

Publication IND 1347

Updated: September 2016

Edits and Validations for Indiana Individual Income Tax Returns

Tax Year 2016



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Publication Format

The format of this publication is designed in an effort to consolidate the documentation and make it easier to review. In this publication, you will see references to detailed sections, instead of having all the content in the publication itself. These are noted by bold, black text and underlined. While this is not a live link to the document itself, you simply need to use your back button on your browser to return to the web page to find the actual link. There may be some embedded links in this document, as well, that will allow you to open another document directly. These will be in blue text and underlined.

It is our hope that this will let you review the publication in more of a summary format, with some of the detailed contents in separate documents. This will also allow you to print or save off only the additional section(s) that you need for quick review. (For instance, the publication will refer you to the Administrative Highlights document, but the link to the Administrative Highlights will be a separate link on the same page where you accessed this publication document).

The tag **REVISION 2016**:

- Directs the reader to the general location of changes on the referenced page.
- Indicates changes to this year's program.

NEW FOR 2016 – directs the reader to the general location of new information on the referenced page.

Please pay close attention to these sections.

Subscribe for Email Updates

The department strongly recommends that all Software Developers subscribe to our website in order to automatically receive email updates whenever updates to our publications are posted. If you do not already subscribe, please click on the subscription link on our Bulletins for Software Developers webpage.

Bulletins for Software Developers



REVISION 2016 Publications

There are various documents and links on the Publication IND 1347 Webpage that will aid you in developing your software. Please refer to the appropriate links in the following documents. Due to security standards the department will no longer post Edits and Validations documents on our website. To ensure that our data is secure we will be posting all schemas and rejection rules

on the Federal Tax Administration (FTA) State Exchange System at the web address <https://taxadmin.kiteworks.com>

- Administrative Highlights
- Income and Withholding Supporting Documents
 - W-2
 - W-2G
 - 1099-R
 - 1099-Misc
 - 1099-G (Federal)
 - 1099-G (DWD)
 - IN K-1
- Valid IRS 2-character Country Codes
- Foreign State or Province Codes
- Foreign Postal Code Formats
- Valid US State and Territorial Code Table
- Permissible Signage Indiana Add-Backs
- Indiana EIC Tables
- County Tax Rates

Introduction

This publication, IND 1347(Individual), supporting documentation that must be followed when developing software to be used to electronically produce and file Indiana individual income tax returns. The intent is two-fold: to provide the department with data that is as error-free as possible and to provide the software developers with the edits so they can incorporate them into their software, thus enabling them to create returns for their clients that will not error-out or suspend once the return is processed at the department.

This publication is intended to be used in conjunction with the appropriate version of publication IND 1346 to provide comprehensive documentation on the requirements for electronically filing of Indiana individual income tax returns and schedules.

Internet/Website

Our website at <http://www.in.gov/dor/3842.htm> will provide software developers, EROs, and taxpayers with a wealth of information concerning the department and its programs, including electronic filing. Software developers have a special section on our website called the Developers' Corner where this and other publications are found. Announcements and updates will appear here. Visit it often!

REVISION 2016 Who to Contact

All forms generated by your software must be approved by our Forms Testing Coordinator. Your company must be registered. Email address: forms@dor.in.gov.

Questions concerning the edits and instructions in this publication, or in publication IND 1346, should be directed to:

Indiana Department of Revenue
Attn: RPC Center of Excellence, Alternative Filing
100 N. Senate Avenue
Indianapolis, IN 46204
Voice: (317) 615-2550
Email address: AltFileMgr@dor.in.gov.

REVISION 2016 County Tax Rates

Indiana county tax rates will not be finalized until later in the year. See the appropriate link on the Publication IND 1347 Webpage for the rates used in test scenarios. Since all finalized county tax rates will not be known by the time Indiana PATS testing begins, Publication 1436 will identify the county tax rates that will be accepted as valid for PATS testing.

REVISION 2016 Special Considerations for Reported Withholding

The department supports the 1099-G in electronic format, but only requires the 1099-G to be present if either state or local withholding is reported on the statement or if unemployment compensation is reported on the statement. The Indiana Department of Workforce Development issues a slightly modified version of the federal 1099-G, and the information required from their version of the 1099-G is different than the information required from the federal version. The validation rules for both types of 1099-G documents are available via links from our Publication IND-1347 webpage.

Withholdings made by a pass-through entity on behalf of a nonresident individual will be reflected on Schedule IN K-1.

REVISION 2016 Federal/State Filings

The amount of withholding credit claimed on the electronic return must be filed with electronic supporting documentation (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-G, Schedule IN K-1) in order to be processed timely.

The department has conducted a review of tax returns claiming “miscellaneous withholding”. We have reviewed returns transmitted both electronically and via paper. Our analysis has determined that virtually none of the miscellaneous withholding being claimed on these returns is valid. On the contrary, we find that in the vast majority of the time, the miscellaneous withholding amounts are actually a duplicate reporting of withholdings that were also claimed on a wage statement submitted with the filing.

In view of the results of this analysis, the department will no longer accept electronically filed tax returns that claim the miscellaneous withholding for either state or local taxes. The department has removed the miscellaneous withholding elements from the Indiana schema.

In the rare instances where a taxpayer might have a legitimate reason to claim a miscellaneous withholding, the taxpayer must file a paper return and supply the documentation to support that claim. If the claim is found to be valid, the taxpayer will be permitted to claim the withholding.

The processing of the electronic return will be significantly delayed if the sum of the withholding on the electronic supporting documents does not equal the amount of withholding claimed on the tax return.

Excessive Withholding

A significant delay in the processing of a return will occur if the amount of withholding is excessive for the amount of declared income. The department advises software developers to warn a taxpayer who is claiming excessive withholding that the department may request that the taxpayer submit paper copies of his tax return and withholding documents, to substantiate the excessive withholding, before the return’s processing can be completed.

The department considers the following types of withholding to be excessive:

- Reported state withholding is greater than 20% of the total declared income
- Reported county withholding is greater than 5% of the total declared income

Forms to Contain 1-D Bar Codes

To facilitate imaging technology, one dimension bar codes are included on most forms. These codes identify the specific form and the producer (vendor) of the form. Please see the link at <https://secure.in.gov/dor/software/proofs/3999.htm> for further details on the 1-D Barcode Specifications.

ABA Routing Number Validation Routine

The following ABA routing number validation must be performed on all returns where direct deposit information is supplied by the taxpayer.

The routing number is a 9-digit numeric field. Positions are numbered as follows: 1 2 3 4 5 6 7 8 9. The last digit, position (9), is the check digit.

Steps to validation:

Position multiplied by a constant

$$1 * 3$$

$$2 * 7$$

$$3 * 1$$

$$4 * 3$$

$$5 * 7$$

$$6 * 1$$

$$7 * 3$$

$$8 * 7$$

Sum the products from the above

Then based upon the last single digit of the sum, convert as follows to determine the check digit:

If last digit 0 then check digit is 0

If last digit 1 then check digit is 9

If last digit 2 then check digit is 8

If last digit 3 then check digit is 7

If last digit 4 then check digit is 6

If last digit 5 then check digit is 5

If last digit 6 then check digit is 4

If last digit 7 then check digit is 3

If last digit 8 then check digit is 2

If last digit 9 then check digit is 1

Pseudo code

ABA_NUMBER

POSITION 1 PIC 9 POSITION 6 PIC 9

POSITION 2 PIC 9 POSITION 7 PIC 9

POSITION 3 PIC 9 POSITION 8 PIC 9

POSITION 4 PIC 9 CHECK DIGIT PIC 9

POSITION 5 PIC 9

SUM_VALUE=(POSITION 1*3)

(POSITION 2*7)

(POSITION 3*1)

(POSITION 4*3)

(POSITION 5*7)

(POSITION 6*1)

(POSITION 7*3)

(POSITION 8*7)

IF LAST_DIGIT_OF_SUM_VALUE=0

CHECK DIGIT=0

IF LAST_DIGIT_OF_SUM_VALUE=1

CHECK DIGIT=9

IF LAST_DIGIT_OF_SUM_VALUE=2

CHECK DIGIT=8

IF LAST_DIGIT_OF_SUM_VALUE=3

CHECK DIGIT=7

IF LAST_DIGIT_OF_SUM_VALUE=4

CHECK DIGIT=6

IF LAST_DIGIT_OF_SUM_VALUE=5

CHECK DIGIT=5

IF LAST_DIGIT_OF_SUM_VALUE=6
CHECK DIGIT=4

IF LAST_DIGIT_OF_SUM_VALUE=7
CHECK DIGIT=3

IF LAST_DIGIT_OF_SUM_VALUE=8
CHECK DIGIT=2

IF LAST_DIGIT_OF_SUM_VALUE=9
CHECK DIGIT= 1

REVISION 2016 County Income Tax Rates and County Codes

Indiana county tax rates will not be finalized until later in the year. It is not possible to include the finalized rates in this document and still publish it timely. All 92 Indiana counties have a county income tax.

Please reference the appropriate link on the publication IND 1347 webpage to view the county tax rates used for figuring an individual's county tax on the test scenarios.

Indiana Add-backs

The Indiana General Assembly has enacted numerous tax add-backs in recent years. A separate document, accessible from the Publication IND-1347 webpage, identifies which of these add-backs must be positive and which can contain a negative value.

MeF Electronic Postmark

The IRS no longer requires the Electronic Postmark element in the MeF schema set. The department relies on the date and time stamp in the required element Timestamp in the ReturnHeaderState schema. Indiana will consider this to be the return's postmark. We expect the element to contain the date and time that the return was transmitted by the software to the IRS.

See Publication IND-1346 for more details on MeF Electronic Postmark

Foreign Address Formatting

The department is attempting to collect more accurate foreign addresses. Every non-US address must have a valid 2-character country code. This includes Canada. The list of valid IRS 2-character country codes is available in a link on the Publication 1347 web page.

Nearly every country in the world utilizes some form of postal code. We would like the postal code of the foreign address to be transmitted in the appropriate postal code field in the legacy generic record and in the MeF schema. In some cases, the format of the postal code must be

enforced. Please refer to the link on the Publication 1347 webpage that lists the countries for which we must have a specific postal format and the acceptable format(s) for that country.

Many nations are also sub-divided into geographic areas that equate to what we refer to as a “state” in this country. These geographic areas have numerous designations including state, province, prefecture, canton, county, and department. Regardless of the term that is applied to it, there are some countries for which we require a valid state or province code. Please refer to the link on the Publication 1347 web page that lists the countries for which we must have a correct state/province code and the list of valid states/provinces for those countries. This code should be transmitted in the appropriate field in the legacy generic record and in the appropriate element in the MeF schema.

Please refer to the Edits and Validations links for specific details regarding the transmittal of U.S., Canadian, military, and foreign addresses.

Address Validations

In Indiana, the most common errors on electronic returns are address related. In order to take advantage of discounted postal rates, the department strives to ensure that all addresses stored in our database conform to the strict standards of the U.S. Postal Service. Toward that end, the department has implemented a more robust address validation process. We have noticed an increase in the volume of electronically filed returns suspending due to this stricter address validation. Although the department does not reject for most address validation issues, incorrectly formatted addresses will likely result in processing delays. We understand that no amount of address validation can completely eliminate all address errors; however, in order to reduce the risk of processing delays, vendors are highly encouraged to take every reasonable step to ensure that the users of their software are entering correctly formatted addresses.

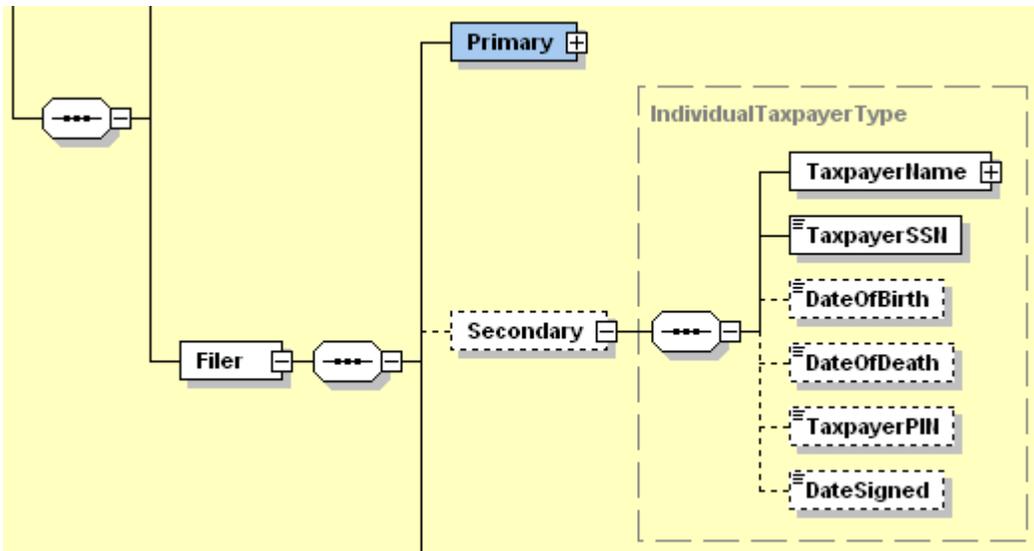
The address validation product used by the department conforms to the Postal Addressing Standards detailed in USPS Pub 28. The link to that publication is:

<http://pe.usps.gov/text/pub28/welcome.htm>

Married Filing Separate Schema Changes

Indiana’s back-end processing system has specific requirements regarding the identification of the spouse on a Married Filing Separate (MFS) IT-40 or IT-40PNR return. Specifically, we require that the Married Filing Separate checkbox be checked, the spouse’s SSN be present and the spouse’s name be blank.

For the past three tax seasons, this requirement has put the department in direct violation of the ReturnHeaderState schema, which requires both a TaxpayerName and TaxpayerSSN if the optional Secondary element is present:

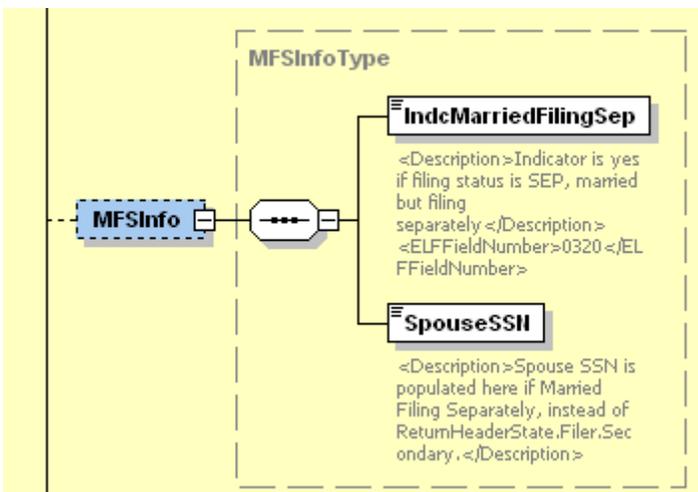


In previous years, the department published a “workaround” for developers to use in order to meet the requirements of the ReturnHeaderState schema.

As of Tax Year 2012, the department no longer accepts the workaround for Tax Year 2012 returns and beyond.

The department began taking a different approach for MFS returns. The Filer/Secondary element in ReturnHeaderState is no longer used at all on MFS returns.

Prior to Tax Year 2012, the department always defined the Married Filing Separate checkbox element (IndcMarriedFilingSep) in our own ReturnFormHeader schema. Since 2012, an optional MFSInfo element is also a part of our ReturnFormHeader schema. The IndcMarriedFilingSep checkbox element was moved to become a required child of the new optional parent element along with a new required child element of SpouseSSN.



All MFS returns will utilize this optional element to report the information the department needs for the taxpayer’s spouse.

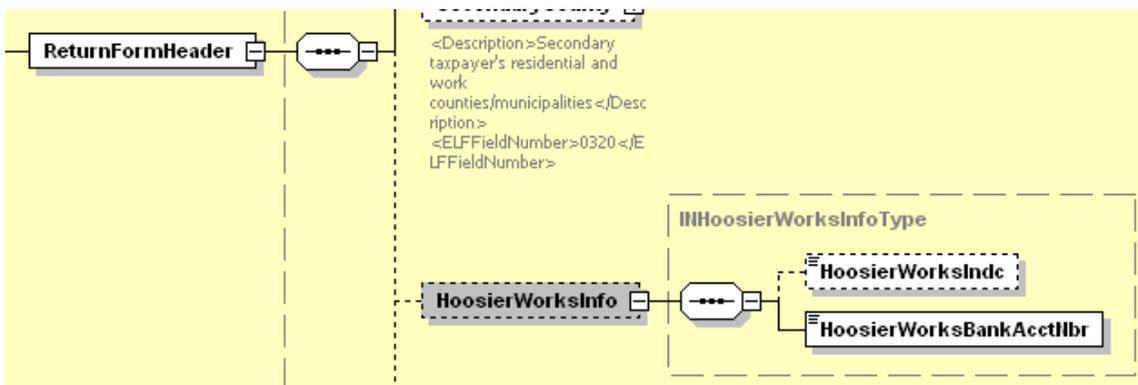
Any MFS return that is filed using the old “workaround” sanctioned prior to Tax Year 2012 will be rejected.

Hoosier Works Refund Option

The Hoosier Works Refund option has typically been a source of confusion to our software developer partners, so we attempt to give some clarification in this publication.

If the return is overpaid, the taxpayer may request that the refund be direct deposited to a checking account, a savings account, or to his/her Hoosier Works account. Only the first two options (checking account and savings account) are supported by the FinancialTransaction schema.

If the taxpayer opts for the refund to be deposited to his/her Hoosier Works account, this information cannot be reported via the financialtransaction. Rather, it is reported under the optional HoosierWorksInfo element in Indiana's ReturnFormHeader schema.



Ideally, the department would like to see the HoosierWorksIndc checkbox checked, but the element is optional. The HoosierWorksBankAcctNbr, on the other hand, is required.

There is no need to report an ABA Routing Number since all of Indiana's Hoosier Works accounts are under the same ABA Routing Number and we already know it.

There is also no need for an Amount element because the taxpayer is not permitted to split his refund. The entire amount of his/her overpayment will be deposited to the Hoosier Works account.