRS.

Please be sure to re-attach the DC return when re-transmitting rejected returns. Repeated rejections of transmissions could cause the IRS to rescind the electronic filing privileges of an ERO, and DC will follow the same rule.

Acknowledgement of DC Electronic Return

The DC acknowledgement system is designed to inform transmitters and EROs that the DC return data has been retrieved and is being processed by the DC OTR. The DC acknowledgement is separate from the federal acknowledgement. **An acknowledgement from the IRS does NOT guarantee that the DC OTR has received or will receive the return.**

DC will transmit acknowledgements to the IRS. Please do not expect the state acknowledgements to be available and match the IRS acknowledgements. Under normal processing conditions, the DC acknowledgement file should be available to a transmitter within three (3) work days from the time the federal acknowledgement is received from the IRS. Transmitters, who transmit for EROs and preparers, **must** notify them of the DC acknowledgement at the time of receipt.

DO NOT re-transmit a return unless the initial transmittal acknowledgement printout indicates a return was NOT attached. This could result in duplicate filing and delay taxpayer's refund.

Errors on returns received by the DC OTR

DC D40, FR-127 and D-40ES returns will be subject to rejection. Initially, the business rules will be used to reject DC returns already filed under a primary, secondary (spouse) or dependent SSN. D40 returns have strict formatting and data validation rules that will minimize errors. However, returns with errors can still be transmitted and processed. DC will provide an acknowledgement or rejection notification to the preparer/ERO. All inaccurate and incomplete returns will be corrected through normal error resolution procedures. This will result in varying delays in issuance of refund, if a refund is due.

Reject Codes

The IRS may reject a state return with errors when it is received. Reject and error codes pertaining to the state return are provided in the Internal Revenue Service Publication 1345A.

Tax Fraud

DC OTR has an aggressive program to detect and stop any type of fraud that falls within its jurisdiction. Several computer programs have been developed and implemented to detect fraudulent refund schemes.

Fraudulent schemes used by individuals to obtain refunds improperly have increased with the advent of electronic filing.

REFUND OPTIONS AND DIRECT DEPOSIT

Refund Options
Taxpayers may elect to have their 2012 refunds paid in one of the following ways:
1. Deposited into **one** financial institution account;
2. Remitted as a check;
3. Applied to 2013 estimated tax;
4. Applied to one of the DC contributions.

Three combinations of these options are allowed:
1. Part of a refund may be applied to estimated tax and the remainder of the refund may be paid by direct deposit;
2. Part of a refund may be applied to estimated tax and the remainder of the refund may be paid by check;
3. Part of a refund may be applied to a one or more contributions and the remainder of the refund may be paid by direct deposit;
4. Part of a refund may be applied to one or more contributions and the remainder of the refund may be paid by check.

If the amount of the refund exceeds the contribution amount, it is a tax due.

Taxpayers cannot combine partial payments by check with partial payments by direct deposit.

DC OTR Refund Inquiry provides taxpayers with information about their refund. The Refund Inquiry is available 24 hours a day. Taxpayers or EROs may inquire about the date refunds will be issued by check or deposited into a financial institution.

Taxpayers are encouraged to confirm acknowledgements with their practioners before using the Refund Inquiry.

The status of a refund may be checked via the internet at www.taxpayerservicecenter.com, individual income tax service center http://otr.cfo.dc.gov/otr/cwp/view,A,1330,Q,636891.asp. Website refund information is updated daily.

FOR TAXPAYERS – REFUND INFORMATION

202-727-4TAX – Customer Service Administration or email taxhelp@dc.gov

Taxpayers are advised to allow three (3) weeks for processing electronic returns before calling the above number or emailing to inquire about the status of the refund. (For paper returns, allow six (6) weeks before calling.)

Direct Deposit

The direct deposit option is available for Fed/State, State-Only Electronic and on-line refund returns for TY2012. Direct deposit is **not** available to or through a foreign financial institution. Use of a foreign financial institution will result in a paper check being issued.

Effective September 18, 2009, all international transactions made via the ACH network will be required to use the International ACH Transaction (IAT) SEC code. Please refer to the Financial Transaction DC schema to program your software.

DC is not involved in or responsible for refund anticipation loans (RALs). DC is not liable for any loss suffered by taxpayers, EROs, or financial institutions due to processing delays, reduced refunds, or direct deposits not being honored (resulting in refund checks being issued).

Refunds by direct deposit are electronically transferred to the financial institution account indicated on the return.

> **NOTE**: The financial institution accounts into which DC refund and the IRS refunds are deposited may be different. The state and federal routing transit number (RTN) and deposit account numbers (DAN) may not be the same.

Requirements for Direct Deposit

Internal Revenue Service Publication 1345 sets forth detailed eligibility requirements, responsibilities and instructions governing tax preparers, transmitters, and EROs who offer the taxpayers the option of direct deposit. Those same rules, policies, and procedures apply when offering direct deposit on the state return.

Preparing Taxpayers for DC Direct Deposit

Taxpayers usually receive refunds by direct deposit within two weeks of filing their returns. Before authorizing a direct deposit, taxpayers should confirm with their financial institution that the institution accepts Automated Clearing House (ACH) transactions.

Preparers and EROs must stress to taxpayers the importance of supplying the correct information because the direct deposit election, the routing transit

number (RTN) and the bank account number (BAN) may not be changed once a return has been accepted by the IRS.

If any of the following conditions exists, the DC OTR will issue a check:
1. Invalid routing transit number (RTN);
2. Rejection by the receiving depository financial institution;
3. Determination that certain conditions justify a paper check;
4. If the IAT question is checked 'yes.

The DC acknowledgement only indicates receipt of the return at DC OTR, it does not indicate proof that a refund check will be issued or that a direct deposit will be honored.

> **NOTE**: The return address entered on the tax return is to be that of the taxpayer, not the ERO.

BALANCE DUE RETURNS

DC OTR accepts balance due electronic returns. Preparers must inform their taxpayer client of the procedures for payment of DC balance due returns as outlined below.

Filing Balance Due Returns

The state balance due or zero liability return should be filed as any other state electronic return.

Payment Options

Taxpayers may elect to have their 2012 balance due amounts paid in one of the following ways:
1. Mail a check or money order with the D-40P, Individual Income Payment Voucher;
2. Drafted from a financial institution via ACH Debit;
3. Go to www.taxpayerservicecenter.com, individual income service center, payment options to submit payment by credit card

When to pay balance due returns

Taxpayers have until April 15, 2013 to pay balance due returns. Tax practitioners must give taxpayers, with balance due returns, a completed copy of the D-40P, Individual Income Payment Voucher with the submission of the D-40 and/or schedules.

> **NOTE**: A DC business rule will reject a submission with RequestedPaymentDate later than the current date.

Tax practitioners should advise their clients to attach a check or money order to the D-40P, informally called the payment voucher, and to mail the D-40P with the payment to OTR by April 15, 2013. The mailing address for D-40P with payments attached is:

DC Office of Tax and Revenue
PO Box 96169
Washington, DC 20090-6169

> **NOTE**: Use of the nine-digit (Zip + 4) zip code will speed processing.

Taxpayers should also be advised to write their social security number and type of tax being paid, and year on the check or money order. This helps ensure correct and prompt credit to the taxpayer's account, even if the payment is somehow detached from the tax form.

CHANGES ON THE RETURNS

If the transmitter or taxpayer wishes to make any changes after the return has been accepted and acknowledged, the taxpayer may file an electronic amended return. The tax practitioner should have the client ensure that the original return has been processed before filing the amended return.

Checking DC Acknowledgment FILE

DC transmits acknowledgements directly to the IRS. Upon receipt of the state acknowledgement of an electronic DC return, transmitters are required to notify their EROs of the acknowledgement.

A DC acknowledgement indicates that the return has been received and will be processed. The taxpayer should be advised to wait **at least three weeks** from the date of acknowledgement before inquiring about their tax return.

Any questions concerning returns with errors will be directed to the taxpayer or their agent, who has power-of-attorney on file for the year in question. Questions may also be directed to the agent, if the taxpayer indicated on the return that they granted authority to the ERO to discuss with the DC OTR.

Important Notice to Transmitters, Preparers, and EROs

1. Monitor acknowledgements on a routine basis to ensure that the returns you transmitted have been received by DC OTR.
2. Do not mail the D-40E – maintain in records for three (3) years.

DEBT OFFSETS

The DC OTR assists other state agencies, institutions of higher learning, and the IRS in the collection of overdue accounts. All or part of a refund can be sent directly to these claimant agencies, if they notify DC OTR that a taxpayer has a past due account with them.

If any of the taxpayer's refund is sent to a claimant agency, the DC OTR will notify the taxpayer in writing usually within a week of the refund being reduced. If the refund exceeds the amount owed the claimant agency, the balance will be mailed to the taxpayer.

> **If your client believes he or she does not owe the debt, the amount sent was incorrect, or the debt has already been satisfied, the taxpayer must contact the claimant agency, not the DC OTR**.

Under the provisions of DC Official Code Section 47-4431, the DC OTR is authorized to seize refunds otherwise due to taxpayers who have delinquent debts with:

a. DC Office of Tax and Revenue
b. DC Child Support Enforcement Division
c. University of the District of Columbia
d. DC Department of Employment Services
e. State-to-State – Maryland
f. DC Department of Consumer and Regulatory Affairs
g. DC Department of Motor Vehicles
h. Internal Revenue Service
i. Federal Vendor Offset

Frequently asked questions

1. **Are preparers required to test data or transmissions**?
   No, only software providers are required to submit test data or transmissions.

2. **The client's return was filed electronically. The federal return was received, but the DC did not receive the state return. Why was the state return not transmitted with the federal return**?
   The preparer may not have specified that a DC return was to be transmitted with the federal return. There are prompts in software applications to indicate that a state return is being transmitted with the federal return. If these indicators are not marked, the federal return is transmitted and the state return is not. Once the federal return has been transmitted without the state return, there are two alternatives: (a) the ERO may file the DC State Only Electronic Filing OR the taxpayer may file a paper return.

3. **What procedure must be followed if the client has not received a refund check, but the records indicate that it has been mailed?**
   If the refund check has been issued over 30 days, the DC OTR will research the status. If the check is outstanding, has not been returned, and the address on the return is correct, a refund trace must be completed.

4. **If the taxpayer is claiming credit for tax paid to another state, can the taxpayer file electronically?**
   DC supports credits for tax paid to another state or returns with other non-refundable credits claimed on the D-40.

5. **The taxpayer requested direct deposit, but shows no record of receiving one. How should this be handled?**
   The taxpayer should first contact their financial institution and make sure the deposit was not made between the processed date and five (5) working days after the issue date. If the financial institution shows no record of receiving the deposit, contact Customer Service Administration at 202-727-4TAX or email taxhelp@dc.gov.

6. **If the taxpayer's return is filed requesting direct deposit, does the taxpayer have the option to change the direct deposit to a check?**
   No, once the return has been transmitted electronically, the refund option cannot be changed.

7. **Can a refund be deposited into more than one account?**
   No, a refund can only be deposited into one account, checking or savings.

8. **Will a notice be sent to the ERO or to the taxpayer on the status of direct deposit?**
   No, a notice will not be sent to the ERO or taxpayer. Also, DC OTR cannot guarantee a specific date that a refund will be deposited.

9. Will my client be notified before his or her refund is taken for a debt?
   The claimant agency must notify the debtor of its intention to cause the debtors refund to be offset. This notice is given in person, left at the dwelling or usual place of business of the debtor, or sent by certified or registered mail to the debtors last known address no less than 30 days before the claimant agencies make a request to DC OTR. **If any or all of a taxpayer's refund is sent to the claimant agency, the OTR will notify the taxpayer in writing usually within a week of the refund being reduced, and the taxpayer must contact the claimant agency.**

10. **If my client files a joint return and his or her spouse has an outstanding debt, will the entire refund be taken?**
    DC OTR is not required to apportion funds resulting from joint returns. It is at the discretion of the claimant agency whether or not to refund a portion of the amount taken.

MeF Schemas

The following MeF schemas will need to be used to successfully transmit DC Individual Income Tax Returns for TY 2012. The schemas are outlined as follows:

DCIndividual2012v1.0\

    Common\
        BinaryAttachment.xsd
        EfileTypes.xsd
        FinancialTransaction.xsd
        ReturnHeader.xsd
        StateeFileTypes.xsd

    DCCommon\
        DCeFiletypes.xsd
        DCFinancialTransactionsSP.xsd

    DCIndividual\
        IndividuaReturnD40.xsd
        IndividualReturnD40ES.xsd
        IndividualReturnFR127.xsd
        ReturnDataD40.xsd
        ReturnDataD40ES.xsd
        ReturnDataFR127.xsd

        DCForms\
            FormD40.xsd
            FormD40ES.xsd
            FormFR127.xsd
            SchH.xsd
            SchI.xsd
            SchN.xsd
            SchS.xsd
            SchU.xsd

    StateIndividual\
        IndividualReturnHeaderState.xsd
        IndividualStateEnumerations.xsd

IRSForms\
    IRS1099R.xsd
    IRSW2.xsd
    IRSW2G.xsd
    State1099G.xsd
    State1099int.xsd
    State1099Misc.xsd

The XML code for the schemas is located on our website at the following address: http://otr.cfo.dc.gov/otr/cwp/view,a,1330,q,594065.asp. As updates are released, softwre developers will be notified via the NACTP distribution list.

The requested DC return format is as follows:

D-40 (pages 1 and 2)
Schedule S, if applicable
Schedule H, if applicable
Schedule U, if applicable
Schedule I, if applicable
Schedule N, if applicable
Form W-2
Form W-2G
Form 1099-R
Form 1099-INT
Form 1099-MISC
D-40ES, if applicable
FR-127, if applicable

DC MeF Business Rules

Rule Number	Rule Text	Error Category	Severity	Rule Status
X0000-002	Incorrect Tranmission data.	Incorrect Data	Reject	Active
X0000-003	Missing Data	Missing Data	RejectAndStop	Active
X0000-004	Data Mismatch	Data Mismatch	RejectAndStop	Active
X0000-005	The XML data has failed schema validation.	XML Error	RejectAndStop	Active
X0000-006	MeF Gateway experiences system error.	System Error	RejectAndStop	Active
X0000-007	Other State Submission.	XML Error	RejectAndStop	Active
X0000-008	The namespace declarations in the root element of the return ('Return' element) must be as follows:The default namespace shall be set	XML Error	RejectAndStop	Active
DCD40-0001	Absence of vendor 4 digit ID code and validation	Missing Data	RejectAndStop	Active
DCD40-0002	DC return already filed and accepted through Mef and Amended Return indicator is not present	Data Mismatch	RejectAndStop	Active
DCD40-0003	Amended return cannot be processed unless the original return has already been filed with DC	Data Mismatch	RejectAndStop	Active
DCD40-0004	If Line 1 Filing Status = 2 (Married Joint) or 5 (Married Separate on Same Return), 8 (Registered Domestics filing Jointly) or 9 (Registered domestic partner filing separately on same return) the secondary SSN must be provided.	Missing Data	Reject	Active
DCD40-0005	Absence of IP address	Missing Data	Reject	Active
DCD40-0006	If D-40, Line 7 greater than zero, part year information must be completed	Data Mismatch	Reject	Active
DCD40-0007	If Line 1 Filing Status = 5 (Married Separate on Same Return) or 9 (Registered domestic partner filing separately on same return), Schedule S, Calculation J, and Line K is greater than zero, it must equal the value on Line 22 of the D-40 and the Schedule	Missing Data	Reject	Active

DCD40-0008	If Line 1 Filing Status = 6 (Head of Household), Schedule S, page 1 dependent information must be completed (name, SSN and DOB); SSN must contain values other than the primary or secondary taxpayer SSN, and the Schedule S attached	Missing Data	Reject	Active
DCD40-0009	Absence of Schedule S, calculation G when number of exemptions >1 if Filing Status 1, 3, or 4; >2 if filing Status 2, 5, 8 or 9.	Missing Data	Reject	Active
DCD40-0010	If D-40, Line 11 is greater than zero, at least one of the indicators for 62 or older must be checked.	Missing Data	Reject	Active
DCD40-0011	If D-40, Line 30 (Other Refundable Credits) is greater than zero, Schedule U Part 1 must be attached.	Missing Data	Reject	Active
DCD40-0012	If Lines 25 (Low income credit) and Line 28 (EITC) greater than zero; taxpayer can only claim one of the credits	Missing Data	Reject	Active
DCD40-0013	Both Federal EITC and DC EITC must be greater than zero if either one is greater than zero, or if one is zero both must be zero	Missing Data	Reject	Active
DCD40-0014	Bank routing number must be valid and completed if direct deposit information account type is checked	Missing Data	Reject	Active
DCD40-0015	If D-40, Line 24 greater than zeros, Schedule U must be attached	Missing Data	Reject	Active
DCD40-0016	Absence of DC Schedule H if D-40 line 29 > zero.	Missing Data	Reject	Active
DCD40-0017	If request payment date is provided then the date must be the current date or earlier	Missing Data	Reject	Active

APPENDIX

DC HOLIDAY SCHEDULE 2013

Holiday	Observance Date	Day of the Week
New Year's Day	January 1, 2013	Tuesday
Martin Luther King Jr's Birthday/Inauguration Day	January 21, 2013	Monday
President's Day	February 18, 2013	Monday
Emancipation Day	April 16, 2013	Tuesday
Memorial Day	May 27, 2013	Monday
Independence Day	July 4, 2013	Thursday
Labor Day	September 2, 2013	Monday
Columbus Day	October 7, 2013	Monday
Veteran's Day	November 11, 2013	Monday
Thanksgiving	November 28, 2013	Thursday
Christmas Day	December 25, 2013	Wednesday

NAMES

No commas or periods are to be used when entering the taxpayer's name.

       Example: Fred R. Jones, Sr.

       Entry: Fred R Jones Sr

A name that is composed of initials is to be entered with a blank space between letters.

       Example: L. O. Flautana

       Entry: L O Flautana

When an apostrophe is included in a name, do not enter the apostrophe when entering the name.

       Example: Susanne Prud'Homme

       Entry: Susanne Prudhomme

A name that is listed with a hyphen SHOULD be entered with a hyphen.

       Example: Karen Van-Lewis

       Entry: Karen Van-Lewis

*   Do not use titles such as CAPT, REV, DR, MR, MRS, etc.

STREET ADDRESSES

A numerical address involving a street or avenue expressed in words is to be entered with numbers.

    Example: 631 Fifty-Ninth Street

    Entry: 631 59th St

A numerical address with a suffix (-st, -nd, -rd, -th) is to be entered with no blank spaces between number and suffix.

    Example: 2204 Third St

    Entry: 2204 3rd St

An address involving a directional description (north, south, east, west or any   combination of two) is to be abbreviated.

    Example: 91 Ridge Road, Northeast

    Entry: 91 Ridge RD NE

An address involving a post office box is to be entered with Post Office abbreviated as P O with a blank space between the P and the O .

    Example: Post Office Box 12349

    Entry: P O Box 12349

An address involving street number and alpha letter is to be entered together without a space between the numeric and alphabetic characters.

    Example: 3124-B King Drive

    Entry: 3124B King Dr

An address listed as a fraction is to be entered with a slash (/) mark. One blank space is before and after the fraction.

    Example: 103 and a half Tulip Drive, Northeast

    Entry: 103 ½ Tulip Dr NE

Enter apartment, suite, room or other unit number immediately after the street address (including any post-directionals such as NE) for mail addressed to occupants of multi-unit buildings.

    Example: 234 Main Street Suite 100-A

    Entry: 234 Main St Ste 100A

ABBREVIATIONS

APARTMENT	APT
PLACE	PL
AVENUE	AVE
PLAZA	PLZ
BUILDING	BLDG
POINT	PT
BOULEVARD	BLVD
ROAD	RD
CENTER	CTR
RURAL ROUTE	RR
CIRCLE	CIR
ROUTE	RT
COURT	CT
SECTION	SECT
CREEK	CRK
STATION	STA
CRESCENT	CRES
SQUARE	SQ
DRIVE	DR
STREET	ST
HIGHWAY CONTRACT ROUTE	HCR
SUITE	STE
HIGHWAY	HWY
TERRACE	TER
LANDING	LDNG
TRAIL	TRL
LANE	LA
TURNPIKE	TPKE
PARKWAY	PKWY

Vendor ID	Software Developers
1017	Block Financials (H&R Block) – Taxcut
1019	CCH Inc/Pro Systems
1022	Creative Solutions/CS Professionals – UltraTax
1024	Drake Enterprises
1029	H&R Block
1030	Intuit – Pro Series & Turbo Tax
1031	Jackson Hewitt Tax Service
1032	Lacerte
1035	Orrtax
1037	Petz Enterprises, Inc – Crosslink & Taxact
1038	Rhodes Computer Software – Taxslayer
1043	Taxworks by Laser Systems
1045	CCH/TAXWISE
1062	Thomson Tax and Accounting (RIA)
1064	Second Story Software – Taxact
1067	TaxSimple
1068	Taxware Systems Inc - Wintax
1115	FileYourTaxes
1115	ProtaxPro
1187	Lamson Tech
1555	Intuit
1201	Taxhawk
1211	Online Taxes
1246	CCH/Wolters Kluwer
1273	Liberty Tax Services
1438	NTS Services
1541	OnePriceTaxes
1833	ATX Forms
1844	TRXSoftware
2067	Agile Tax
9007	Tax Software