Electronic Filing (MeF) Procedures & Specifications

Tax Year 2018

Processing Year 2019

ND Tax
NORTH DAKOTA

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Introduction

The North Dakota Office of State Tax Commissioner partneres with the Internal Revenue Service to accept electronic returns via the Modernized E-File (MeF) system. North Dakota accepts individual, fiduciary, partnership, subchapter S corporation, and C corporation returns. The transmission method is a web service using Simple Object Access Protocol (SOAP) with attachments messaging. The return data is formatted using Extensible Markup Language (XML). Authorized Electronic Return Originators (EROs) can submit returns to the IRS MeF system for federal and state return processing. State returns should be transmitted as a "linked" submission (also referred to as a Fed/State return and the preferred method), but "unlinked" submissions (also referred to as a State Only return) are also accepted. Each return must be in a separate submission, but multiple submissions may be contained in a single payload. Software developers must test their software and receive approval from the North Dakota Office of State Tax Commissioner prior to submitting live returns.

Purpose

This manual provides general information for software developers, transmitters, and tax practitioners about North Dakota's Modernized Electronic Filing Program and is a supplement to the materials available on our website and in the state exchange system (Kiteworks).

All participants in the North Dakota Federal/State e-file program are our partners, including:

- *Software Developers* – A firm, organization, or individual who creates tax preparation and transmission software for formatting returns according to North Dakota's electronic specifications. A software developer must test their communication/transmission protocol and test transmissions of all returns and schedules supported by their software that they intend to file.

- *Electronic Return Originators (ERO)* – A firm, organization, or individual who prepares or collects tax returns for electronic transmission. An ERO may be either a tax professional who prepares returns for their clients or someone who creates electronic returns from already prepared returns.

- *Transmitters* – A firm, organization, or individual who uses approved software to electronically transmit completed returns directly to the IRS. An ERO may also be a Transmitter or an ERO may have an arrangement with a third party Transmitter to use their computer services.

For Tax Period January 1, 2018 through December 31, 2018

Acceptance testing begins the same day as the IRS.

Prior to submitting test returns, developers must submit a letter of intent, which is only available via the state exchange system (Kiteworks).

Software developers must first complete Internal Revenue Service testing before obtaining a final approval with North Dakota. The start-up date for the IRS Acceptance Testing may change.

Transmitters must be accepted by the Internal Revenue Service prior to sending data and testing the North Dakota acknowledgments.

Electronic Return Originators are not required to perform state acceptance testing.

North Dakota opens the gateway for production returns the same day as the IRS. Perfection periods for all MeF returns is 5 calendar days. See IRS MeF website for more details: www.irs.gov/Tax-Professionals/e-File-Providers-&-Partners/Modernized-e-File-Program-Information

Privacy Act Notification

This statement has been added to all forms requiring the taxpayer to disclose their SSN or FEIN when submitting forms to our department. This statement should be presented in some format to your customers so they are aware of the requirement. We are unable to efficiently process returns/payments with a SSN of ***-**-**** and in some cases, may have to send them back to the taxpayer if we cannot determine how to process the form.

In compliance with the Privacy Act of 1974, disclosure of a social security number or Federal Employer Identification Number (FEIN) on this form is required under N.D.C.C. §57-01-15 and 57-38-56, and will be used for tax reporting, identification, and administration of North Dakota tax laws. Disclosure is mandatory. Failure to provide the social security number or FEIN may delay or prevent the processing of this form.

MeF Supported Forms

The following forms and schedules are supported by the North Dakota MeF program. All state adjustments and tax credits not requiring a separate state schedule can be e-filed. Not all schedules are required to be supported. (* Designates a required form/schedule)

Individual Income Tax (ND-1)	
*Form ND-1	Individual Income Tax Return
Schedule ND-1CR	Credit for Income Tax Paid to Another State
Schedule ND-1FA	3-Year Averaging Method for Elected Farm Income
Schedule ND-1NR	Non-resident and Par-year Resident Schedule
Schedule ND-1SA	Statutory Adjustments
Schedule ND-1TC	Tax Credits
*Schedule ND-1UT	Underpayment of Estimated Income Tax
*Schedule ND K-1 Received	Share of North Dakota Withholding from a Pass-Through Entity
Capital Gain Exclusion Worksheet	Optional worksheet which applies to Form ND-1, line 8
Marriage Penalty Credit Worksheet	Optional worksheet which applies to Form ND-1, line 22
Schedule RZ	Schedule of Renaissance Zone Income Exemption and Tax Credit
*StateIndividual\IRSForms	IRSW2.xsd, IRS1099R.xsd, State1099Misc.xsd
Corporation Income Tax (Form 40)	
*Form 40	Corporate Income Tax Return
*Schedule SA	Statutory Adjustments
*Schedule FACT	Apportionment Factor for Corporations Not Filing a Consolidated State Return
Schedule WE	Water's Edge Method Income Schedule
*Schedule TC	Tax Credits
Schedule WW	Combined Report Method Income Schedule
*Schedule CR (Parts 1-3)	Computation of Tax Due for Corporations Included in a North Dakota Consolidated Return
*Form 40-UT	Underpayment of Estimated Income Tax
Schedule RZ	Schedule of Renaissance Zone Income Exemption and Tax Credit
*StateBusiness\IRSForms	Sate1099Misc.xsd
S Corporation Income Tax (Form 60)	
*Form 60	S Corporation Income Tax Return
*Schedule FACT	Calculation of North Dakota Apportionment Factor
Schedule BG	Tax on Excess Passive Income and Built-In Gains
*Schedule K	Total North Dakota Adjustments, Credits, and Other Items Distributable to Shareholders
*Schedule KS	Shareholder Information
*Schedule K-1 (Form 60)	Shareholder's Share of North Dakota Income (Loss), Deductions, Adjustments, Credits, and Other Items
Schedule RZ	Schedule of Renaissance Zone Income Exemption and Tax Credit
*StateBusiness\IRSForms	State1099Misc.xsd
*Schedule ND K-1 Received	Received from passthrough entity (SchNDK1Received.xsd)
Partnership Income Tax (Form 58)	
*Form 58	Partnership Income Tax Return
*Schedule FACT	Calculation of North Dakota Apportionment Factor
*Schedule K	Total North Dakota Adjustments, Credits, and Other Items Distributable to Partners
*Schedule KP	Partner Information

MeF Supported Forms – Continued

*Schedule K-1 (Form 58)	Partner's Share of North Dakota Income (Loss), Deductions, Adjustments, Credits, and Other Items
Schedule RZ	Schedule of Renaissance Zone Income Exemption and Tax Credit
*StateBusiness\IRSForms	State1099Misc.xsd
*Schedule ND K-1 Received	Received from passthrough entity (SchNDK1Received.xsd)
Fiduciary Income Tax (Form 38)	
*Form 38	Fiduciary Income Tax Return
*Tax Compensation Schedule	Tax on Fiduciary's Table Income
*Schedule BI	Beneficiary Information
Schedule CR	Credit for Income Tax Paid to Another State
Schedule 38-TC	Tax Credits
*Schedule 38-UT	Calculation of Interest on Underpayment or Late Payment of Estimated Tax for Estates and Trusts
*Schedule K-1 (Form 38)	Beneficiary's Share of North Dakota Income (Loss), Deductions, Adjustments, Credits, and Other Items
Schedule RZ	Schedule of Renaissance Zone Income Exemption and Tax Credit
StateEstateTrust\IRSForms	IRSW2.xsd, State1099Misc.xsd
*Schedule ND K-1 Received	Received from passthrough entity (SchNDK1Received.xsd)

Forms Not Supported Through MeF

Due to the very limited use of the forms listed below, schemas have not been developed to support them in the MeF program. Taxpayers may still take the credits associated with these schedules, and attach a PDF of the schedule to the submission. To avoid delays in processing returns, these forms should be included when the return is submitted. If we do not have the required documentation, we may disallow the credit, or send a request for additional information.

Individual

- Schedule ND-1FC (Family Member Care Credit)
- Schedule ND-1PG (Planned Gift Tax Credit)
- Schedule ND-1QEC (Qualified Endowment Fund Tax Credit)
- Schedule ME (Credit for Wages Paid to a Mobilized Employee)
- Schedule ND-1CS (Calculation of tax on proceeds from sale of an income tax credit)

Corporation, S-Corporation, Partnership, Fiduciary

- Schedule ME
- Schedule QEC

PDF Attachments

North Dakota MeF infrastructure provides the ability for the taxpayer or tax preparer to include a PDF attachment with the e-filed return. This functionality should be used to provide supporting documentation for amounts claimed on the return for which there is no place to enter the data. For TY2018, all professional software products must provide the ability to attach PDFs. Suggested uses for PDF attachments:

- Attaching forms or schedules *not* supported by MeF.

- Other states' tax returns to support the credit for tax paid to another state.

- Military Title 10 orders to support the National Guard/Reserve member income exclusion.

- Documentation to support any other addition, deduction, or tax credit claimed on the form.

*Note: North Dakota does not require any attachments for electronic returns, attaching supporting documentation as noted in the instructions will avoid delays in processing the return and reduce the chance of our office having to request additional information from the taxpayer.

Acceptance and Participation

North Dakota only accepts electronic returns from IRS approved software developers. To participate in North Dakota's MeF program, software developers must:

- Register with our office, prior to submitting test files. In accordance with the FTA security summit rules, the letter of intent needed to register is only available in the state exchange system (Kiteworks).

- Submit your letter of intent to our office using one of the two methods below:
    1. E-mail to taxmef@nd.gov
    2. Fax to 701.328.0352

Developer's Responsibilities

Developed software must:

- Adhere to all federal and state procedures, requirements, and specifications listed in the letter of intent.

- Pass all relevant tests prescribed by the North Dakota Office of State Tax Commissioner. This includes supporting all required forms, schedules, and functionality (ex. binary attachments)

- Be developed in accordance with statutory requirements and return preparation instructions obtained from the North Dakota Office of State Tax Commissioner.

- Provide accurate North Dakota tax returns in the correct electronic format.

- Support the substitute form (printable version) for all supported schemas.

- Provide schema validation, verification, and error detection to prevent transmission of incomplete or invalid return data.

- Clearly state which forms/schedules and filing scenarios are supported.

- Have the ability to be update their software as needed throughout the filing season for issues that may not be evident during testing. Customer should receive notification in a timely manner to mitigate any outstanding issues.

- Validate the submission prior to submitting it. North Dakota should not be seeing schema rejection errors in production.

Software Acceptance, Testing, and Approval

- North Dakota follows the same dates and deadlines as the IRS for testing purposes.

- Test scenarios, xml schemas, and all other relevant documentation are available on our website.

- E-mail taxmef@nd.gov when sending test returns. Include your company name, software product name, NACTP software ID, ETIN and the Submission IDs associated with the test returns. For tracking purposes, the company/software name and the tax type being tested, should be listed in the "subject" line of the e-mail.

- The state manifest must include the following information:
  - GovernmentCode = **NDST**
  - SubmissionType = **FormND1** or **Form60** or **Form58** or **Form40** or **Form38**
  - SubmissionCategory = **IND** or **PART** or **CORP** or **ESTRST**

- Please use your 4-digit NACTP Vendor ID in the Software ID field on the state return. This allows us to easily identify the software used to prepare and submit the return. We will reject the returns if a number other than your NACTP vendor ID is used. If you are not registered with NACTP, please use this link to complete the process: www.nactp.org

- Send data elements only if they contain values, unless the fields are required.

- We will generate acknowledgements on all test returns. However, an "accepted" ACK does not mean we have approved your software for release. You must receive a software approval e-mail from the Office of State Tax Commissioner prior to releasing your software.

- Software vendors can self-test their software be sending additional returns through the system. Unless we receive an email with the required elements as noted above, we will not review these returns.

Acknowledgement System

- The North Dakota Office of State Tax Commissioner will generate an acknowledgement of acceptance or rejection for all returns received. The acknowledgement record is created using standards agreed upon by the IRS, state agencies, transmitters, and software developers.

- Allow two days to receive the acknowledgment from North Dakota.

- North Dakota will reject returns missing required schedules or having mismatched data.

- Appendix A contains a complete list of business rules and associated reject codes.

- Returns may be corrected and re-transmitted as long as the MeF and the software product being used supports the missing schedule or form.

Signature Requirements

The IRS obtains the taxpayer's signature by requiring the taxpayer to select a PIN (Federal Form 8879). North Dakota recognizes the federal PIN as the signature for the North Dakota return. If the return must be submitted as an unlinked (state only) return, a self-selected PIN may be used.

ERO Retention Documents

When an ERO files an electronic return, (in addition to attaching any necessary PDFs to the return) the ERO must also retain the following documents as they may apply to the return:

- State copies of Forms W-2, W-2G, 1099, and ND Schedule K-1s – anything with state income tax withholding identified.

- Copy of the other state's return for a credit claimed on Schedule ND-1CR.

- Copy of the supporting statements identifying interest from U.S. obligations.

- Copy of RRB-1099 or RRB-1099R.

- Copy of the statement supporting the new or expanding business income exemption.

- National Guard/Reserve member's mobilization orders.

- Copy of the credit certificate from ND Housing Finance Agency.

- Copy of the supporting statement for the human organ donor expense deduction.

- Copy of the Ag Commodity or Seed Capital Investment reporting form.

- Copy of the biodiesel fuel supplier/seller statement.

- Copy of the statement from the entity when claiming a gain or loss from an S corporation that elected to be taxed as a C corporation for North Dakota income tax purposes.

- Copy of the local property tax clearance.

- Other forms, schedules, or statements to explain information stated.

Submitting a Rejected MeF Return on Paper

If the state return is rejected and cannot be retransmitted electronically, the following documents should be submitted to our office:

- Copy of the signed Federal Form 8879, 8879-F, 8879-PE, 8879-S, or 8879-C.

- Form ND-1, 38, 58, 60, or 40 and any supporting North Dakota forms and schedules. On the taxpayer's signature line of Form ND-1, 38, 58, 60, or 40, please write, "See attached Form 8879."

- The federal return and any supporting federal forms and schedules.

- Copy of all Forms W-2, W-2G, 1099, and Schedule K-1s that indicate North Dakota withholding.

- Form ND-1PRV if the return has a balance due.

- Any other documentation needed to support the state return.

Refund Options

Taxpayers have four options when their North Dakota return shows an overpayment of taxes. They may elect to have their overpayment:

1. Direct deposited to their financial institution account (the preferred method);

2. Sent as a paper check;

3. Applied as an estimated payment to next year's tax liability;

4. Donated to the Watchable Wildlife Fund or the Trees for ND Program Trust Fund.

We do not provide time frames as to how long it will take to process returns. If our department encounters any errors or requires additional inspection when processing the tax return, the refund will be delayed.

A refund may also be delayed, or denied, if the taxpayer owes past due North Dakota taxes, fines, or debts to other state agencies (i.e. child support, student loans, etc.). The Office of State Tax Commissioner is required by law to offset the income tax refund to any of these debts. In these cases, a letter will be mailed to the taxpayer letting them know why their refund was offset.

Taxpayers can check the status of their refund at www.nd.gov/tax/refund. Appropriate messaging will be provided if there is a delay due to error, offset or if additional information was requested.

Payment Options

Taxpayers have various options to remit their balance due. They may elect to:

1. Make an electronic payment directly from their checking or savings account (aka Direct Debit or ACH Debit). There is no fee for this payment option, when submitting the banking information with the MeF return. This is also the method for submitting estimated payments. These options are not allowed for paper returns.

2. Pay by credit card, debit card, or electronic check through FIS Corporation at www.nd.gov/tax/payment. Fees may apply. This application also includes options for paying other taxes which are not part of MeF.

3. Mail in a check or money order with the appropriate payment voucher:
   Individual – Form ND-1V, Partnership – Form 58-EPV, S Corporation – Form 60-EPV, Fiduciary – Form 38-EPV, Corporation – Form 40-EPV.

4. Corporations, S Corporations, Fiduciaries and Partnerships have an additional option to remit payment using ACH Credit. Essential information must be provided with each ACH Credit payment in an addenda record using the banking standard TXP format to insure funds are applied correctly to the taxpayer's account. The TXP file layouts/addend records are available on our website at www.nd.gov/tax and selecting Electronic Payments listed under each tax type.

Contact Information

Contact Information				
Subject	**Contact Person**	**Phone**	**E-Fax**	**E-mail**
General Questions				taxmef@nd.gov
ATS Testing & Registration	Cindy Roehrich	701.328.2049	701.328.0352	taxmef@nd.gov
Individual Income Tax Questions	Donna Kohler	701.328.3102	701.328.0352	taxmef@nd.gov
Business Income Tax Questions	Sean Murray	701.328.2235	701.328.0352	taxmef@nd.gov
Technical Questions	Lucas Asche	701.328.3129	701.328.0352	taxmef@nd.gov

Other Websites

Other Websites	
Subject	**Website**
North Dakota MeF	www.nd.gov/tax/mef/
North Dakota Software Developer	www.nd.gov/tax/softwaredevelopers
North Dakota Office of State Tax Commissioner	www.nd.gov/tax/