# Modernized e-File Handbook
# For Software Developers and Transmitters

# OREGON ESTATE AND TRUST SCHEMA – TAX YEAR 2017
## (Final 10-27-17)

## Table of Contents

## Section 1 - Introduction

The Oregon Department of Revenue (DOR), in conjunction with the Internal Revenue Service (IRS), will Oregon Fiduciary Income Tax returns and corresponding forms and schedules for tax years 2017, 2016, and 2015 by method of the Modernized e-File system (MeF).  The beginning live date is subject to IRS availability and is subject to change.

This manual provides general information to software developers, transmitters, and tax practitioners about Oregon's Modernized Electronic Filing Program for Fiduciary Income Tax.  While we attempt to answer all questions in this manual, we may have overlooked some.  Whenever there is a difference between the schema annotation and our official instructions booklet, defer to the instructions booklet.  Please use the contact information list in Section 3, if you have additional questions or need more information.

The transmission method will be a Web Service using Simple Object Access Protocol (SOAP) with attachment messaging.  The return data will be formatted using Extensible Markup Language (XML).  Authorized E-file providers, also known as Electronic Return Originators (ERO's) can submit returns to the IRS MeF system for federal and state return processing.

DOR will accept linked or unlinked return types.  Each return, linked or unlinked, must be in a separate submission.  Multiple submissions may be contained in a single message payload.  Software developers must test with DOR prior to submitting live returns.

The current schema version that Oregon uses for TY2017 filing is OREstateTrust2017v2.0.  We expect this schema will be used for ATS testing.  It is subject to change until final. The current TY2016 schema is OREstateTrust20167v1.0 and the current TY2015 schema is ORBusiness2015v2.0.

See Appendix B – 2017 Tax Forms and Schedules, for a listing of the forms and schedules for which DOR supports e-Filing.

## Section 2 – What's New?

Oregon will be using the State Exchange System (SES) as a secure website to post our schemas, letter of intent, ATS scenarios, and other important information.

Oregon will no longer be offering e-File for the Oregon Estate Transfer tax program.

**ATS Testing:**

- ATS testing will continue through May 31, 2018, unless you have made other arrangements.
- Each ATS test scenario will have a requirement to provide an accurate paper Oregon tax returns for the taxpayer copy of the e-filed return.
- Email the e-File coordinator at TrustEstate.ElectronicFiling@oregon.gov with the submission ID of any test that is ready to be scored.  We will not score any submissions unless the software developer has sent this email.

**Form Changes**:

Form OR-41
- New lines:
  - Reduced tax rate amount and qualifying sources
  - NLTCG checkbox (previously an amount line)
  - PTE checkbox
  - Tax minus standard credits
  - Total refundable credits
  - Oregon surplus credit (kicker) – three new lines
    - Kicker line
    - Kicker donation checkbox
    - Kicker donation amount
- Deleted line:
  - Tax credits (line 13 on TY16 forms)
  - Interest (line 34 on TY16 forms)
  - Less expenses (line 34 on TY16 forms)

Schedule OR-SCH-P
- Deleted line:
  - Interest (line 34 on TY16 forms)
  - Less expenses (line 34 on TY16 forms)

Schedule ASC-FID
- New lines (Section E is new)
  - Refundable credits code

- Refundable credits amount

**Enumeration Code changes:**

~~**Code number 999, credit code unknown, is now code number 899 for standard and carryforward credits.**~~

- Credit code 899 –standard code
- Credit code 999 – carryforward code

Standard Credits – New

- 806, 810

Carryforward Credits - New

- 836, 837, 841, 842, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 858, 863, 868
  - These carryforward credits are available for S corporations shareholders only:  836, 837, 842, 848, 851, 853, 854, 858,

Refundable Credits – New

- 890, 891

Subtractions – New

- 306, 307, 314, 324, 330, 331, 341, 350, 357

Additions – New

- 137, 138, 140, 156, 159, 160

Additions – Deleted

- 143, 151

**Changes made for OREstateTrust2017v2.0:**

Carryforward credits
- Delete:
  - Code 851 – alternative fuel vehicle fueling stations
  - Code 862 – riparian land
- New:
  - Code 860 – Renewable energy resource equipment manufacturing facility
- Rename:
  - Code 868 to Rural technology workforce development

Subtractions
- Delete:
  - Code 308 – Tuition and fees deduction

- <mark>New:</mark>
  - <mark>Code 348 – Previously-taxed IRA conversions</mark>

<mark>Additions</mark>
- <mark>New:</mark>
  - <mark>Code 164 – ABLE account nonqualified withdrawal</mark>

**Schema changes**:  All changes are listed in the 2016 Schema Changes document in the schema package.

- See the 2017 Schema Changes document in the schema package for a complete list of changes.
- Added and deleted form changes – see section above, Form changes
- Updated Schedule ASC-Corp enumeration list – see section above, Enumeration Code changes
- Removed references to the Oregon Estate Transfer Tax Program.
- Created new ORStateEnumerations to replace OROtherCreditCode41Type.

**New Business Rules:**  (see Appendix A for more detail)

- Rule 0021
- Rule 0022

**Legislative Updates:**

General Law updates can be found in the 'What's new' section of the form booklets on DOR's draft website.

## Section 3 – Contacts

Technical questions:
e-File Coordinator – Beth Buck
beth.a.buck@oregon.gov

Operations and Policy Analyst – Sarah Howery
sarah.m.howery@oregon.gov

e-Filing questions:
TrustEstate.ElectronicFiling@oregon.gov

Forms and schedules questions:
Forms Coordinator – Tammy Barz
tammy.s.barz@oregon.gov

## Section 4 – Participation, Testing, and Approval

All participating software developers must:
- Submit a completed Application to Participate/Letter of Intent (LOI) every year to participate in Oregon's Acceptance Testing
- Pass Oregon state vendor testing as specified in this publication
- ATS testing will continue through June 28, 2018, unless you have made other arrangements.
- Each ATS test scenario will have a requirement to provide an accurate paper Oregon tax returns for the taxpayer copy of the e-filed return.

Official testing is scheduled to start November 7, 2017.  The beginning test date is subject to IRS availability and is subject to change. Notification will be given if the start-date changes.  The testing system will be available year round.

DOR will email test results.  Software should not be moved to production until notified by email of approval.

Note: Oregon provides acknowledgments during ATS testing.  The acknowledgment will only serve as a receipt of test material and will not constitute a passing grade on the test material.  The acknowledgments during testing are meant to test the state and the software companies' acknowledgment programming and processes.

Software developers may continue to submit test returns associated with the Estate and Fiduciary Schema Package after their software has been approved.

Email the e-File coordinator at TrustEstate.ElectronicFiling@oregon.gov with the submission ID of any test that is ready to be scored.  We will not score any submissions unless the software developer has sent this email.

## Section 5 – Developer's Responsibilities

Developed software must:

- Adhere to all federal and state procedures, requirements, and specifications. These requirements are specified in IRS Publication 4164, Modernized e-File Guide for Software Developers and Transmitters.

- Be developed in accordance with statutory requirements and DOR return preparation instructions.

- Provide accurate Oregon tax returns in correct electronic format.

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

- Include edits and verification based on the business rules and schema validation.

- Successfully complete all testing.

- Display a signature checkbox along with the following verbiage (also found in the annotation in the schemas):
  - o 'Under penalty of false swearing, I declare that the information in this return and any attachments is true, correct, and complete. I consent to my ERO, transmitter, and/or ISP sending the return, this declaration, and accompanying schedules and statements to the Oregon Department of Revenue. I also consent to the Oregon Department of Revenue sending my ERO, transmitter, and/or ISP an acknowledgment of receipt of transmission and an indication of whether or not the return is accepted or, if rejected, the reason(s) for the rejection.'
    - Oregon tax returns are 'signed' using a signature checkbox on the return. This is a taxpayer (authorized officer) signature.
    - Checking the box should be done by the client. The preparer may check the box prior to submission on behalf of the client if provided with a properly completed Form 8879-F, IRS *e-file* Signature Authorization for Form 1041.

- Display a Direct Debit Authorization checkbox with the following verbiage (also found in the annotation in the schema):
  - o I, as signing officer, hereby authorize the Oregon Department of Revenue to debit either the [ ] Business Checking Account, [ ] Business Savings Account, [ ] Personal Checking Account, or [ ] Personal Savings Account and the financial institution named within the e-filed return upon initiation by the named entity in payment of Oregon taxes. I acknowledge that the origination of ACH transactions to the account must comply with the provisions of state and U.S. law. I and the Oregon Department

of Revenue agree to abide by all applicable ACH operating rules in effect from time to time.

Software developers must:

- Provide prompt notification to DOR of any software problems or programming changes made after ATS approval.

- Be available to correct any software errors and work with DOR to follow up on any processing issues that may arise during filing season.  If software providers need to re-release corrected software it should be done in a timely manner and proper notification should be made to all customers.

- Comply with the laws and regulations restricting disclosure of any tax return information. Specifically, guidelines outlined in IRS Revenue Procedure 94-63 and 94-63A should be followed, as well as Oregon Revised Statutes (ORS) 305.230 and 314.840.


## Section 6 – Acknowledgment System

DOR will generate an acknowledgment of acceptance or rejection for all returns received.

The Oregon acknowledgment is separate from the IRS acknowledgment.  Receiving the IRS acknowledgment does not mean the state return was received or accepted by DOR.  Oregon will receive the return after the IRS has accepted the federal return.  DOR will not receive any data if the federal return is rejected by the IRS.

An acceptance acknowledgment indicates that DOR has received the return.  It does not indicate the return is error-free or is not subject to examination by DOR.

Modernized e-File allows for acceptance acknowledgments with alerts.  If an alert is received, the return is being processed by DOR, but there may be additional information that will be requested or additional time may be required to process the return.

A rejected acknowledgment indicates that the e-Filed return has been rejected and that it must be corrected and retransmitted.  Oregon will honor a 10 day period for a return to be resubmitted if rejected for processing year 2016.  This mirrors the IRS transmission perfection period.

## Section 7 – Schemas and Transmission Specifications

- Oregon adopted the TIGERS recommended structure in the development of forms-based schemas. The TIGERS structure adopted by Oregon includes standardized schemas for header, data, binary attachments, and financial transactions. Oregon offers part of the financial transactions for estates and trusts.

- Software developers should apply data from tax forms to the appropriate data element from the XML schema and all XML data must be well formed.

- Packaging of data and transmission payload must be in the proper format.

- Returns filed in XML format with SOAP attachments allow for binary attachments to the submission. These attachments could consist of balance sheets, statement records, or other types of documentation. Oregon only accepts PDF attachments, no other file types may be attached, and attachments must have the appropriate naming convention. The file order of attachments and procedures must follow the IRS requirements for binary attachments as found in IRS Publication 4164.

- *In general*, data elements should be sent only if they contain data values. It is not necessary to send empty data elements. For example, zero financial fields and unused elements should not be sent.

  - *However,* these elements do require a zero to be entered if the amount is $0. Do not leave these elements blank: Carryforward total credit remaining for all prior years, Carryforward amount awarded each year, and carryforward total using this year.

- The attribute StateSchemaVersion is fixed and will be updated if an updated schema is released. The Secure Document Repository and Transmission tool (link to the FTA site).

- SubmissionType in the StateSubmissionManifest –
  - Form OR-41 – '41'

- SubmissionCategory in the StateSubmissionManifest – ESTRST

- In order to send a negative amount, a minus sign (-) must be in front of the dollar amount.

- Amounts must be rounded to the nearest dollar.

- All Boolean types should be true/false.

- Payments (and the return submission) with an invalid routing number will be rejected. Please do not send payments with zero dollar amounts.

- The instance of a federal or state XML file cannot exceed 750MB compressed. The maximum size of an individual PDF file attached to the submission is 60 MB uncompressed. The maximum total submission package size, including all federal and state XML files and PDF attachments is 750MB compressed.

- Timeliness of filing and Timestamp - Oregon recognizes the IRS received date as the received date for the Oregon return. DOR looks at the ReceivedAtIRSTs that is found in the GetNewSubmissionsResponse XML to determine timeliness. We convert the timestamp to local (PST) time.

## Section 8 – When to File a Federal Form 1041 or a Pro Forma Return

Full Year Resident –
- Taxpayers should use their Federal 1041 to complete the Form OR-41

Non Resident –
- Taxpayers should use their Pro Forma to complete the Form OR-41
- Taxpayers should attach a PDF of the Federal 1041, as filed with the IRS

Part Year Resident –
- Taxpayers e-File a Federal 1041, as filed with the IRS, to complete their Schedule P, and use the Pro Forma to complete the Form OR-41.
    - Taxpayers are required to attach a PDF of the Pro Forma used to complete the Form OR-41.  If applicable, taxpayers should also include a PDF of the Schedule OR-ASC-FID.

## Appendix A – 2017 Oregon Business Rules

| Code | Severity | Error Message | PDF Naming Convention |
|------|----------|---------------|----------------------|
| 0001 | Reject | Schema Validation Violation | |
| 0002 | Reject | Return Type in State Header does not match Submission Type in State Manifest | |
| 0003 | Reject | Test return in production<br>Test FEIN range is 110000001 – 110000700 | |
| 0004 | Reject | Production FEIN in test<br>Test FEIN range is 110000001 – 110000700 | |
| 0005 | Reject | Invalid Routing Number | |
| 0006 | Reject | Submission from unapproved vendor | |
| 0008 | Alert | Non-PDF exists in attachments | |
| 0009 | Reject | Multiple IRS XML documents exist in submission | |
| 0010 | Reject | Duplicate IRS folder in submission | |
| 0016 | Reject | If OR income tax is withheld for Form OR-41 and is shown on a Form 1099 or W-2, then the Form 1099 or W-2 must be attached. | FIDwithholding.PDF |
| 0017 | Reject | You must include the Federal Form 1041 with your Form OR-41, unless you are a funeral trust, bankruptcy estate, exempt organization, or a nonresident filer. | |
| 0018 | Reject | You must include a PDF of your Pro Forma 1041 with your Schedule OR-SCH-P. | ProFormaFederalReturn.PDF |
| 0019 | Reject | Direct debit requested but the Financial Transaction is missing or direct debit is not requested and the Financial Transaction is sent. | |
| 0020 | Reject | Additional elements must be sent when the DiscussWithPaidPrepareInd is checked.<br><br>Cause:<br>If the ReturnHeaderState/DiscussWithPaidPrepareInd is checked, then these fields must also be sent:<br>• ReturnHeaderState/PaidPreparerInformationGrp/SignatureDt<br>• ReturnHeaderState/PaidPreparerInformationGrp/PreparerPersonName<br>• ReturnHeaderState/PaidPreparerInformationGrp/PreparerUSAddress or | |

| | | | |
|---|---|---|---|
| | | ReturnHeaderState/PaidPreparerInformationGrp/PreparerForeignAddress<br>• ReturnHeaderState/PaidPreparerInformationGrp/PhoneNum or ReturnHeaderState/PaidPreparerInformationGrp/ForeignPhoneNum<br>• ReturnDataState/Form41/Footer/PreparerLicenseNumber | |
| 0021 | Reject | You must include a Schedule OR-ASC-FID if you claim either a standard credit, a carryforward credit, or a refundable credit on your Form OR-41. | |
| 0022 | Reject | You must include a FID Reduced Tax Rate Schedule if there is an amount on the 'Reduced-tax rate amount and qualifying source' line.<br><br>Reduced-tax rate amount and qualifying source line – ReturnDataState/Form41/Body/ReducedRateTax/ReducedRateTaxAmount<br><br>Note – The FID Reduced Tax Rate Schedule should include an explanation of how the tax was computed. | FIDReducedTaxRateSchedule.PDF |

Additional PDF's may be titled as appropriate and included in the submission as needed.