

# Virginia Department of Taxation



Corporation and Pass-Through Entity e-File Test Package

Tax Year 2017



# Overview

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This publication provides scenarios for the Software Vendors / Developers to test their software with the Fed/State e-File program for the Corporation and Pass-Through Entity tax form packages: 500 and 502.

Please refer to the 2017 Corporation and Pass-Through Entity Guide and Specifications for important details and guidance concerning certain Virginia tax computations and other information important to developing Virginia tax preparation software.

## 500 Test Scenarios

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## 502 Test Scenarios

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# 500 Test Scenarios

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## Test Scenario #1 – FEIN 00-0200001

File a fiscal tax year consolidated Virginia corporate return, Form 500, with a name change and Schedule 500A attached with Section A Line 7, Enterprise Data Center Operation populated. There are 10 affiliates filing in a consolidated return Form 500.

There is Pass-Through Entity (PTE) withholding for 7 PTEs on Line 15. Taxpayer populated Form 500, Page 1, Line D with 7.

There is an Addition reported on Schedule 500ADJ – Code 13.

There are Subtraction Codes reported on Schedule 500ADJ.

- Code 50
- Code 57
- Code 62
- Code 99

There are Credits reported on Schedule 500CR.

- Major Research and Development Expenses Tax Credit, Part 27
- Conservation Tillage Equipment Credit, Part 4

The taxpayer made estimated payments and the return results in an overpayment with 25% of the overpayment applied to next year's estimated tax and 75% refunded.

Forms to include:

- Form 500
- Schedule 500AC
- Schedule 500ADJ
- Schedule 500A
- Schedule 500AB
- Schedule 500AC
- Schedule 500CR
- Schedule 500FED
- Form 1120
- Binary Attachment – Conservation Tillage Equipment Credit

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## Test Scenario #2 – FEIN 00-0200002

File a Virginia corporate return with a filing status of a separate Virginia corporate return, Form 500, for a corporation who files a consolidated fiscal year federal return with a mailing address change.

Schedule 500A is attached and the taxpayer elected to apportion their income using the Enterprise Data Center Operation Apportionable Method, Schedule 500A Section A, Line 7 with taxable year beginning on July1, 2017.

There are Additions reported on Schedule 500ADJ.

- Code 03
- Code 19
- Code 99

There are Credits reported on Schedule 500CR.

- Education Improvement Scholarships Tax Credit, Part 29
- Food Crop Donations Tax Credit, Part 30

The return results in a balance due which includes interest and/or penalty for underpayment of estimated Virginia income tax (Form 500C). The payment made uses direct debit with the warehouse date provided by the taxpayer. The return is filed before the due date.

Forms to include:

- Form 500
- Schedule 500ADJ
- Schedule 500A
- Form 500C
- Schedule 500CR
- Schedule 500FED
- Form 1120

# 500 Test Scenarios (con't)

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## Test Scenario #3 – FEIN 00-0200003

File a combined Virginia corporate return, Form 500, for a corporation who files a fiscal tax year federal return. Schedule 500A is attached. There are 5 affiliates.

There is negative taxable income with an Addition, Interest on state obligations other than Virginia, Section A, Line 5 of Schedule 500ADJ.

There are Credits reported on Schedule 500CR.

- Farm Wineries and Vineyards Tax Credit, Part 21
- International Trade Facility Tax Credit, Part 22

The return results in an overpayment and the corporation has requested a refund.

Forms to include:

- Form 500
  - Schedule 500A
  - Schedule 500CR
  - Schedule 500FED
  - Schedule 500AC
  - Schedule 500ADJ
  - Form 1120
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## Test Scenario #4 – FEIN 00-0200004

File a Virginia multistate corporate return, Form 500, with taxable income and Schedule 500A attached. The corporation files as a Construction Corporation. There are Nonapportionable Investment function income and Nonapportionable Investment function loss reported.

There are Additions and Subtractions reported on Schedule 500ADJ.

- Section A, Line 2
- Section B, Line 3
- Section B, Line 8
- Section B, Line 9, Code 99

There are Credits reported on Schedule 500CR.

- Port Volume Increase Tax Credit, Part 23
- Clean-Fuel Vehicle and Vehicle Emissions Testing Equipment Credit, Part 8

There are estimated payments and an overpayment credit from the prior year reported. The return results in a tax due paid by direct debit and is filed within the automatic extension period.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500FED
- Schedule 500ADJ
- Schedule 500AB
- Form 1120
- Binary Attachment – Clean-Fuel Vehicle and Vehicle Emissions Testing Equipment Credit
- Binary Attachment – Nonapportionable Investment function income statement
- Binary Attachment – Nonapportionable Investment function loss statement

# 500 Test Scenarios (con't)

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## Test Scenario #5 – FEIN 00-0200005

File a fiscal tax year Virginia multistate corporate return, Form 500, with taxable income and a Schedule 500A attached.

The taxpayer has elected to apportion income using the Financial Corporation Cost of Performance Apportionment Method. The initial filer checkbox is checked.

The taxpayer is reporting Nonapportionable Income on Schedule 500A – Section B, Line 3c.

There are Credits reported on Schedule 500CR.

- Barge and Rail Usage Tax Credit, Part 24
- Major Business Facility Job Tax Credit, Part 9
- Livable Home Tax Credit, Part 25

There is an overpayment to be applied to next year's estimated tax.

Forms to include:

- Form 500
- Schedule 500CR
- Schedule 500A
- Schedule 500FED
- Form 1120
- Binary Attachment - Nonapportionable Investment function income statement

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## Test Scenario #6 – FEIN 00-0200006

File a calendar tax year Virginia corporate return, Form 500, for a telecommunications company that is attaching Form 500T.

There are Additions reported on Schedule 500ADJ.

- Line 1
- Line 5
- Line 6 – Code 14

There are Credits reported on Schedule 500CR.

- Community of Opportunity Tax Credit, Part 19
- Research and Development Expenses Tax Credit, Part 26

There are Credits reported on Schedule 500T.

- Historic Rehabilitation Tax Credit, Part 1 2(L)
- Education Improvement Scholarships Tax Credit, Part 1 2(DD)
- Major Research and Development Expenses Tax Credit, Part 1 2(EE)
- Food Crop Donations Tax Credit, Part 1 2(FF)

The taxpayer reported estimated payments and the return results in a balance due and the taxpayer pays by EFT.

Forms to include:

- Form 500
- Form 500T
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Form 1120

## 500 Test Scenarios (con't)

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### Test Scenario #7 – FEIN 00-0200007

File a short year Virginia consolidated corporate return, Form 500, with negative federal taxable income and Schedule 500A is attached. The taxpayer populated Line C2, Form 500, page 1.

Four payments are made to related entities reported on Schedule 500AB, Part 1. There is an Addition reported on Schedule 500ADJ – Section A, Line 2.

There are Credits reported on Schedule 500CR.

- Riparian Waterway Buffer Credit, Part 16
- Land Preservation Tax Credit, Part 17
- Virginia Coal Employment and Production Incentive Tax Credit, Section 1 Part 18

There is no overpayment or balance due on this return.

Forms to include:

- Form 500
  - Schedule 500AB
  - Schedule 500AC
  - Schedule 500FED
  - Schedule 500A
  - Schedule 500ADJ
  - Schedule 500CR
  - Form 1120
  - Binary Attachment – Virginia Coal Employment and Production Incentive Tax Credit
  - Binary Attachment – Net Operating Loss Deduction
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### Test Scenario #8 – FEIN 00-0200008

File a fiscal tax year Virginia corporate return, Form 500. The taxpayer is an Electric Supplier and attaches Schedule 500EL.

Taxpayer allows Virginia Tax to discuss the return with the tax preparer and answered **Yes** on Line E, Form 500, Page 1 with years 2003 and 2004 reported. There is no overpayment or balance due.

Forms to include:

- Form 500
  - Schedule 500EL
  - Schedule 500FED
  - Form 1120
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### Test Scenario #9 – FEIN 00-0200009

File a calendar tax year Virginia consolidated corporate return, Form 500, with 6 affiliates reported and Schedule 500A attached. The taxpayer is filing as a Homeowners Association attaching 1120H as a PDF.

There are Additions reported on Schedule 500ADJ

- Section A, Line 4
- Section A, Line 5

There are Credits reported on Schedule 500CR.

- Enterprise Zone Act Credit, Section 1 Part 3
- Motion Picture Production Tax Credit, Section 3 Part 2

Estimated payments are reported and the return results in an amount due, filed late and paid by direct debit.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500AC
- Schedule 500ADJ
- Schedule 500FED
- Binary Attachment – Enterprise Zone Act Credit
- Binary Attachment – 1120H

## 500 Test Scenarios (con't)

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### Test Scenario #10 – FEIN 00-0200010

File a Virginia corporate return, Form 500, with a filing status change. Virginia taxable income is fully taxable (apportionment factor = 100%).

There are Subtractions reported on Schedule 500ADJ.

- Section B, Line 1
- Section B, Line 5

There are Credits reported on Schedule 500CR.

- Conservation Tillage Equipment Credit, Section 1 Part 4
- Neighborhood Assistance Act (NAA) Credit, Section 1 Part 2

The return results in a balance due and the taxpayer is paying by EFT.

Forms to include:

- Form 500
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Form 1120
- Binary Attachment – Conservation Tillage Equipment Credit

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### Test Scenario #11 – FEIN 00-0200011

File an amended 2017 Virginia corporate Form 500, with Federal Audit changes and Schedule 500A attached. Amended Return Explanation is included.

There are changes reported on these forms.

- Schedule 500CR – Precision Fertilizer and Pesticide Application Equipment Credit, Section 1 Part 6
- Schedule 500ADJ – Section B, Line 1
- Schedule 500ADJ – Section B, Line 5

The return results in a balance due and the taxpayer is paying by EFT.

Forms to include:

- Form 500
- Schedule 500A
- Schedule 500CR
- Schedule 500ADJ
- Schedule 500FED
- Form 1120
- Binary Attachment – Precision Fertilizer and Pesticide Application Equipment Credit

# 502 Test Scenarios

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## Test Scenario # 12 – FEIN 00-0200012

File a fiscal tax year Virginia Form 502 with 10 nonresident owners and federal Form 1120S attached. Schedule 502A is present with Section A Line 8 checked.

There are Additions reported on Schedule 502ADJ.

- Code 14
- Code 20
- Code 21

There are Subtractions reported on Schedule 502ADJ.

- Code 10
- Code 11
- Code 49

Nonrefundable Tax Credits are being claimed on Schedule 502ADJ.

- Major Research and Development
- Food Crop Donation

Refundable Tax Credit of Motion Picture Production Tax Credit is being claimed on Schedule 502ADJ.

Taxpayer made withholding payments and the return results in an overpayment with 25% of the overpayment applied to next year's tax and 75% refunded.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- VK-1
- Form 1120S

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## Test Scenario # 13 – FEIN 00-0200013

File a calendar tax year Virginia Form 502 with 3 nonresident owners and federal Form 1065 attached.

There are Fixed-Date Conformity Additions and Subtractions reported on Form 502.

There are Additions reported on Schedule 502ADJ.

- Code 10
- Code 21

There are Subtractions reported on Schedule 502ADJ.

- Code 12
- Code 52

There are Nonrefundable Tax Credits reported on Schedule 502ADJ.

- Waste Motor Oil Burning Equipment Credit.
- Research and Development Expenses Tax Credit

Taxpayer filed over 6 months late with a balance due of withholding tax and is thereby liable for Late Filing penalty of 30% on the balance of tax due. Taxpayer is also liable for late filing penalty of Form 502 of \$1200.00. Payment is made using direct debit.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- Schedule 500AB
- VK-1
- Form 1065
- Binary Attachment – Approved Form 50-12 from the Department of Environmental Quality (DEQ)



## 502 Test Scenarios (con't)

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### Test Scenario # 14 – FEIN 00-0200014

File a calendar tax year Virginia Form 502 with 4 owners and Final return checkbox is checked with Federal Form 1120S attached. Schedule 502A is present and they file as a Construction Corporation.

There is a refundable tax credit, Coalfield Employment Enhancement Tax Credit reported on Schedule 502ADJ. The return results in an overpayment.

Forms to include:

- Form 502
- Schedule 502A
- Schedule 502ADJ
- VK-1
- Form 1120S
- Binary Attachment – Form 306B

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### Test Scenario #15 – FEIN 00-0200015

File an amended tax year 2017 Virginia Form 502 reporting a change in the total number of owners, a name change and an address change. Federal Form 1120S is also attached. Amended return explanation is included.

There is an Addition Code 10 reported on Schedule 502ADJ with a \$5,000.00 increase in taxable income reported.

Forms to include:

- Form 502
- Schedule 502ADJ
- VK-1
- Form 1120S