

We are beginning our annual update planning for this coming tax year. If you could take a moment to provide us with information/answers to the questions below, it would be very helpful for our planning purposes.

- a) Are many state changes expected for this upcoming year? If so, do you have any details as of yet?
- b) Is there a date or timeframe where we can expect the "draft" copy of the EF record layouts?
- c) Is there a date or timeframe where we can expect the EF record layouts to be finalized?
- d) If the state is implementing MeF, is there a date or timeframe where we can expect the schemas?
- e) Is there a date or timeframe where we can expect the PATs/ATS scenarios?

Any information you can provide is greatly appreciated.

- a) At this time only changes for the resident return are available:
 - 1) Line 8B - Federal Standard Deduction for head of household raised to \$8,400
 - 2) Addition to donations of the adjusted overpayment: Louisiana Chapter of the National Multiple Sclerosis Society Fund
 - 3) Additional donation to the Louisiana Chapter of the National Multiple Sclerosis Society Fund added to the amounts due Louisiana section
 - 4) Addition of Capital Gain from Sale of Louisiana Business (20E) to the exempt income line items on Schedule E
- b) Draft copy of the EF record layouts should be available no later than Sept 1st
- c) Finalization of the EF record layouts should be complete by Oct 1st
- d) Release of draft and final schemas for MeF should closely follow the release schedule of the EF record layouts
- e) After the release of the federal PATs/ATS scenarios

Since the Federal Katrina credits are now Extinct am I correct in assuming the only existing credit for Louisiana will now be the insurance credit?

No, we have several other credits that are available. There is no change in the available credits from 2009 tax year to 2010, so she can review the 2009 return for a list of available credits.

Do you have any information available on Topaz Digital Signature Pads and the IRS approval of the use? Policy Services Division is currently working on issuing a Revenue Information Bulletin that would address what qualifies for the deduction.

I know this situation is rare, but how would the direct deposit mandate apply to those taxpayers who may have a savings but no checking account? Will those taxpayers be subject to the mandate that LA refunds should be directly deposited if they directly deposit a Fed refund (because T/P's, to my knowledge, can elect to directly deposit a Federal refund into their savings account).

When you have a chance, would you mind looking at this line in the LA Fid instructions?

"Print the amount of the federal taxable income before the income distribution **deduction**, but before the **exemption deduction** as reported on Federal Form 1041. "

LA541 Schedule A line 1

Does this mean that line 17 of the 1041 "Adjusted total income (loss)" should pull to Line 1 of the LA schedule A for Non-Resident returns? This line 17 is the income amount that would appear before the Federal Income Distribution Deduction. This would make sense.

I was wondering, however, if Louisiana may want to see the exemption deducted as part of the Federal Income amount that flows to LA schedule A.

Mef - What values would you like to see in the GovernmentCode, SubmissionType, and SubmissionCategory element fields?

We've been receiving LAST for the GovernmentCode, IND for the SubmissionCategory, and SubmissionType has to be Form540 for resident and Form540B for non-resident.

I work for a software developer, Profit Developers, Inc.(PDI). We develop a transmission software called efile Interchange. I was browsing your website looking for the 2010 Tax Year reject or error code listing. Are your error codes available yet? If not, would you have a date that they will be available? Any assistance would be greatly appreciated.

Legacy

In reviewing the new layouts, we are a little confused. Separate forms have been created for the SCH E, SCH F, SCH G, SCHNR and SCH H but not all the fields for these forms were deleted from the generic record and put on the new forms. Example: seq 305.i, n, 310.a, f, k, p, 315b, c, d, 325j, k, l, m, n, 330a, b, e, f, g, h, i, j, k, l. Is there a reason why they all can't be moved to the new schedules? Are we missing something?

Mef

In looking at the schemas it looks like LA is limiting the number of occurrences of fields to the same number that is allowed in legacy. For example, the dependent section on the 540 – the allowable occurrences of dependents is 6 in legacy and 6 in MEF. We are assuming that if the taxpayer has more than 6 dependents they cannot efile through either system. Are we reading this correctly?

Legacy – main reason we moved the main body of the schedules to separate forms was due to a shortage of available numeric fields on the resident's generic layout. I didn't move the fields in the alphanumeric section, because I didn't feel it was necessary. The RCCC indicator is on the generic record but relates to the unformatted record.

Limiting the numbers to match the paper form was a decision made last year since the back-end system only has slots for those numbers as well.

I have another question for you or the person doing MEF about the code fields in the SCH E and SCH F. Based on the MEF schemas, it appears that we are supposed to send a TEXT3 code, i.e. "02E" or

“72F”. However, in legacy we are only sending the two digit numeric code, i.e. “02” or “72”. I am assuming that was due to the fields previously being in the generic record. Do you know if it is possible to have the values that are to be sent for the two systems to be the same? Thanks for all your help.

Is the 2010 Louisiana Generic Record Layout – Resident final or draft? The web page lists it as final but the pdf document title indicates draft. “**2010 State Generic Record Layout - Resident Returns (DRAFT)**”

I don’t expect it to change, but we’ll probably begin testing before we declare it finalized.

I have a question regarding the mark box for farmers on IT-540, Page 3, Line 31 and Page 4, Line 53. Currently our program has marked this box only if taxpayer was a farmer and had an underpayment penalty. Should this box be marked if taxpayer is a farmer, filed tax return and paid tax by March 1 with no underpayment penalty? Currently we do not mark the box for that circumstance. Some of our users have called us requesting the box be marked so they do not receive letters from Louisiana Department of Revenue charging an underpayment.

We would like confirmation that we are marking the box in the correct circumstances or that we should also mark the box when a farmer and filing by March 1 with payment.

The box should be marked for both instances.

The following are issues we found:

Test 5 Lott: The test has **Fed Sch A Itemized Deductions line 29** \$116,000. Based on info given **state tax paid & real estate taxes** (30,700 + 3,000 = 33,700). With this amount along with the other deductions (33,700 + 71,500 + 12,000 = 117,000) the total itemized deductions would total \$117,000. Should the real estate tax be reduced by 1,000 in order to give desired results on **IT-540 line 8A** [355] 116,000?

Using the Fed 2010 Tax Computation Worksheet (Draft 9/13/2010) Fed **1040 line 44** s/b 463,758. The test has **1040 line 44** as 471,269. This amt carries over to **IT-540 line 9** [370] & impacts the rest of the test. Should income be increased in order to match **1040 Line 44 & IT-540 Line 9** [370] 471,269? If not, the test will need to be revised to reflect **1040 Line 44 & IT-540 Line 9** [370] 463,758.

Test 8 Lee: The name “Jane Smith” is listed on page 1. Is this a Third Party Designee?

Test 13 Jones: There is an issue with **Fed 6251 AMT**. The test has **line 1** as 113,520 (Fed AGI). However **6251 line 1** instructions states to use **1040 line 41** (97,049) when taking **Itemized deductions**. Therefore **AMT** will be calculated as follows:

Fed 6251 AMT

Ln 1 97,049

Ln 3 2,087 (no change from test)
Ln 28 99,136
Ln 29 45,000 (no change from test)
Ln 30 54,136
Ln 31 & 33 14,075
Ln 34 13,881 (no change from test)
Ln 35 194

The changes to Fed 6251 AMT will impact Fed 1040 as follows:

Fed 1040

Ln 194 (carried from form 6251)
Ln 46 14,075

These changes impact **IT-540** as follows:

IT-540

Ln 8B [360] Blank (Test has 11,400 but s/b blank since test has **Itemized deductions line 8A**
16,471)
Ln 9 [370] 14,075

These changes impact the entire **IT-540** outcome. Please revise test to reflect changes.

Test 14 Lane (or Jones): There seems to be a conflict on which name is to be use for both Taxpayer & Spouse. On page 1 of the test scenario the TP is Bobby L Lane & Spouse Amber Lane. However on Sch A, Sch C, Sch L, form 6251, & on the page 4 of the scenario TP is Latest L Jones & Spouse Amber Jones. Which names should be used for TP & Spouse

Test 5: Line 6 on the Federal Sch. A was corrected to 2000. Line 9 of the Federal Sch. A was corrected to 32700. The script is correct now.

Test 8: The name Jane Smith was removed from the script.

Test 13 has been corrected.

Test 14 The correct name of the taxpayer is Lane. This has been clarified on the script.

The Non-Resident Child Care Credit may be taken only Child Care Expenses incurred in Louisiana during the time a person was a Louisiana resident. However, line 1 then says "Print the Federal Child Care Credit from Federal Form 1040, line 48 ...". Since a Part Year resident can claim the expenses from only Louisiana sources, should the amount that prints on line 1 be only the LA portion of the Federal Child Care Credit and not the total Federal Child Care Credit claimed?

The Louisiana child care credit for a part-year resident should be based on the expenses paid while a resident of Louisiana. The amount for Line 1 of the worksheet should be only the LA portion of the Federal Child Care Credit. This could be accomplished by performing a recalculation of the federal credit using just Louisiana amounts.

We are still a little confused about these tests. I have attached the latest 2441 instructions and below I copied the instructions for line 10 of the 2441. I also placed the numbers from test 3 in bold next to each line. Based on this we believe the taxpayer can take the child care credit of 600. Line 3 of this worksheet is supposed to be carried to line 10 of the 2441. The taxpayer then takes the smaller of line 9 or 10. What are we missing?

1. Enter the amount from Form 1040, line 46, Form b. 1040A, line 28; or Form 1040NR, line 44 **9401**

2. Enter the amount from Form 1040, line 47, 1040NR, line 45; Form 1040A filers, enter -0- **0**

3. Subtract line 2 from line 1. amount on Form 2441, line 10. But if zero or d. less, **Stop**; you cannot take the credit **9401**

According to the October 10, 2010 Tax Institute without the AMT patch the child care credit cannot reduce the tax below the tentative minimum tax.

AMT Issues and the AMT Patch

1. *No inflation adjustments.* Unlike regular tax, AMT amounts are not automatically adjusted for inflation. That means the AMT exemptions, the exemption phaseout range, and the AMT tax brackets do not change year over year. So, as regular tax is adjusted each year because of tax cuts and inflation adjustments, tentative AMT stays at the same level.

2. *Nonrefundable personal credits.* With certain exceptions, nonrefundable personal credits are not allowed for AMT.

"Not allowed" means that these credits cannot reduce the taxpayer's tax liability below tentative minimum tax.

Caution:

even if a taxpayer does not actually pay AMT (because tentative minimum tax is lower than regular tax), these credits may be reduced or eliminated altogether.

3. *Kiddie tax.* The AMT exemption is substantially reduced for taxpayers subject to kiddie tax. Because of recent changes to the kiddie tax (essentially, students under age 24 are subject to the kiddie tax unless they are self supporting based on their own earned income), college students with low-paying part-time jobs or who have other sources of income may find themselves paying AMT.

The Child Care credit is limited by the AMT tax liability. The Federal 2010 2441 form instructions have not been posted yet.

Mef Extension Schemas

I just had a few questions about the Form540Ext schema. Is this schema for the LA R-2868 or is there going to be a new form? The only data you are requesting for this is the Taxpayer SSN, Preparer SSN or PTIN, and the Tax Period, do you not want the payment amount or any other information on the LA R-2868 as requested by the legacy record layout? Also for TaxPeriod it states the value must be 2010-12-31, but the DateType below it states that it can only be 3 characters in length. The schema will not validate if we put 2010-12-31 and the type only allows 3 characters.

I updated the individual extension schema. We aren't asking for the amount, but we have added optional spouse info as well as the address in the event that a user is a first-time filer so we have more information than just a social and name.

The tax period is asking for a 4 digit year that can't begin with 0, then a dash, then anything. I pulled it from the efiletypes schema for MeF.

As we are converting our legacy system over to MeF we have found that expected outcome of percentage fields are not always defined the same. Since we have to support the two systems for atleast another year we are going to have to code to convert legacy to MeF. Could you please give us an example of how you are expecting to receive the following fields for both legacy and Mef.

IT540B	360	/FormIT540B/LAIncomeTaxComputation/RatioOfLAAGIToFedAGI
LACCC	530	/WksRfdChildCareCredit/DecimalAmount
LASCHINV	50	/SchInventoryTax/Lines/Ratio

If you could give us expected outcome for 100%, 125.55%, 50%, & 66.66%.
For MeF,

100.00, 125.55 (has to be between 0 and 100), 50.00, 66.66

For legacy we would be expecting 2 precision points, so: 000000010000, 000000012555, 000000005000, 000000006666

For individuals, is a copy of the Federal extension processed with the e-filed return when it is transmitted to LA? **NO**

For corporations, will a copy of the Federal extension be processed with the e-filed return when it is transmitted to LA? **It is not required. We are only accepting the LA extension.**

Is LDR planning to request the ability to receive a Federal extension electronically if there is no LA extension? **NO**

I am the tax analyst responsible for the Louisiana business tax software we provide our clients for filing their Louisiana business tax returns. Can you please provide a contact person I can ask E file questions? I understand Louisiana is going to mandate corporation extensions and payments by E filing. We are also interested in when and if corporation and other business entities will be included in your E file requirements.

I forgot to also ask about partnership and fiduciary extensions and payments E file requirements.

The mandate for electronic filing of extensions and extension payments will be applied to any request of extension for a Corporation Income and Franchise tax return or an individual income tax return. It does not apply to partnership or fiduciary returns.