

2010
Michigan Tax Preparer Handbook
Supplement for
1040 Modernized e-File (MeF)



Michigan Department of Treasury
www.MIfastfile.org

**2010 MICHIGAN TAX
PREPARER HANDBOOK
SUPPLEMENT for**

1040 Modernized e-File (MeF)

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INTRODUCTION

To optimize operational efficiency and improve customer service, the Michigan Department of Treasury (Treasury) has joined with the Internal Revenue Service (IRS) by transitioning to the IRS Fed/State Modernized e-File (MeF) program for filing individual income tax returns. During this transition period, Michigan along with the IRS will support the current e-file program (Electronic Management System (EMS)) as well as MeF. The tax preparer's software will determine which method of transmission will be used based on the type of return filed.

Modernized e-File will not change the way tax preparers transmit e-file returns. Tax preparers may not even know the return was transmitted as an MeF return, although a rapid IRS acknowledgment will be the giveaway. In most cases, the returns are sent to a transmitter who then sends the returns to the IRS. Tax preparers should discuss MeF with their software provider to find out specifically what the provider is offering.

BENEFITS OF 1040 MeF

MeF will deliver significant value and benefits to tax preparers beyond the capabilities of the current e-file system. Some benefits of filing through MeF are:

Year-Round Filing. Returns filed through MeF can be submitted year-round.

- **Prior Year Returns.** MeF will allow filing of prior year *Michigan Individual Income Tax Return* (Form MI-1040) returns. For tax year 2010, tax returns will be accepted for tax year 2009 and the current tax year only. As subsequent tax years are added to the system, MeF will accept the current tax year and two prior tax years.
- **PDF Attachments.** MeF accepts Portable Document Format (PDF) attachments with e-filed returns. See page 5 for more information.
- **Detailed Error Conditions.** Error explanations pinpoint the location of the error in the return and provide complete information in the acknowledgment file that is passed back to the transmitter. MeF error codes use simple wording to clarify each error that triggers a rejection. Michigan will return up to ten error rejection codes per return.

1040 MeF CALENDAR FOR TAX YEAR 2010

Deadline for Submitting <i>Software Developer Application to Participate in Michigan's Federal/State e-file Programs and 2-D Barcode (Form MI-8633)</i> (Software Developers Only)	None
Begin MeF Federal and State Software Testing	November 1, 2010
Electronic Return Acceptance Period	Identical to IRS
Begin Transmitting MeF Returns to the IRS and Treasury	January 18, 2011
<i>Individual Income Tax e-file Payment Voucher (Form MI-1040-V)</i> E-file Payments Due	April 18, 2011
Last Date to File <i>Home Heating Credit Claim (Form MI-1040CR-7)</i>	September 30, 2011
Last Date to Transmit Michigan Returns Electronically	Identical to IRS

1040 MeF CONTACT INFORMATION

Michigan E-file Web Site	www.MIfastfile.org
Michigan Electronic Filing Programs Manager	Annette L. Olivier-Wolfe
Program Area, Testing, File Specifications, and Record Layouts	<u>IIT MeF Contacts</u> Nancy Agostini Tony Thelen Mark Chambers
E-Mail	MIefile2D@michigan.gov
Telephone	(517) 636-4450
Fax	(517) 636-4378
Michigan Treasury Web Sites	www.michigan.gov/taxes www.michigan.gov/treasury
Mailing Address	Michigan Electronic Filing Programs Office Michigan Department of Treasury 430 W. Allegan Street Lansing, MI 48922

1040 FED/STATE MeF PROGRAM

Tax preparers and transmitters accepted in the IRS Fed/State MeF Program may submit federal and/or State returns to the IRS. The State submission can be linked to the IRS submission by including the Submission ID of the federal return. If the State submission is linked to an IRS submission (also referred to as Fed/State return), the IRS will check to see if there is an accepted IRS submission under that Submission ID. If there is not an accepted federal return for that tax type, the IRS will deny the State submission and a rejection acknowledgment will be sent to the transmitter. Treasury has no knowledge that the State return was denied (rejected) by the IRS. If there is an accepted federal return under that Submission ID, MeF will perform minimal validation on the State submission. MeF will then pass along to the State what the Electronic Return Originator (ERO)/taxpayer sends in the State submission. After the State data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Note: The IRS recommends if a state submission is linked to an IRS submission, send the IRS submission first and, after it has been accepted, send in the state submission.

State Stand Alone E-File

Tax preparers and transmitters accepted in the IRS e-file program may submit State Stand Alone returns when supported by the software. If the ERO does not link the State return to a previously accepted federal return (also referred to as State Stand Alone return) the IRS will perform minimal validation on the State submission. The State data will then be made available for retrieval by Treasury. After the State data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Treasury will acknowledge receipt of all returns received from the IRS. The transmitter should receive the Michigan acknowledgment within three business days from the date the return is successfully transmitted to the IRS. The Electronic Transmitter Identification Number (ETIN) must be entered correctly in the software to receive acknowledgments.

Electronic Michigan Data

Treasury will support the following forms, schedules, and binary attachments for 1040 Fed/State e-file for tax year 2009 and 2010:

MI-1040	Individual Income Tax Return – Required for all Fed/State e-file returns; not required for State Stand Alone e-file returns.
Schedule 1	Additions and Subtractions
Schedule 2	Nonrefundable Credits
MI-1040CR or MI-1040CR-2	Homestead Property Tax Credit Claim or Homestead Property Tax Credit Claim for Veterans or Blind People
Schedule CT	College Tuition and Fees Credit
3174	Direct Deposit of Refund
MI-2210	Underpayment of Estimated Income Tax
4013	Resident Tribal Member Annual Sales Tax Credit
4642	Voluntary Contribution Schedule
4764	Energy Efficient Qualified Home Improvement Credit
MI-1040CR-7	Home Heating Credit Claim

Attachments

Treasury will accept PDF attachments with individual income tax e-filed returns. Following is a list of forms, line references, and filing conditions where attachments are accepted by Michigan:

<u>Form</u>	<u>Line</u>	<u>Description</u>	<u>Filename</u>	<u>Required</u>
MI-1040	27	Stillbirth Credit	StillbirthCredit.pdf	Yes
Schedule 2	9	Individual and Family Development Account Credit	IFDACredit.pdf	Yes
Schedule 2	5	Other State Returns	OtherStateReturn.pdf	No

To avoid posting of duplicate returns, copies of federal and Michigan e-file returns and schedules should not be mailed to Treasury unless requested to do so.

When the following forms are included, Form MI-1040 **can be e-filed**, but the forms listed below must be mailed to the address indicated on the form:

MI-1045	Application for Michigan Net Operating Loss Refund
4	Application for Extension of Time to File Michigan Tax Returns

The taxpayer is **not eligible for MeF e-file** for the 2009 or 2010 tax year if:

- Filing federal returns or forms excluded from MeF for tax years 2009 and 2010.
- Filing Form MI-1040 and any of the following apply:
 - Filing 2008 or prior year return(s)
 - Not required to file a U.S. Form *1040* if filing Fed/State

- Claiming the Individual or Family Development Account Credit and the software does not support PDF attachments.
- Claiming the Stillbirth Credit and the software does not support PDF attachments.
- Filing the following Michigan forms:

Schedule NR	Nonresident and Part-Year Resident
MI-8839	Qualified Adoption Expenses
MI-1040H	Schedule of Apportionment
MI-1040D	Adjustment of Capital Gains and Losses
MI-1040CR-5	Farmland Preservation Tax Credit Claim
Schedule CR-5	Schedule of Taxes and Allocations to Each Agreement
3581	Michigan Historic Credit
4534	Venture Capital Deduction
MI-4797	Adjustments of Capital Gains and Losses from Sales of Business Property
MI-1040X	Amended Michigan Income Tax Return
MI-1041	Fiduciary Income Tax Return

The **non-electronic portion** of the Michigan return consists of the following supporting documents:

- *Michigan Individual Income Tax Declaration for Electronic Filing* (Form MI-8453)
- *Michigan E-file Payment Voucher* (Form MI-1040-V)
- Property tax bills: Copies should be retained in the taxpayer’s records. Treasury may request copies to verify tax information.

1040 MeF SIGNATURE REQUIREMENTS

Fed/State Returns (Linked)

Michigan will accept the federal signature (Self-Select Personal Identification Number (PIN) or Practitioner PIN). The State return may be transmitted with the federal return or at a separate time. As long as there is an IRS Submission ID included with the State submission that links the two returns together, it is considered a Fed/State filing. Michigan does not require any additional signature documentation.

State Stand Alone Returns Submitted by a Tax Professional (Unlinked)

State Stand Alone returns that are filed with or without Form MI-1040 by a tax preparer can be signed using “shared secrets” or Form MI-8453 (signature document). The shared secrets consist of the Social Security number(s), previous year’s adjusted gross income (AGI) or household income (HHI), and the previous year’s tax due or refund amount. If Form MI-8453 is used, Treasury recommends the tax preparer retain it for six years. Form MI-8453 should **not** be mailed to Treasury.

Volunteer Groups

If a taxpayer completes Form MI-8453, it should be mailed to Treasury. Treasury recommends collecting all Forms MI-8453 and, at the end of the filing season, sending them to Treasury at the address included in the instructions for the form. Volunteer tax preparers may also provide taxpayers with their Form MI-8453 and instruct them to mail it to Treasury. If located in a permanent facility, volunteer tax preparers may retain Forms MI-8453 on file as does a paid tax preparer.

Form MI-8453

When acknowledgment is received that the Michigan return has been accepted, a Declaration Control Number (DCN) will not be provided. MeF returns will have a Submission ID associated with the return which does not need to be recorded.

1040 MeF BUSINESS RULES (REJECTION CODES)

Michigan will validate the schema (format of submission) for all MeF returns received before applying the business rules. Schema validation errors will be returned using business rule (rejection code) X0000-005. Only the first schema validation error will be returned. After the return passes the schema validation, Michigan acknowledgments will provide the first ten business rules encountered.

The Individual Income Tax e-file Business Rules (rejection codes) document is posted on the Tax Preparer Web page at www.MIfastfile.org.

Treasury offers tax preparers the following options when Michigan returns are rejected, or if the tax preparer or transmitter encountered problems during transmission and the Michigan return or portion of the return was not transmitted with the federal return.

- The Michigan return can be retransmitted as a State Stand Alone return if the software supports State Stand Alone filing.
- If the software does not allow for State Stand Alone e-file, the tax preparer may fax the Michigan return and accompanying attachments to the Michigan Electronic Filing Programs Office at (517) 636-4378.