

APA-1

### Transmittal Sheet For Notice Of Intended Action

Control: 810

Department or Agency: Revenue

Rule Nos: 810-3-28-.03

Rule Title: Requirements For The Alabama Electronic Partnership/LLC Return Of Income.

New;  Amended;  Repealed;  Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? No

Is the increase in cost, if any, more harmful to the public than the harm that result from the absence of the proposed rule? N/A

Are all the facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

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Does the proposed rule have any economic impact? No

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

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**Certification of Authorized Official**

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975 and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.



Signature of certifying officer

Date 10/20/2017

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10/96

**ECONOMIC IMPACT STATEMENT  
FOR APA RULE  
(Section 41-22-23(f))**

Control No. 810 Department or Agency REVENUE

Rule No: 810-3-28-.03

Rule Title: Terms and Definitions for the Alabama Electronic Partnership/LLC Return of Income

           New   X   Amend            Repeal            Adopt by Reference

NO  
 YES

This rule has no economic impact.

This rule has an economic impact, as explained below:

1. NEED/EXPECTED BENEFIT OF RULE:
2. COSTS/BENEFITS OF RULE AND WHY RULE IS THE MOST EFFECTIVE, EFFICIENT, AND FEASIBLE MEANS FOR ALLOCATING RESOURCES AND ACHIEVING THE STATED PURPOSE:
3. EFFECT OF THIS RULE ON COMPETITION:
4. EFFECT OF THIS RULE ON COST OF LIVING AND DOING BUSINESS IN THE GEOGRAPHICAL AREA WHERE THE RULE IS TO BE IMPLEMENTED:
5. EFFECT OF THIS RULE ON EMPLOYMENT IN THE GEOGRAPHICAL AREA HERE THE RULE IS TO BE IMPLEMENTED:
6. SOURCE OF REVENUE TO BE USED FOR IMPLEMENTING AND ENFORCING THIS RULE:
7. THE SHORT-TERM/LONG-TERM ECONOMIC IMPACT OF THIS RULE ON AFFECTED PERSONS, INCLUDING ANALYSIS OF PERSONS WHO WILL BEAR THE COSTS AND THOSE WHO WILL BENEFIT FROM THE RULE:
8. UNCERTAINTIES ASSOCIATED WITH THE ESTIMATED BENEFITS AND BURDENS OF THE RULE, INCLUDING QUALITATIVE/QUANTITATIVE BENEFITS AND BURDEN COMPARISON:

9. THE EFFECT OF THIS RULE ON THE ENVIRONMENT AND PUBLIC HEALTH:

10. DETRIMENTAL EFFECT ON THE ENVIRONMENT AND PUBLIC HEALTH IF THE RULE IS NOT IMPLEMENTED:

11. OTHER COMMENTS:

**ALABAMA DEPARTMENT OF REVENUE  
Individual and Corporate Tax**

**NOTICE OF INTENDED ACTION**

**RULE NO. & TITLE**

810-2-8-.12	Requirements for the Alabama Electronic Business Privilege Tax Return.
810-3-27-.05	Requirements for the Alabama Electronic Individual Income Tax Return.
810-3-27-.07	Requirements for Electronic Filing Software.
810-3-28-.05	Requirements for Electronic Filing Software - Partnership/LLC Returns.

**INTENDED ACTION**

Repeal, New

**SUBSTANCE OF**

The department proposes to repeal and replace the above mentioned rules in order to comply with the Red Tape Reduction Act 2013-088.

**PROPOSED ACTION:**

**RULE NO. & TITLE**

810-3-27-.06	Requirements for the Individual Income Tax Declaration for Electronic Filing.
810-3-27-.08	Acceptance into the Alabama Electronic Filing Program, Monitoring, and Revocation of Acceptance into the Program.
810-3-28-.02	Participation in the Federal/State Electronic Filing Program - Partnership/LLC Returns of Income.
810-3-28-.03	Requirements For The Alabama Electronic Partnership/LLC Return Of Income.
810-3-28-.04	Requirements for the Partnership/LLC Return of Income Declaration for Electronic Filing.
810-3-28-.06	Acceptance Into The Alabama Electronic Filing Program, Monitoring, And Revocation Of Acceptance Into The Program.
810-3-28-.07	Alabama Requirements for Mandatory E-File of Original Partnership/Limited Liability Company Income Tax Returns.
810-3-29-.08	Alabama Requirements for Mandatory E-File of Fiduciary Income Tax Returns.
810-3-176-.01	Composite Returns of Alabama S Corporations.

**INTENDED ACTION**

Amend

**SUBSTANCE OF**

The department proposes to amend the above mentioned rules in compliance of the Red Tape Reduction Act 2013-088. To add and remove applicable language.

**PROPOSED ACTION:**

**RULE NO. & TITLE**

810-3-28-.08	Alabama Requirements for Compliance with Administrative Rule 810-3-28-.07.
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**INTENDED ACTION**

Repeal

**SUBSTANCE OF**

The department proposes to repeal the above mentioned rules in compliance of the Red Tape Reduction Act 2013-088. The rules language is no longer

**PROPOSED ACTION:**

applicable.

**RULE NO. & TITLE**

810-3-28-.09

Requirements for the Alabama Electronic Partnership/LLC Return of Income Tax Return.

**INTENDED ACTION**

New

**SUBSTANCE OF  
PROPOSED ACTION:**

The department proposes to create the above mentioned rule to define the filing and payment requirements of an Alabama electronic partnership/LLC return of income.

**TIME, PLACE, MANNER OF PRESENTING VIEWS:** A public hearing will be held at **01:45 PM on Tuesday, December 12, 2017, Room 1203, First Floor**, Gordon Persons Building, located at 50 N Ripley Street, Montgomery, Alabama. Copies of the rule(s) can be obtained at <http://www.revenue.alabama.gov/tax-policy/>.

All interested parties may present their views in writing to the **Secretary of the Alabama Department of Revenue, Room 4131, Gordon Persons Building, 50 N Ripley Street, Montgomery, Alabama 36132** at any time following publication of the notice up until the conclusion of the hearing. Interested parties may also appear at the hearing to present their views.

**FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:**

Tuesday, December 12, 2017

**CONTACT PERSON AT AGENCY:**

Meagan Barrett

Alabama Department of Revenue  
4131 Gordon Persons Building  
Montgomery, Alabama 36132  
(334) 242-1380



Michael D. Gamble, Secretary  
Alabama Department of Revenue

810-3-28-.03      Requirements Terms and Definitions for the Alabama Electronic Partnership/LLC Return of Income.

**(1) SCOPE – ~~To define the requirements for an Alabama electronic partnership/LLC return of income declaration filed through the Alabama Business Modernized E-File program and when this electronic return is considered to be timely filed for accepted and rejected returns.~~ This rule also defines certain terms used in connection with this program the Alabama Business Modernized E-File Program.**

**(2) Definitions**

(a) XML Schema – A single file or collection of files that describe the structure of an XML instance document along with rules for data content and semantics such as what fields an element can contain, which sub elements it can contain and how many items can be present. It can also describe the type and values that can be placed into each element or attribute.

(b) XML instance document – The actual return data defined by the XML Schema. This document is validated against the XML schema to ensure the contents and structures are correct.

(c) Business Rules – A document that defines the criteria that needs to be met for an electronic return to be accepted based on the filing instructions and system requirements for a specific tax return.

(d) Partnership Income Tax – The tax levied by Section 40-18-28, Code of Alabama 1975.

(e) Software Developer - ~~A firm, organization or individual that develops software for formatting electronic tax return information according to Alabama schemas, business rules and specifications and/or transmits electronic returns directly to the Internal Revenue Service (IRS).~~ An authorized IRS Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to IRS Publication 4164 or Alabama Department of Revenue specifications and/or (b) transmitting the electronic portion of returns directly to the IRS or the Alabama Department of Revenue. A Software Developer may also sell its software.

(f) Electronic Return Originator (ERO) - A firm, organization or individual who is an authorized IRS e-file provider that originates the electronic submission of returns that deals directly with the taxpayer, prepares tax returns for electronic filing or collects prepared tax returns to electronically file the returns. Because the electronic filing process is a joint program between the IRS and the Alabama Department of Revenue, an ERO

must be approved by the Internal Revenue Service to qualify for this program.

(g) **AL8453-C PTE** – A document used to satisfy signature requirements for electronically filed **Corporate/Partnership S-Corporation/Partnership/LLC** income tax returns submitted to the State of Alabama by an Electronic Return Originator (ERO).

(h) Accepted return – An Alabama Partnership/LLC Return of Income declaration that has successfully completed the schema and business rules validation process and the Department has sent an acknowledgement with an Acceptance Status of “Accepted” for MeF (Modernized e-File) returns.

(i) Rejected Return – An Alabama Partnership/LLC Return of Income declaration that was received but failed to complete the schema and or business rule validation process and the Department has sent an acknowledgement with an Acceptance Status of “Rejected” for MeF returns.

(j) Transmission Perfection Period – A ten (10) calendar day period from the date of the first transmission of a Partnership/LLC MeF (Modernized E-file) return of income allowed to a taxpayer to correct and resubmit a rejected electronically transmitted a Partnership/LLC Return of Income declaration that was originally timely filed.

(k) **Transmission Date Electronic Postmark** – A record of the date and time (in a particular time zone) that an authorized electronic return transmitter receives the transmission of a taxpayer’s electronically filed document on its host system. However, if the taxpayer and the electronic return transmitter are located in different time zones, it is the taxpayer’s time zone that controls the timeliness of the electronically filed document.

(l) Timely Filed return – An electronic return that is received and accepted by the due date or within ~~the six-month automatic extension period~~ **an extension of time for filing the partnership return according to the same manner as allowed by federal law**. It also includes a timely filed rejected return that is resubmitted and accepted during the transmission perfection period.

(m) Form PTEC – Composite Return and payment by nonresident owner of Subchapter K entity as defined in 810-3-24.1.

**(n) Electronic Return Transmitter – An authorized IRS e-file Provider that transmits the electronic portion of a return directly to the IRS or the Alabama Department of Revenue. An entity that provides a “bump up” service is also a Transmitter. A bump up service provider increases the transmission rate or line speed of formatted or reformatted information that it is sending to the IRS.**

(o) Standard Letter of Intent (LOI) – A form which must be completed to request approval from the Alabama Department of Revenue to provide tax preparation software for electronic forms submissions. By completing this form, the software developer agrees to comply with all national security summit standards and requirements in addition to the specific Alabama requirements included in the LOI.

(p) Submission Error Rate – A Software Developer’s percentage of business rule rejections compared to the total amount of returns submitted. This will be calculated by taking the total amount of business rule rejections per form type for a particular form year divided by the total amount of returns transmitted for that same form type with regards to the form year in question.

(q) Original corporate/partnership income tax return - Any return that is required, to be filed with respect to the tax imposed as defined by Section 40-18-2, Code of Alabama 1975.

(r) Acceptable corporate/partnership income tax return - Any original corporate/partnership tax return that is authorized by the Alabama Department of Revenue to be filed solely using electronic technology as defined in Section 40-30-3(2), Code of Alabama 1975.

(s) Tax Preparation Software – Any computer software program intended for accounting, tax preparation and or tax compliance.

(t) Electronic Signature Pad – An electronic device with a touch sensitive LCD screen which allows users to acquire and register a signature or any other physical signature capture device that captures and converts a signature into an electronic format.

(u) Suitability – A check conducted on all software developers, including rebranded and white labeled products, when an application is initially processed and on a regular basis thereafter. The suitability check may include background and personal tax compliance checks conducted by the department to ensure the software developers are eligible for participation in the Alabama Department of Revenue’s e-file program.

(v) Business Acceptance or Assurance Testing (BATS) – Required testing for software developers that participate in the Alabama Department of Revenue’s Business e-file program. This testing is used to assess their software and transmission capability with the department prior to live processing.

~~(3) A complete Alabama electronic partnership/LLC return of income will consist of XML data transmitted electronically and supporting binary documents (such as .pdf documents) as required by the Alabama~~



~~Partnership/LLC Modernized Electronic Filing (MeF) schemas, business rules, and Alabama Business MeF Software Developers and Transmitters Guidelines (Publication 4164). A complete Alabama electronic return must contain the same information as a comparable Alabama partnership/LLC return of income as if filed entirely on paper.~~

~~(4) Partnerships that electronically file their Alabama Partnership/LLC Return of Income must also pay their tax liability for nonresident partners electronically on the Form PTEC (Nonresident Composite Payment Return) if applicable. The transmission date of an accepted Alabama electronic partnership/LLC return of income will be used to determine timely filing of an electronic return in the same manner that the postmarked date is used to determine timely filing of a paper Alabama partnership/LLC return of income.~~

~~(5) If a timely filed electronic return is rejected, the filer has the latter of 10 calendar days from the date of the first transmission or the due date of the return (with extensions) to correct the errors and resubmit the return. In order for the ADOR to acknowledge the transmission date of the original return, the submission ID of the original return must be transmitted in each subsequent filing. If the return is resubmitted and accepted after the due date (with extensions) or the transmission perfection period, the received date will be the transmission date of the accepted resubmitted (perfected) return and not the date that the original rejected return was submitted.~~

~~(a) Perfection of a return for electronic re-transmission is generally required when the original timely filed electronic return had errors in the XML format, or errors that caused the return to fail Alabama Partnership/LLC MeF schema validation and or business rules. Therefore, the transmission perfection period is not an extension of time to file; it is a period of time to correct errors in the electronic file.~~

~~(b) If a filer is unable to correct a rejected Alabama Partnership/LLC electronic return to an accepted status, the filer must submit their paper return with a copy of the last rejection notification from ADOR. To be considered timely filed, this paper return must be postmarked by the latter of the due date of the return (including extensions) or 10 calendar days after the date that Alabama last gives notification that the return was rejected. If the return is received after the due date or the transmission perfection period, the received date will be the transmission date of the return.~~

Author: Kathleen F. Abrams, Veronica Jennings and Melissa A. Gillis  
Authority: Sections 40-2A-7(a) (5) and 40-30-5, Code of Alabama 1975  
History: New Rule: Filed January 22, 2007, effective February 26, 2007.

Amended: Filed January 27, 2014, effective March 3, 2014.