

IDOR Alternative Filing Administrative Highlights Tax Year 2011

Electronic Filing

- Indiana is live with Individual Modernized e-File (MeF). Software developers may support EMS (Electronic Management System – the legacy method) returns or both the legacy EMS and MeF methods for tax year 2011. Electronic filing of 2011 IT-40PNR and IT-40RNR returns will be possible through MeF but not EMS.

Prior Year Filings

- The EMS Legacy system will accept only current year, 2011 Indiana tax filings.
- The MeF platform will accept prior year 2009 and 2010 IND tax returns with the following restrictions:
 - Only form IT-40 can be filed for 2009 and 2010 via MeF.
 - Only software products that were certified to file the 2009 IT-40 for the 2009 tax season and submitted production MeF returns during the 2010 filing season will be certified to file the 2009 IT-40 during the 2012 filing season.
 - Only software products that were certified to file 2010 IT-40 for the 2010 tax season and submitted production MeF returns during the 2011 filing season will be certified to electronically file these forms during the 2012 filing season.
 - During the 2011 certification process, software developers must demonstrate their continuing ability to produce valid 2009 or 2010 IT-40 tax filings in order to remain certified for transmitting the 2009 or 2010 returns during the 2012 filing season.

Electronic Filing Mandate

- Professional preparers who filed more than fifty Individual returns in 2011 are required to file Individual returns in 2012 in an electronic format. 2D returns are NOT considered to be electronic.

Legislation/Changes

- The Indiana earned income credit (Schedule IN-EIC) no longer piggybacks the federal EIC computation. (See “Indiana Earned Income Credit” below.)
- Sunsets apply (or partially apply) to various Indiana offset credits.
- A second vendor has been added for Indiana CollegeChoice 529 Education Savings Plan accounts. Accounts may be:
 - 11 digits long, and begin with “61” or “62”
 - 10 digits long, beginning with “200”, “201” or “208”.
- There are fifteen new add-backs. Each will be assigned a 3-digit code.
- The Unemployment Compensation Add-Back was eliminated.
- There is one new deduction, \$1,000 per qualifying child enrolled in private school or homeschooled (K-12).
- Indiana net operating losses may no longer be carried back beginning on or after January 1, 2012.
- Conformity-issue add-backs affecting 2010 tax year may be added back in 2010 or 2011

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- Synopsis Available – For additional information and details, please refer to the synopsis of the state’s current and upcoming tax changes, available at <http://www.in.gov/dor/reference/files/summary2011.pdf>

Indiana Earned Income Credit

- The Indiana earned income credit (Schedule IN-EIC) no longer piggybacks the federal EIC computation.
 - The taxpayer must have a current year federal EIC
 - Credit must be calculated, considering the following (using some of the 2001 federal rules):
 - The number of children. There is a limit of two for this purpose.
 - Earned income (IN worksheet)
 - Modified federal AGI (IN worksheet)
 - Indiana has its own EIC tax tables, which will change annually
- The Indiana EIC may no longer be claimed on Form IT-40EZ (to claim must file IT-40 or IT-40PNR).
- IN advance EIC sunset, but should be reported if on W-2..
- A new schedule IN-DEP is required if an exemption(s) is claimed for an additional dependent child on Schedules 3 and D, line 2.

Mailing Instructions

- **2D Barcode returns are no longer mailed to a separate address.**
 - Individual returns with accompanying payments should be mailed to:
Indiana Department of Revenue
PO Box 7224
Indianapolis, IN 46207-7224
 - Individual returns without payments should be mailed to:
Indiana Department of Revenue
PO Box 40
Indianapolis, IN 46206-0040
 - Correspondence should be mailed to:
Indiana Department of Revenue
PO Box 7207
Indianapolis, IN 46207-7207
- **The Post Filing Coupon (PFC) is only needed if a payment is mailed separately from the return.**

Form Changes

- **IT-40EZ**
 - Indiana EIC may no longer be claimed on Form IT-40EZ. (IT-40 or IT-40PNR must be used.)

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- Eliminated Unemployment Compensation Add-Back.
- **Schedule A, Column B**
 - Educator expenses reference removed. (No longer allowed to affect IN AGI.)
 - Student loan interest deduction reduced to old levels.
 - Eliminated tuition and fees deduction reference. (No longer allowed to affect IN AGI.)
- **Schedules 1 and B - Add-backs**
 - Eliminated Unemployment Compensation Add-Back.
 - Other Add-Backs; up to 15 entries now possible.

Important General Information

- **Due Date** - Indiana will join the IRS in making the due date for 2011 Individual Income Tax returns April 17, 2012. If filing under federal extension 4868, the Indiana filing extension date is November 17, 2012.

Income Statements

- Income statements, such as W-2s, WH-18s and 1099s, should only be included if they show Indiana state or local withholding or unemployment compensation. They should be included with the electronic filing data for electronic returns and should be mailed with paper and 2D returns.
- **County Rates** – Counties have until November 1, 2011 to adopt or change county tax rates. As a result, county rates will need to be verified on the Department web site (www.in.gov/dor/4547.htm) after that date. Please check often to verify that you are using the correct county tax rates. DO NOT use the rates from Departmental Notice #1. Those rates are for withholding purposes only. Should your software be using the wrong county rates, please contact the software developer or the Electronic Filing Coordinator immediately.

Reminders:

- **Personal Representative** – The Personal Representative must be an Individual.
- **Documentation Must be Retained** – Because practitioners are charged with performing due diligence and verifying deductions and credits being reported on electronic returns, the Indiana Department of Revenue no longer requires submission of paper documentation of most credits and deductions at the time of filing. However, this information must be available if requested. See Publication 1345 for details.
- **Tax Withheld** - Returns claiming credit for tax withheld will be rejected if the supporting withholding data (W-2s, 1099's, W-2G's, etc.) is not included. (Submit electronically for electronic returns. Include in 2-D record and enclose on paper for 2-D and paper returns.)
- **Applying Funds to Next Year's Estimated Tax Account** - Amounts to be applied to the next year's Estimated Tax Account using Form IT-40 and Form IT-40PNR must be

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funded by offsetting a tax refund. **It will not be possible to make a payment combining tax due for one year with estimated tax for the next year.** Overpayments will be refunded in accordance with Department policy.

- **Rounding** – Rounding is required on all individual income tax returns/schedules except in the case of the proration calculation (Schedules A, D and F), which must be rounded up to no more than three **places** to the right of the decimal.
- **Losses** – Display losses with a negative sign. Example. -3400 instead of (3400)
- **Commas** – Do not use commas. Example. Enter 23,899 as 23899.
- **Form Requirements** – All software producing Indiana Individual tax returns must create certain additional forms in order to be certified. Preparers should provide these PFC (Post Filing Coupon), estimated and extension forms for their clients. See Publication IND 1346 for details.