

2016 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**
 - Use the correct Lap-sorts forms and COLORS!
 - Do not staple Lap-Sort forms to returns.
 - Do not use old out-dated Lap-Sort forms – check your inventory and discard old forms – slight revisions have been made for this coming year – see the latest version in TARP.
 - Do not combine different types of returns with different Lap-Sorts.
- Write the postmark date on every return filed after May 2, 2016.
- **Screening Tax Returns**
 - There are no new additional screening codes for tax year 2015 returns, although there are several new voluntary contributions codes, 81 (Home Energy Assistance Fund) and 92 (Virginia Military family Relief Fund), that will require that returns claiming them be handled as direct filed (in addition to 71, 72, 73, and 74).
 - 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’

- Review **TARP Job Aid: *Locality Screening Code Matrix – Tax Year 2015*** for all Screening Codes and Screener actions.
- Review **TARP Processes: *Screen Local Filed Returns -Tax Year 2015.***
- Review **TARP General Screening Tasks** for all forms.
- Review **TARP Detailed Screening Tasks** for each specific form.
- **Handling Tax Returns**
 - Do not combine different types of returns within the same bundles, such as refunds with tax dues, denied Accelerated Refunds with accepted ones, or 2D bar code returns and vendor 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.
 - Mark LAR and DLAR at the bottom of all returns on which you attempt an accelerated refund.
 - 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. Refer to the TARP - General Screening of Individual Income Tax Returns – Tax Year 2015 procedure.

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. Pay particular attention to the following:
 - Examples of “counting months”
 - When to start interest
 - Using the cumulative interest factors
- **Processing Tax Due Returns**
 - We discovered many 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.

- We recommend that before you accept a payment from a taxpayer and assume it was a paper filed return, please check Advantage Revenue to see if the taxpayer did in fact e-file his / her return. If they did, you must treat the payment as a direct file payment and send it in to TAX on a 760PMT as direct filed (or 760-PFF if farmer / fisherman).
 - 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 2, 2016.
 - Use the 760-PMT for individual tax return payments due May 2.
 - 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.**
 - Use Form 759 for every tax due return that is locally processed.
 - Please use **RED** pens / ink for any markings you are making on tax returns.
- **Elimination of Debit Card Refunds**
 - Effective January 1, 2016, the Commonwealth will no longer issue tax refunds on pre-paid debit cards. Going forward, taxpayers may elect to have their tax refunds issued as direct deposits into their bank accounts or by check. Continue to strongly encourage the use of direct deposit as the safest, fastest and most cost efficient method for receiving a tax refund.
 - Any tax refund debit card issued over the past three years with an outstanding balance is still valid and may continue to be used. These debit cards are administered by the Go Program, a service of Xerox State and Local Solutions. All questions regarding these cards should continue to be addressed to the Go Program at 1-855-409-0580.
 - Although no new debit cards will be issued, existing debit cards may continue to be used for up to five more years, based on banking regulations and Treasury's Unclaimed Property Rules.
 - The debit card information on our website will be updated and will remain until all cards are closed out. Please direct taxpayers to the website if you receive any questions.

- **Change in Provision of Paper Copies of Federal Tax Schedules**

- Due to approved budget reductions, effective January 1, 2016, the Department of Taxation will no longer provide localities with **paper** copies of federal tax schedules attached to the state income tax returns that are “direct” filed with the department. This includes, but is not limited to:
 - Federal Schedules C, C-EZ, D, E and F (federal Form 1040)
 - Federal Forms 4562 and 2106
 - Virginia Schedule 760 FED
- Federal schedule information will still be provided to localities for electronically filed returns (e-File) and paper returns with a 2-D bar code (760CG). If taxpayers do attach federal schedules or Virginia Schedule FEDs, localities should continue to pull them off and retain.

- **Accelerated Refunds**

- Please discontinue keying accelerated refunds for current year tax returns (tax year 2014) on December 1, 2015, and do not resume keying until after the first of the year.
- Due to refund fraud concerns, there may be more accelerated refund returns denied in 2016 than you have experienced in the past. Internal edits have been expanded to allow for closer scrutiny. Please note, just because a return is denied does not necessarily mean that it is fraudulent, it simply means the return must be fully processed through our normal vetting process before the refund is issued.
- The new “denied” reason will be “Refund Review”.
- The only change made to the AR screen itself is that you must key the birth date(s) on ALL returns.
- Please review the procedures in TARP for accelerated refund keying as all previous procedures are still accurate and should be followed before deciding to key a return as an accelerated refund.

- **Tax Related Identity Theft**

- Occurs when a person’s SSN and other personal information is stolen and then used to file a fraudulent tax return claiming a refund.
- Warning signs to tax-related identity theft include:

- Original return e-file submission is rejected because an original return has already been e-Filed.
 - A paper refund check is received by the taxpayer, but the taxpayer has not yet filed a return.
 - Taxpayer receives a notice about a filed return that the taxpayer did not file.
- What should a taxpayer do if tax-related identity theft is suspected?
 - Advise them to call the Department at (804) 367-8031 and a Representative will review their account and assist them.
 - Beginning in December 2015, taxpayers whose identity may have been compromised will be issued a PIN along with instructions for using the PIN.
 - A PIN is active for only one calendar year and should be used on any individual returns filed during the calendar year (includes amended & any prior years).