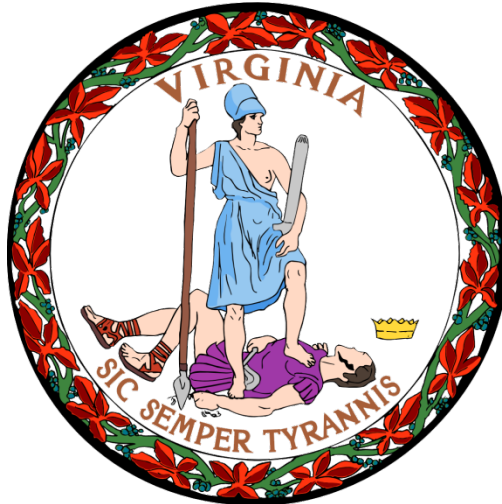


Instructions for Filing

502EZ eForm

Pass-Through Entity Return of Income and Return of Nonresident Withholding Tax



Commonwealth of Virginia
Department of Taxation
Richmond, Virginia

Form 502EZ Instructions

The Form 502EZ is a shortened version of the existing Form 502 designed to simplify the electronic filing process for a large number of smaller pass-through entities (PTEs) regarding the filing of tax returns, income tax payments and withholding tax payments with the Virginia Department of Taxation (Department).

The fields detailed in these instructions are available after you have certified your eligibility to use Form 502EZ.

Taxpayer Information Fields

Filing Basis and Taxable Year Ending – You must use the same taxable period on your Virginia return as on your federal return.

- If the business' taxable year is from January 1 to December 31, select **Calendar** and the year.
- If the business' taxable year is not from January 1 to December 31, select **Fiscal** or **Short Return** and select the month for the beginning and end of your taxable year.

Account Number – Enter your 9-digit Federal Employer Identification Number.

Legal Business Name – Enter the full legal business name of the entity for which you are filing.

Mark the applicable checkboxes:

- Initial Filer – This is your first time filing in Virginia. Mark this checkbox and provide the information listed per the Additional Instructions for Initial Filers section.
- Name Change – Your name has changed since your last filing.
- Change in Fiscal Year – There was a change in your fiscal year since your last filing.
- Address Change – Your address has changed since your last filing.
- Amended Return – This return is amending a previously filed return.
- Final Return – If this is the final return, mark the applicable boxes and provide the requested information.

Additional Instructions for Initial Filers

If you select the Initial Filer box, enter the following additional information into the fields provided. These fields only appear if Initial Filer is marked.

Entity Type – Pick the entity type corresponding to your business from the drop-down list.

- S-Corporation
- General Partnership
- Limited Partnership
- Limited Liability Company
- Limited Liability Partnership
- Limited Liability Partnership

State Incorporated – Enter the State in which the business is legally incorporated.

Incorporation Date – Select the date in which the business was legally incorporated.

NAICS Code – Enter the 6-digit North American Industry Classification System (NAICS) code.

Date Operations Began in Virginia – Enter the date in which the business' operations began in Virginia.

Taxpayer Information Fields (continued)

Address, City, State and ZIP – Enter the address information for the physical location of the business

Total Number of Owners – Enter the total number of owners. The total number of owners should be the same as the number of shareholders who were shareholders during any part of the taxable year.

Total Number of Non-Resident Individual Owners – Enter the total number of owners that are not residents of Virginia. If the residency status is not known, enter the number of owners whose address of record is not in Virginia.

Schedule VK-1 – Field Instructions

The Schedule VK-1 is on the second page of the eForm, accessed by selecting the "Schedule VK-1" tab at the top of the form. Enter the required information into the fields provided.

Name – Enter the legal business or first and last name of the owner for which you are filing.

Address, City, State and ZIP Code – Enter the address information for the physical location of the owner.

FEIN or SSN – Enter the business FEIN or SSN of the owner for which you are filing.

Date Acquired Interest in PTE – Enter the date the owner acquired interest in the PTE.

Owner's Entity Type – Select the code that corresponds to the owner's entity type.

- Individual Who Was a Virginia Resident
- Individual Who Was Not a Virginia Resident
- General Partnership
- Limited Partnership
- Limited Liability Company
- Limited Liability Partnership
- S Corporation
- C Corporation
- Trust or Estate
- Other

Owner's Participation Type – Select the code for the owner's type of membership or participation in the PTE.

- General Partner
- Limited Partner
- LLC / LLP Member
- S Corporation Shareholder
- Other

Owner's Participation % – For an S-corporation shareholder, enter the owner's percentage of stock ownership for the taxable year, as shown on the owner's federal Schedule K-1 (Form 1120S). For a partner or other recipient of federal Schedule K-1 (Form 1065), enter the ending percentage for the partner's profit share as shown on the Schedule K-1.

For a partner in an electing large partnership, the federal Schedule K-1 (Form 1065B) does not indicate a participation percentage, but the partnership must determine such a percentage in order to distribute Virginia modifications and credits among the owners. The percentage should be determined in a manner substantially similar to the profit sharing percentage at the end of the year provided for a regular partnership, unless there is compelling reason to use another method.

The participation percentages as shown on Schedules VK-1 for all owners of the PTE should equal 100%.

The participation percentage should be entered as a percent with two decimal places. For instance, the participation percentage for an S-corporation shareholder who holds one-third ownership is entered as "33.33%."

Amount Withheld by PTE for Owner – Enter the amount withheld by the PTE for the nonresident owner.

Owner Entity WH Exempt Code – If the entity does not have to pay the withholding tax or if it is not required to include the income of an owner in its withholding tax calculations, select the exemption:

- Exempt from federal or Virginia income tax (individuals)
- Entities other than individuals and corporations that are exempt from federal income taxes
- This individual owner is included in a unified return
- The PTE is a publicly traded partnership
- Corporations exempt from Virginia income tax; or non-captive REITs
- Undue hardship (PTE)
- PTE's income is from rents with four or fewer dwelling units

Unified Nonresident Return – Mark this checkbox if filing a unified return.

Total Taxable Income Amounts – Enter the total of all the various categories of taxable income shown in the "Income" section of Schedule K of the PTE's federal Form 1065 or Form 1120S for the specified owner.

Total Deductions – Enter the total of the various categories of deductions shown in the "Deductions" section of Schedule K of the PTE's federal Form 1065 or 1120S for the specified owner. This may include charitable contributions, the IRS § 179 expense deduction and "other" deductions.

Schedule VK-1 – Field Instructions (continued)

Tax-Exempt Interest Income – Enter the total tax-exempt interest income shown in the “Other” section of the PTE’s federal Schedule K for the specified owner.

Total Additions – Enter the total additions to federal taxable income for the specified owner, which cannot be greater than \$1,000.00.

Additions should be allocated among owners in proportion to each owner’s percentage of ownership or participation in the PTE, or as provided in the partnership agreement or other entity document. However, each owner may only claim the additions that are allowed on the owner’s Virginia income tax return. Therefore, an individual owner reports only additions applicable to individual income tax and a corporate owner reports only those additions applicable to Virginia corporate income tax.

Total Subtractions – Enter the total subtractions to federal taxable income for the specified owner, which cannot be greater than \$1,000.00.

Subtractions should be allocated among owners in proportion to each owner’s percentage of ownership or participation in the PTE, or as provided in the partnership agreement or other entity document. However, each owner may only claim the subtractions allowed on the owner’s Virginia income tax return. Therefore, an individual owner may only claim subtractions applicable to individual income tax, while a corporate owner may claim only those subtractions applicable to Virginia corporate income tax.

502 Return – Field Instructions

The 502 Return is on the first page of the eForm, accessed by selecting the “Form 502EZ” tab at the top of the form. Enter the required information into the fields provided. The “Add VK-1” button allows you to add a VK-1 for each owner.

Total of taxable income amounts – This field will be computed for you based on Schedule VK-1 entries.

Total of deductions – This field will be computed for you based on Schedule VK-1 entries.

Tax-exempt interest income – This field will be computed for you based on Schedule VK-1 entries.

Total additions – This field will be computed for you based on Schedule VK-1 entries.

Total subtractions – This field will be computed for you based on Schedule VK-1 entries.

Total withholding tax due for nonresident owners – This field will be computed for you.

Total withholding paid – Enter the amount of withholding tax paid by the PTE that is named and submitted directly to the Department prior to the return filing.

Overpayment of withholding – This field will be computed for you.

Balance of withholding tax due – This field will be computed for you.

Extension penalty – Enter the penalty amount if the Balance of withholding tax due is more than 10% of Total withholding tax due for nonresident owners, and the return is filed within extension period. The extension penalty is imposed at the rate of 2% per month or part of month on the balance of the tax due from the due date through the date the return is filed, up to a maximum of 12% of the tax due.

Question – Late Payment Penalty on Tax Due – This field will be computed for you based on your Yes or No answer.

- If Form 502EZ is being filed more than 6 months after the original due date or more than 30 days after the federal extended due date, select ‘Yes’. The penalty will be computed for you and is imposed at the rate of 6% per month from the date of filing of Form 502EZ through the date of payment, up to a maximum of 30% of the tax due.
- If the Form 502EZ is filed on/before the described timeframe, select ‘No’. The field will be computed as \$0 as no penalty is due for this scenario.

502 Return – Field Instructions (continued)

Interest – If Form 502EZ reflects a balance of tax due and the return is being filed after the original due date, interest must also be accrued on the balance of tax due. Interest is accrued at the underpayment rate established by IRC § 6621, plus 2%, from the due date of the return through the date the tax is paid.

Total penalty and interest charges due – This field will be computed for you.

Late filing penalty– This field will be computed for you.

Net overpayment – This field will be computed for you.

Amount of overpayment to be credited to [the following tax year] – Enter the amount of the net overpayment that you want to apply as credit to income tax withheld for nonresident owners for the next taxable year.

Amount of overpayment to be refunded – This field will be computed for you.

Balance of tax due – This field will be computed for you.

Interest charges on withholding tax – This field will be computed for you.

Late penalty – This field will be computed for you.

Total payment due – This field will be computed for you.

502EZ Filing & Payment Instructions

Once you provide all required information for your 502EZ, the eForms system will prompt you to submit the return to the Department. Additional details including your confirmation number will be provided.

You may then choose to pay the amount due with the 502EZ submission per requested direct debit details. You may also opt to pay the amount due separately using the 502V eForm or the ACH Credit method.