

**Publication IND 1347 (Individual)**  
September 2013

# **Edits and Validations for Indiana Individual Income Tax Returns**

*Tax Year 2013*



# IND Publication 1347 Handbook for Developers

## Table of Contents

<b><u>Section Heading</u></b>	<b><u>Page #</u></b>
Changes to Publication Format.....	1
Subscribe for e-Mail Updates .....	1
Introduction.....	2
Internet/Website ( <a href="http://www.in.gov/dor/3842.htm">http://www.in.gov/dor/3842.htm</a> ) .....	2
Whom to Contact .....	2
Special Note: County Tax Rates .....	2
Special Considerations for Reported Withholding .....	3
Fed/State Filings .....	3
Barcode Filings .....	3
Excessive Withholding .....	4
Forms to Contain 1-D Bar Codes.....	4
ABA Routing Number Validation Routine.....	5
<b>REVISION 2013</b> - County Income Tax Rates and County Codes.....	7
<b>REVISION 2013</b> - Indiana Addbacks.....	7
MeF Electronic Postmark .....	7
Foreign Address Formatting .....	7
Address Validations .....	8
Married Filing Separate Schema Changes .....	9
Hoosier Works Refund Option .....	10

### **Additional Publication Documents**

- ❖ **Administrative Highlights**  
Please refer to the appropriate links on the Publication IND 1347 Webpage.
- ❖ **IND Edits and Instructions/Record Layouts**  
Please refer to the appropriate links on the Publication IND 1347 Webpage.
- ❖ **Wage Statement Edits and Instructions/Record Layouts**  
Please refer to the appropriate links on the Publication IND 1347 Webpage.

# IND Publication 1347 Handbook for Developers

- ❖ **Instructions for Producing 1-D Barcode on Paper Submissions**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **Income and Withholding Supporting Documents**  
Please refer to the Publication IND 1347 webpage for links to:
  - W-2
  - W-2G
  - 1099-R
  - 1099-Misc
  - 1099-G (Federal)
  - 1099-G (DWD)
  - WH-18
  
- ❖ **Valid IRS 2-character Country Codes**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **Foreign State or Province Codes**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **Foreign Postal Code Formats**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **Indiana School Districts Table**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **US State Code Table**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.
  
- ❖ **REVISION 2013 - Indiana Add-Backs**  
Please refer to the appropriate link on the Publication IND 1347 Webpage.

# IND Publication 1347 Handbook for Developers

## Changes to 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).

## Subscribe for e-Mail Updates

The Department strongly recommends that all Software Developers subscribe to our website in order to automatically receive e-mail 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



# IND Publication 1347 Handbook for Developers

## Introduction

This publication, IND 1347(Individual), provides the edits and instructions that must be followed when developing software to be used to electronically produce and file Indiana individual income tax returns. It is also applicable to software that will print Indiana returns containing a 2-D Barcode. The intent is two-fold: to provide the Indiana Department of Revenue 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 of Revenue.

This publication is intended to be used in conjunction with the appropriate version of publication IND 1346 to provide a comprehensive documentation on the requirements for electronically filing and 2-D Barcode printing of Indiana individual income tax returns and schedules.

## Internet/Website (<http://www.in.gov/dor/3842.htm>)

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 Developer's Corner where this and other publications are found. Announcements and updates will appear here. Visit it often!

## Whom to Contact

All forms generated by your software must be approved by our Forms Management Coordinator, Jean Bang. Your company must be registered with him. Voice: (317) 615-2550, E-mail address:[forms@dor.in.gov](mailto:forms@dor.in.gov).

Questions concerning the edits and instructions in this publication, or in publications IND 1346 or IND 1346-BC, should be directed to: Indiana Department of Revenue, Attn: Alternative Filing Manager, 100 N. Senate Avenue, IGCN Room N286, Indianapolis, IN 46204. Voice: (317) 232-0059, E-mail address: [AltFileHelpDesk@dor.in.gov](mailto:AltFileHelpDesk@dor.in.gov) .

## Special Note: County Tax Rates

Indiana county tax rates will not be finalized until later in the year. See the County Income Tax Rates and County Codes section of this document for a link to an Indiana website that has the up-to-date county tax rates listed. Visit this site often to access the updated county tax rates.

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.

# IND Publication 1347 Handbook for Developers

## Special Considerations for Reported Withholding

**1099-G** – Prior to Tax Year 2010, Indiana did not support the 1099-G wage statement in electronic format since it was not common for state or local withholding to be reported on such a wage statement. That trend is changing as many government agencies are now beginning to report this information. As of Tax Year 2010, Indiana does support the 1099-G in electronic format, but Indiana only requires the 1099-G to be present if either state or local withholding is reported on the wage statement. Indiana also requires 1099-Gs to be included in the filing if unemployment compensation is reported on the wage 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 web page.

### Fed/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, WH-18) 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 is actually a duplicate reporting of withholding that was also claimed on a wage statement submitted with the filing.

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

In the rare instances where a taxpayer might have a legitimate reason to claim 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 in Indiana.

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.

### Barcode Filings

The amount of withholding credit claimed on the return must have supporting documentation for Forms W-2, W-2G, 1099-R, 1099-G, WH-18's and 1099-MISC. The processing of the return will be delayed if all of the supporting documentation is not present in the barcode. The delay will be significantly greater if the paper documentation

## IND Publication 1347 Handbook for Developers

is also missing as this will mean the taxpayer must be contacted and required to provide the documentation to the Department before the return's processing can be completed. Indiana recommends that the software instruct the return's preparer how to order the paper copies of the supporting documentation. The paper supporting documents that were included in the barcode should be on top in the same order that they appear in the barcode. Any documents that are not included in the barcode should follow directly behind those that were included in the barcode. This will greatly aid Department employees in determining which data has been captured and should expedite the processing of the return if some or all of the supporting documents could not be read in the barcode.

### 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 Indiana Department of Revenue 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/3999.htm> for further details on the 1-D Barcode Specifications.

# IND Publication 1347 Handbook for Developers

## 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:

A) Position multiplied by a constant

1 \* 3  
2 \* 7  
3 \* 1  
4 \* 3  
5 \* 7  
6 \* 1  
7 \* 3  
8 \* 7

B) Sum the products from the above.

C) 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



## IND Publication 1347 Handbook for Developers

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

## IND Publication 1347 Handbook for Developers

### **REVISION 2013 - 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. Therefore, please continue to refer to the website below. Indiana will update this site with the county rates as they become finalized. Be advised that this will be an ongoing process. They will not all be updated at the same time. **All 92 Indiana counties have now adopted a county tax.**

<http://www.in.gov/dor/4658.htm>

### **REVISION 2013 - Indiana Addbacks**

The Indiana General Assembly has enacted numerous tax add-backs in recent years. For Tax Year 2013, the Legislature has also enacted some “reverse” add-backs. 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**

Effective Tax Year 2010, the IRS no longer requires the ElectronicPostmark element in the MeF schema set. Indiana 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 Indiana Department of Revenue 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 also 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 web page 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

## IND Publication 1347 Handbook for Developers

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, Indiana strives to ensure that all addresses stored in our database conform to the strict standards of the U.S. Postal Service. Toward that end, Indiana implemented a more robust address validation process during the off season of tax year 2010. We have noticed an increase in the volume of electronically filed returns suspending due to this stricter address validation. Although Indiana 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.

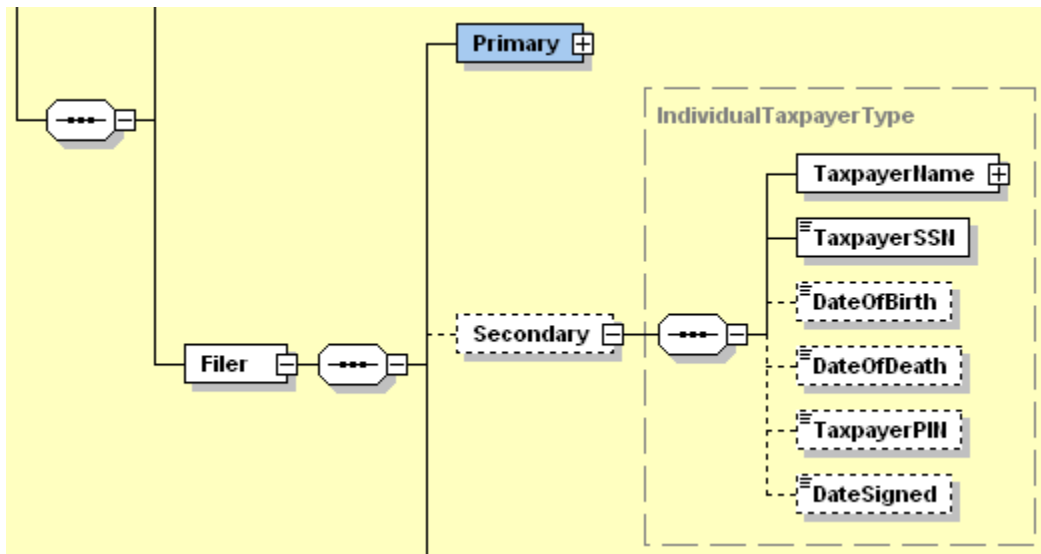
The address validation product used by the Department conforms to the Postal Addressing Standards detailed in USPS Pub 28. Here is a link to that publication:  
[http://pe.usps.com/text/pub28/pub28c2\\_toc.htm](http://pe.usps.com/text/pub28/pub28c2_toc.htm)

## IND Publication 1347 Handbook for Developers

### 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 Indiana in direct violation of the ReturnHeaderState schema, which requires both a TaxpayerName and TaxpayerSSN if the optional Secondary element is present:



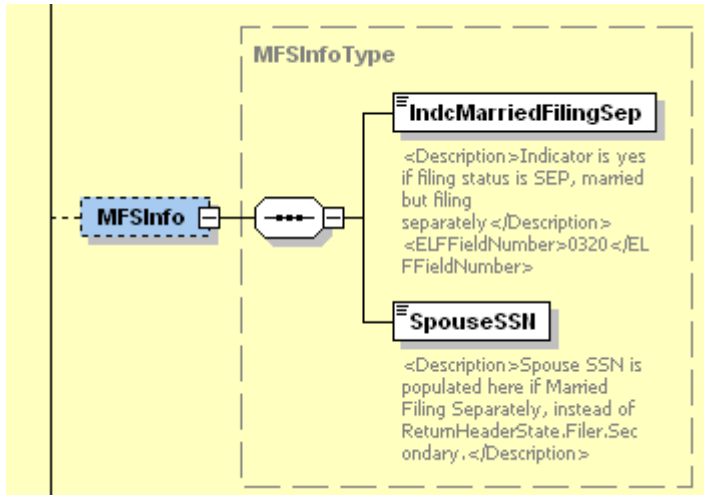
For Tax Years 2009, 2010 and 2011, Indiana published a “workaround” for developers to use in order to meet the requirements of the ReturnHeaderState schema.

Effective for Tax Year 2012, Indiana no longer accepts the workaround for Tax Year 2012 returns and beyond.

Indiana began taking a different approach for MFS returns effective with Tax Year 2012. The Filer/Secondary element in ReturnHeaderState is no longer used at all on MFS returns.

Prior to Tax Year 2012, Indiana 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.

## IND Publication 1347 Handbook for Developers



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

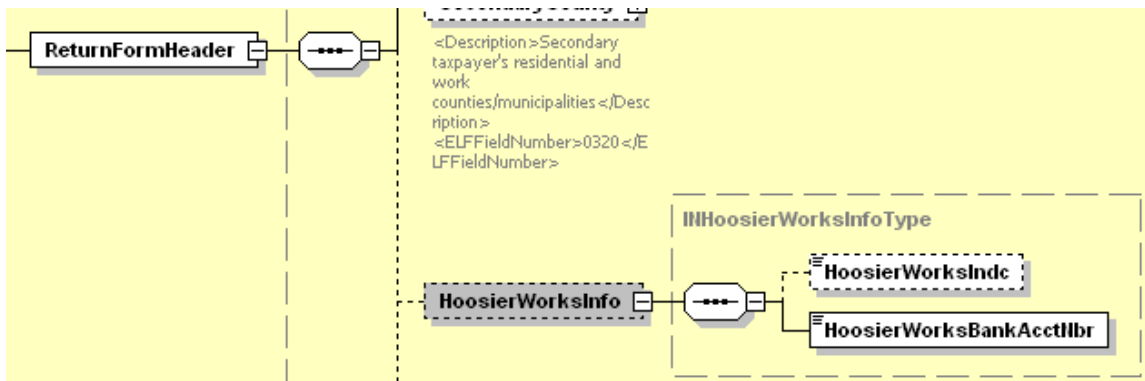
Any MFS return that is filed using the old "workaround" sanctioned prior to Tax Year 2012 will be rejected.

### 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.



## **IND Publication 1347 Handbook for Developers**

Ideally, Indiana 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.