

eFile HANDBOOK

For use by Tax Preparers of Iowa
Individual Income Tax Returns Tax Year 2009



Table of Contents

Introduction	P. 3
Benefits of eFiling	P. 3
Resources	P. 3
2009 Iowa Individual Income Tax Updates	P. 4
Reminders	P. 5
Electronic Filing Calendar	P. 5
Participation in the Iowa Fed/State eFile	P. 5
Filing an Iowa Electronic Return	P. 6
Accepted returns & schedules, P. 6	
Excluded returns & schedules, P. 7	
Refunds and Direct Deposit	P. 7
Direct deposit, P. 8	
Refund delays, P. 8	
Balance Due Returns	P. 8
ERO Responsibilities	P. 8
IA 8453 – Declaration for an E-File Return	P. 9
Changes, P. 9	
Retention, P. 9	
Transmission Process	P. 10
Fraud Awareness	P. 10
Acknowledgments	P. 10
IRS Acknowledgment, P. 10	
State of Iowa Acknowledgment, P. 10	
Failure to receive an Iowa acknowledgment, P. 10	
Resolving non-receipt of acknowledgments, P. 11	
Monitoring and Suspension of Filers	P. 11

IOWA ELECTRONIC FILING PROGRAM

INTRODUCTION

Federal/State eFile is a cooperative tax-filing effort between the Internal Revenue Service (IRS) and Iowa. Authorized IRS *e-file* providers may file both federal and state returns electronically for clients. The federal and state individual income tax returns may be filed electronically in a single transmission or as two separate transmissions. A transmission of the state return without transmitting the federal return is referred to as a *State Only return*. A copy of the federal return should always be included with the state return.

Iowa plans to be offering individual income Modernized e-File (MeF) in late 2010. Continue to check back for updates.

BENEFITS OF eFILING

- Accuracy
- Simplicity
- Fast
- Refund Speed

Thanks to our trading partners, 74% of Iowa income tax returns were eFiled last year. Thank you!

RESOURCES

The following resources are available to assist you:

- **Federal publication 1345**, *Handbook for Authorized IRS eFile Providers of Individual Income Tax Returns*.
- **Federal publication 4557**, *Safeguarding Taxpayer Data, A Guide for Your Business*
- **Iowa Department of Revenue Administrative Rules** for electronic filing of Iowa individual income tax returns, 701-39.13(422).
- **Subscribe to eLists**. Get tax news by e-mail <http://elists.idrf.state.ia.us/scripts/wa.exe>
- **Status of Iowa refund**
 - www.state.ia.us/tax, select the *Status of Income Tax Refund* link under “Individuals”
 - 1-800-572-3944 within Iowa
 - 515-281-4966 outside Iowa
- **Questions about eFiling?**
eFile Service Unit: 515-281-8453/866-503-3453; idrefile@iowa.gov
ERO Support: Leann Boswell, 515-281-4220; leann.boswell@iowa.gov
- **ERO missing acknowledgments?**
Contact your software company or transmitter.
- **Federal Assistance**
Federal e-Help Desk: 866-255-0654, Mon – Fri, 6:30am to 6pm, CT
Practitioner Priority Service: 866-860-4259, Mon – Fri, 8am to 8pm, local time

2009 IOWA INDIVIDUAL INCOME TAX UPDATES

For additional details, please see the expanded instructions on the Department Web site.

- **Filing Status:**
Same-sex married couples can use filing status 2, 3, or 4.
- **Unemployment Compensation, Line 12:**
Iowa has not coupled with the exclusion of the first \$2,400 of unemployment compensation.
- **Other Income, Line 14:**
Iowa has not coupled with the increased section 179 expensing and has not coupled with 50% bonus depreciation. The section 179 limit for Iowa for 2009 is \$133,000.
- **Other Adjustments, Line 24:**
Iowa has not coupled with the deductions for educator expenses and tuition and fees. A deduction may be taken for the value of health insurance for nonqualified dependents.
- **Federal Income Tax Refund, Line 27:**
Include the recovery rebate credit received in 2009. Do not include the first-time homebuyer credit refund received in 2009.
- **Schedule A:**
The itemized deduction for state sales and use tax in lieu of state income tax is not allowed. The deduction for the one-time registration fee for qualified new vehicles is not allowed.
- **Cow-calf Refund:**
The cow-calf refund was repealed for claims filed on or after November 1, 2008. No cow-calf refunds will be issued in February 2010 for claims made on 2008 returns.
- **IA 1040 Mailing Address:**
The mailing address(es) is provided on the tax form, instruction booklet, and on the Web site.
- **Electronic Filed Return, IA 1040 Balance Due:**
Payment voucher and payment are mailed to: PO Box 10466.

Pay Electronically! *Good for the environment. Good for you.*



REMINDERS

Iowa does not allow IRS extenders.

IDR will not deposit a refund to an account outside the United States.

Federal line references contained in these instructions are based on the draft federal forms available at the time of printing.

Form IA 148 Tax Credits Schedules must be completed when a credit is claimed on lines 53 or 66 of the Iowa return. The complete list of credits, new or modified ones for 2009 are online in the expanded instructions.

Expanded instructions are located at: www.state.ia.us/tax

ELECTRONIC FILING CALENDAR

- January 15, 2010 Begin transmitting live eFile returns
- April 30, 2010 Last date for timely-filed Iowa returns
- October 15, 2010 Last date for transmitting late eFile returns
- October 21, 2010 Last date for retransmission of rejected returns

PARTICIPATION IN THE IOWA FEDERAL/STATE eFILE

Application process

To apply for Federal/State eFile, contact the Internal Revenue Service. A separate state application is not required for practitioners, EROs, or transmitters.

Testing

Transmitters and EROs are not required to test with IDR; however, the Department will accept and review any test returns received.

Advertising standards

The IRS has created an electronic filing logo to give a consistent image to the Federal/State eFile. The logo may be used by the IRS, by participating states, and by accepted participants who wish to identify themselves as offering electronic filing. See sample graphic for Iowa below.



FILING AN IOWA ELECTRONIC RETURN

The Iowa Electronic Filing program currently provides these filing capabilities:

- The filing of most refund, zero balance, and balance due returns.
- The filing of resident, part-year, and nonresident returns.
- The filing of returns claiming out-of-state tax credit.
- The filing of **"States Only" (SO)** returns. Iowa requires copies of relevant federal forms and schedules, even when filing SO.
- Direct deposit of Iowa refunds.
- Direct debit (ePay) through the eFile & Pay system at the Iowa Department of Revenue Web site.
- eFile Iowa returns from home through the federal/state online program.
- Filing through the IRS' extended filing period.
- Filing a return for deceased taxpayer or spouse.

Accepted Iowa returns and schedules:

1. **IA 1040** - Iowa Individual Income Tax Long Form, including those reporting lumpsum tax on line 44.
2. **IA 1040 Schedule A** - Iowa Itemized Deductions – required when e-filing if deductions on IA 1040 line 41 are itemized.
3. **IA 1040 Schedule B** - Interest and Dividend Income – required when e-filing if the Iowa taxable interest reported on IA 1040 line 2 or Iowa taxable dividends reported on IA 1040 line 3 exceeds the threshold of \$1,500.
4. **IA 126** - Iowa Nonresident and Part-year Resident Credit – required if taxpayer is a nonresident of Iowa with income from Iowa sources or taxpayer is a part-year Iowa resident, even if the IA 126 line 33 results in zero.
5. **IA 130** - Iowa Out-of-state Credit Computation - required of full-year Iowa residents or part-year Iowa residents if any income earned while an Iowa resident was also taxed by another state or foreign country, even if IA 130 Section I line 7 (or Section II line 10) results in zero.
6. **IA 4136** - Computation of Iowa Motor Fuel Tax Credit - required of eligible individuals claiming tax credit on their IA 1040 for fuel on which Iowa fuel tax was paid and used off-highway in an unlicensed vehicle.
7. **IA 2210** - Underpayment of Estimated Tax by Individuals - required if IA 2210 line 8 is \$200 or greater, even if line 19 results in zero. (If the total from line 8 is less than \$200, the taxpayer is not required to pay estimated tax and, therefore, cannot have underpaid estimated tax.)
8. **IA 2210 Schedule AI** - Annualized Income Installment Method - required if filing IA 2210 and using the Annualized Income Method to derive the required installment amounts (IA 2210 Line 12).
9. **IA 2210F** - Underpayment of Estimated Tax by Farmers and Fishers - required of taxpayers with farm or fishing income if IA 2210F line 8 is \$200 or greater, even if line 15 results in zero. (If the total from line 8 is less than \$200, the taxpayer is not required to pay estimated tax and, therefore, cannot have underpaid estimated tax.)
10. **IA 6251** - Iowa Minimum Tax Computation - required if taxpayer had tax preference items or adjustments during the tax year, even if the result on IA 6251 line 29 is zero.
11. **IA 4562A** - Iowa Depreciation Adjustment Schedule - required if the taxpayer claims the federal "bonus depreciation" deduction for acquired assets or if the taxpayer disposes of "bonus depreciation" property during the tax year, and Iowa depreciation adjustments

were made to the property in previous tax years, even if the result of PART III line 5 is zero.

12. **IA 4562B** – Iowa Depreciation Accumulated Adjustment Schedule – used to record cumulative effect of Bonus Depreciation Adjustment on IA 4562A.
13. **IA 148** -Tax Credits Schedule – required if taxpayer(s) claims a credit on line 53 or 66 of the IA 1040.
14. **IA 128** – Iowa Research Activities Credit - required if taxpayer(s) claims the credit on line 66 of the IA 1040.
15. **IA 128A** – Alternative Incremental Research Activities Credit- required if taxpayer(s) claims the credit on line 66 of the IA 1040.
16. **IA 133** – New Jobs Credit - required if taxpayer(s) claims the credit on line 53 of the IA1040.
17. **IA 134** – S Corp Apportionment Credit - required if taxpayer(s) claims the credit on line 53 of the IA 1040.
18. **IA 135** – E85 Gasoline Promotion Tax Credit – required if taxpayer(s) claims the credit on line 66 of the IA 1040.
19. **IA 137** – Ethanol Promotion Tax Credit – required if taxpayer(s) claims the credit on line 66 of the IA 1040.
20. **IA 3468** – Investment Tax Credit - required if taxpayer(s) claims the credit on line 53 or 66 of the IA 1040.
21. **IA 8801** – Minimum Tax Credit Carry Forward Credit - required if taxpayer(s) claims the credit on line 53 of the IA 1040.
22. **IA 8864** – Biodiesel Blended Fuel Tax Credit – required if taxpayer(s) claims the credit on line 66 of the IA 1040.

Excluded returns and schedules from Iowa electronic filing:

- Non-calendar year returns
- Prior-year returns
- IA 1040A - Iowa Individual Income Tax Short Form (Use the IA 1040 format.)
- IA 1040X - Amended Iowa Individual Income Tax Return (Iowa returns may be amended electronically; however, the IA 1040 format is used.)
- IA 1040C Composite Iowa Individual Income Tax Return
- IA 6251B - Balance Sheet/Statement of Net Worth
- Any other returns excluded from federal electronic filing

REFUNDS AND DIRECT DEPOSIT

When taxpayers are entitled to refunds, providers should inform them that they have several options. An individual income tax refund may be:

- Applied to next year's estimated tax
- Received as a direct deposit or paper check
- Split so that a portion is applied to next year's estimated tax and the rest received as a direct deposit or paper check. (Refunds cannot be split between a direct deposit and a paper check refund.)

When a portion of the refund is offset for a state, county, or IRS liability, direct deposit requests will be honored for the remaining refund.

Direct deposit

The Iowa Department of Revenue offers optional direct deposit of income tax refunds for electronically-filed returns. The taxpayer must show the ERO proof of account from the financial institution that the taxpayer designates to receive the direct deposit. EROs must verify that the direct deposit information entered in Part II of form IA 8453 is correct and is the same information transmitted with the electronic portion of the return. See federal Publication 1345 and Iowa Administrative Rules for complete direct deposit requirements and responsibilities.

Iowa has chosen not to offer split refunds. If direct deposit information is invalid, the Department will issue a check.

IDR will not deposit a refund to an account outside the United States.

Refund delays

IDR makes every effort to process electronically-filed returns promptly; however, refunds may be delayed for the following reasons:

- Refund is offset for an outstanding liability to IDR, another state agency, an Iowa county, or the IRS
- Errors in the calculation of the return
- Errors in the format of data received electronically
- Additional review needed

BALANCE DUE RETURNS

We offer three payment options for a balance due income tax return. They include:

- **ePay (direct debit)** www.state.ia.us/tax
 - On the home page, under “Individuals”, click on: ePay (direct debit) Income Tax.
 - Choose the date your payment(s) is taken out.
 - Print the confirmation screen for your records.
- **Credit/Debit Card at** www.officialpayments.com or **1-800-2PAY-TAX (800-272-9829)**
 - A 2.5% service fee applies.
- **Mail your payment** and completed IA 1040V Payment Voucher.
 - Checks should be made payable to: Treasurer, State of Iowa.
 - If you eFiled, send to:
Iowa Department of Revenue
Iowa Income Tax – Document Processing
PO Box 10466
Des Moines, IA 50306

File and pay electronically. Good for the environment. Good for you.

ERO RESPONSIBILITIES

- Use approved software for the Iowa electronic filing program.
- Use Iowa Schedules A and B, instead of the federal Schedule A and B.
- When an IA 8453 is required:
 - Enter the federal DCN on the IA 8453.
 - Make sure that the name(s) and Social Security Number(s) are printed correctly on the IA 8453 and that the IA 8453 information matches corresponding fields on the electronic return.
 - Retain the IA 8453 and all attachments for three years from the due date or filing date, whichever is later.

- Send the IA 8453 and all supporting documents within five work days of any IDR request.
- Give the taxpayer copies of all forms filed, including attachments.
- Retrieve the State acknowledgment within two work days of transmission by IDR.

IA 8453 - DECLARATION FOR AN E-FILE RETURN

The Department has adopted the PIN signature alternative as implemented by the IRS. The purpose of the IA 8453 is twofold: It gives authorization for the return originator to file on the taxpayer's behalf and it serves as authentication of the return.

The IA 8453 is not required when using the Self-Select PIN signature method.

An IA 8453, Declaration for an E-File Return, must be completed and signed before transmission of the return can take place when:

- The Practitioner PIN method is used to sign the return
- A *State Only* return is eFiled.

Attach to the IA 8453, when it is used:

- State copies of W-2 forms and 1099s
- A copy of other state tax returns, if the IA 130 was completed or the Iowa/Illinois reciprocal was claimed.

Changes

If the ERO makes changes to the electronic return after the taxpayer has signed the IA 8453, but before the data is transmitted, the ERO may be required to have the taxpayer complete a new IA 8453.

A new IA 8453 must be completed and signed by the taxpayer(s) when:

- Line 1 - The *Iowa Net Income* (total of lines 1A and 1B) is different from the amount on the return by more than \$50.
- Line 2 - the *Total Iowa Tax Before Credits* (total of lines 2A and 2B) is different from the amount on the return by more than \$14.
- Line 3 - the *Iowa Income Tax Withheld* (total of lines 3A and 3B) is different from the amount on the return by more than \$14.
- Line 4 - the *Amount to be Refunded* is different from the amount on the return by more than \$14.
- Line 5 - the *Total Amount Due* is different from the amount on the return by more than \$14.

If errors are found after the data has been transmitted and accepted, an amended return must be filed. Amended returns can be submitted electronically as a *State Only* return.

Retention

The ERO must retain the IA 8453s for three years from the due date of the returns or the date the returns were filed. The ERO sends the IA 8453s to the Department only when the ERO ceases operation.

If for some reason an ERO is unable to retain IA 8453s, the ERO may request permission to mail or take the IA 8453 forms and attachments to the Department at the end of the tax

season. Examples include EROs assisting low-income and elderly taxpayers under the VITA/TCE programs and EROs on military installations.

TRANSMISSION PROCESS

In all situations a copy of the federal return must be included with state return data. Transmissions must be accomplished according to IRS procedures. The data for the Iowa return must be transmitted to the Internal Revenue Service Austin Return Processing Center.

FRAUD AWARENESS

You can assist in identifying potentially fraudulent returns before they are transmitted. Should you suspect false information is being submitted to you for electronic filing, we encourage you to contact the Department's Investigative Audit Section at 515-281-8475.

ACKNOWLEDGMENTS

IRS Acknowledgment

The IRS electronically acknowledges receipt of all transmissions. The federal return may be either accepted or rejected. If accepted, the Iowa return is forwarded electronically to the Iowa Department of Revenue.

If the federal return is rejected, the Iowa return transmitted with the federal return will not be forwarded to Iowa. Consult IRS publication 1345 for more information.

State of Iowa Acknowledgment

The Iowa acknowledgment is separate from the federal acknowledgment. Receiving a federal acknowledgment does not mean Iowa received the state return. Only an Iowa acknowledgment guarantees the Iowa return was received.

Iowa sends its acknowledgments to the IRS daily, except weekends and holidays. Using the same ETIN provided on the return, transmitters must retrieve Iowa acknowledgments from the IRS and transfer this information to EROs within two working days of transmission by IDR.

All Iowa income tax returns successfully transmitted are accepted. An acknowledgment does not indicate if there are any errors in the return, the amount of the refund, or if a direct deposit request will be honored. Electronic tax return errors are resolved the same as for paper.

Failure to receive an Iowa acknowledgment

If one or more of the following occurs:

- You received Iowa acknowledgment for some returns, but not all returns transmitted on the same day
- You received federal acknowledgment records more than three workdays ago, but received no Iowa acknowledgment for the same returns
- A transmission day is skipped (for example, received Iowa acknowledgment records for Monday and Wednesday transmissions, but none for Tuesday)

Then verify:

1. The IRS has accepted the corresponding federal return(s).
2. The accepted federal return had the Iowa return attached to it.
3. All Iowa acknowledgments have been retrieved by the transmitter from the IRS.
4. All Iowa acknowledgments have been retrieved by the ERO from the transmitter.

Resolving non-receipt of acknowledgments

EROs and online filers must contact their transmitter service provider to resolve non-receipt of acknowledgments. Transmitters must provide the GTX Key to the IRS to have the Iowa acknowledgment rehung. Iowa stores the Global Transaction (GTX) Key provided by IRS for use by the State Help Desk. If an Iowa acknowledgment file needs to be rehung, the trading partner can contact Iowa to look up the GTX Key.

IDR will reveal the GTX Key only to transmitters, not EROs or taxpayers, if provided the following information:

- Electronic Transmitter ID Number (ETIN)
- Electronic Filer ID Number (EFIN)
- Primary SSN of tax return(s) in question
- Transmission Date
- Date of federal return acknowledgment
- Transmitter contact name and telephone number

MONITORING AND SUSPENSION OF FILERS

IDR will monitor:

- The quality of an electronic filer's transmission of taxpayers' Iowa income tax returns, the number of return rejections, errors on returns, and other defects that apply to each electronic filer.
- Timely receipt of form IA 8453 and attachments when IDR requests them as well as the legibility of these forms.
- Complaints about an electronic filer regarding the filing of Iowa income tax returns. Failure on the part of the electronic filer to provide IA 8453, W-2s, 1099s, or out-of-state tax returns when requested.

Provisions for suspension from the Iowa Electronic Filing Program.

If an electronic filer is either denied participation in the federal electronic filing program or is suspended from the federal program, the electronic filer will automatically be prohibited from participation in the Iowa electronic filing program.

The following list is not all-inclusive:

- a. Deterioration of the format of transmissions of individual Iowa returns.
- b. Unacceptable cumulative error or rejection rate or failing to correct problems resulting in errors in transmission of Iowa returns.
- c. Untimely received, illegible, incomplete, missing, or unapproved substitute forms IA 8453.
- d. Stockpiling returns at any time while participating in the Iowa electronic filing program.
- e. Failure on the part of the transmitter to retrieve an acknowledgment file within two working days of transmission by IDR.
- f. Failure on the part of the transmitter to initiate the communication of acknowledgment files to EROs within two work days of transmission by IDR.
- g. Significant complaints about the electronic filer.
- h. Failure on the part of the electronic filer to cooperate with the Department's efforts to monitor electronic filers, investigate electronic filing abuse, and investigate the possible filing of fraudulent returns.
- i. Submitting the electronic portion of a return with information which is not identical to information on form IA 8453.

- j. Transmitting the Iowa return with software not approved for use in the Iowa electronic return filing program.
- k. Failure on the part of the electronic filer to provide W-2s, 1099s, or out-of-state tax returns when requested.

Administrative review process for suspension

The Department will notify the electronic filer in a letter if they are suspended from the program for a problem(s) as described above.

If the electronic filer disagrees with the suspension, the electronic filer must file a written protest with the Department within 60 days of the date of the suspension letter. The written protest must be filed pursuant to rule 701--7.41(17A). The electronic filer will not be allowed to participate in the Iowa electronic filing program during the administrative review process.