

# Screen Form 763 - Tax Year 2023

## Process

[SCREEN LOCAL FILED TAX RETURNS - TAX YEAR 2023](#)

## Effective Date

01/01/2024

## Purpose

This task is performed to ensure each **Tax Year 2023** Form 763 is complete and that informational screening codes are on the return. This task is performed by representatives in the Commissioner of Revenue's Office. This task covers the screening of **Form Type 763** in the following categories.

- **Category 3:** Tax Due return received with or without payment
- **Category 4:** Refund returns

Refer to TASK: [General Screening of Individual Income Tax Returns - Tax Year 2023](#).

## Special Notes

In Tax Year **2018**, an indicator was placed on printed copies of current year 763 returns that were prepared for e-File submission. If current year Form 763 return documents bearing this indicator are identified by staff in the Commissioner of the Revenue's Office, these documents **should not** be processed locally. They should be sent to Virginia Tax for **DIRECT** processing. Failure to identify these documents may result in the returns being processed locally and erroneous assessments created.

Placement of the indicator **XXXXX** on Form 763 is in the bottom right corner, below Line 18 as shown below:

The image shows a portion of Form 763. Line 17 is labeled 'Nonresident Taxable Income. (Multiply Line 15 by percentage on Line 16)' and has a box with '00'. Line 18 is labeled 'Income Tax from Tax Table or Tax Rate Schedule' and has a box with '00'. Below these lines, there is a section for 'Local Use' with 'LTD' and a bubble. To the right of the LTD bubble is a dollar sign followed by a blank line for a payment amount. Further right is a row of five empty boxes. At the bottom right, the text 'XXXXX' is printed, with a black arrow pointing to it from the right.

## Verification of Completed Bubbles/Boxes at the Bottom of Form 763

- Local Tax Due Returns
  - A **RED** pen should be used when making payment notations at the bottom of the return.
  - The LTD bubble/box should be filled in/an "X" should appear on the LTD line.
  - The associated payment amount should be entered on the \$\_\_\_\_\_ line.

- Each bundle of documents received should contain only **one** Category and **one** Form type. Do not mix types of documents.
- The return is "coded" by writing appropriate screening codes in the bottom right corner of Page 1 of the return.
- Making extensive changes to the return will result in processing delays and may cause errors.
- To assist a customer needing extensive changes, prepare a new 763 return and obtain the customer's signature. Give the original 763 return back to the customer; including it behind the newly completed return may cause processing problems and errors.
- "Deceased Documentation" - These documents support the claim to issue a refund to a designated third party.
- Federal Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer
- Certificate/Letter of Qualification, Commonwealth of Virginia
- Federal Form 56, Notice Concerning Fiduciary Relationship

### Special Filing Situation: Form 763 and Form 760PY filed in the same tax year by a customer:

- As outlined in the General Screening Task, after validating the withholding, the screener should calculate the total withholding amount.
- A portion of the withholding should be applied to one of the returns, as applicable, to **zero out** that return's tax liability.
- The remaining amount of withholding, as applicable, should be applied to the **second** return.
- A **highlighted note** should be made prominently in the left margin of each return referencing the dual filing.
  - On the 763 return, the note should state that a Form 760PY was filed by the taxpayer.
  - On the 760PY return, the note should state that a Form 763 return was filed by the taxpayer.
- The 763 return should be processed as outlined in this task.

## Procedure

### Responsibility

Commissioner of the Revenue's Office Locality Representative

### Steps

1. Obtain a return to be screened.
2. Determine if the Computer-generated current year 760CG bears the **XXXXX** e-file indicator on it.
  - A. If the return shows the **XXXXX eFile indicator** denoting that the return was prepared for e-file submission,
    1. Draw a bold line through the entire **XXXXX eFile indicator** using a yellow highlighter.
    2. Place the return aside to be sent to Virginia Tax for **DIRECT** processing.
    3. Go to **STEP 1**.
  - B. If the return doesn't show the **XXXXX eFile indicator**, go to **STEP 3**.
3. Determine if the Locality Code field is complete and if the taxpayer resides/resided in your locality.
  - A. If the Locality Code field is complete and the taxpayer resided in your locality, go to **STEP 4**.
  - B. If the Locality Code field is complete **BUT the taxpayer resided in another locality**, place the return aside to be sent to Virginia Tax for **DIRECT** processing.
  - C. If the Locality Code field is blank, write in the **FIPS** code associated with the city or county shown in the income source field.
 

**NOTE:** The Locality Code of "300" is designated when no city/county location is supplied by the customer.

4. Determine if the Federal Tax Return is attached.
  - A. If the Federal Tax Return is attached, go to **STEP 5**.
  - B. If the Federal Tax Return is not attached, code the return "**FX**".
5. Screen for Federal Form 1310.
  - A. If Federal Form 1310 is attached, code the return "**DX**".
  - B. If Federal Form 1310 is not attached, go to **STEP 6**.
6. If the Farmer, Fisherman, and Merchant Seaman checkbox is checked, code as follows:
  - **Return filed on or before April 15, 2024** - code "**IX**".
  - **Return filed after April 15, 2024** - code "**UX**".
7. If the "Adjusted Gross Income" (AGI) on Line 1 is blank and there is an entry on Line 9 (Virginia Adjusted Gross Income),
  - A. Compute the AGI by working backwards and adjust for entries on Lines 2 and 4 - 7.
  - B. Write the computed amount on Line 1.
 

**NOTE:** DO NOT alter the AGI line unless it is blank.
8. Compare the "Nonresident Allocation Percentage" amount on Line 16 (Page 1) to Line 15 on the Nonresident Allocation Percentage section on Page 2, and take the appropriate action:
  - A. If Line 16 on page 1 of the return and the Line 15 percentage from the Nonresident Allocation Percentage section on Page 2 do not agree, mark through Line 16 and enter the amount from Line 15 on Line 16.
 

**NOTE:** Line 15 may be blank if Line 16 equals 100%.
  - B. If the Percentage amount on Line 16 is more than one decimal place, mark through the extra digit(s).
9. Determine if information has been entered for "Virginia Income Tax Withheld" (Lines 19a and 19b) on a joint return.
  - A. If both spouses have withholding, code "**BX**".
  - B. If only one spouse has withholding **or** neither spouse has withholding, continue to **STEP 10**.
10. Review for Credit for Tax Paid to Another State.
 

**NOTE:** The credit is claimed on Line 24 of Form 763 with the details listed on Schedule OSC.

  - A. If the Credit is not claimed, go to **STEP 12**.
  - B. If the Credit is claimed **AND** the other state's tax return **is not** included **AND**,
    - 1) If the total credit is less than \$500, the other state's income tax return is not required.
    - 2) If the total credit amount is equal to or greater than \$500, code "**MX**".
11. Review Schedule OSC credit amount(s) and Form 763 net tax amount.
  - A. Add the credit amount(s) from Schedule OSC Lines 10 and 20 for each state that does NOT have a line drawn through the Income Percentage.
  - B. Compare the computed addition total from Schedule OSC to Line 18 of Form 763.
    - 1) If Line 18, Form 763 is **larger** than the addition total, go to **STEP 12**.
    - 2) If Line 18, Form 763 is **smaller** than the addition total, line through the Income Percentage on Schedule OSC for one or more state credits until the total allowable credit amount equals **less** than Line 18, Form 763.
 

**NOTE:** This action will cause the return to be presented to a Virginia Tax Representative for correction and resolution during automated processing.
12. Determine if Form 760C or 760F is included.
  - A. If Form 760C or 760F **is not** included, go to **STEP 13**.
  - B. If Form 760C or 760F **is** included, code "**CX**".
13. Staple the document pages together in the upper left corner.
14. Place the return aside in one of the following stacks.
  - **Timely** Farmer, Fisherman, Merchant Seaman returns

- **Late** Farmer, Fisherman, Merchant Seaman returns
  - All other returns
- NOTE:** Farmer, Fisherman, Merchant Seaman returns are identified and noted separately as Timely or Late for transmittal to Virginia Tax to ensure special handling.
15. Repeat **STEPS 2 - 14** until all returns have been screened.
  16. Gather the stacks of screened 763 returns.
    - A. Secure each bundle with a rubber band or paper clip when there are too few returns to be rubber banded.
    - B. Place the completed bundle in the designated location for transmittal to TAX. (Refer to PROCESS: [Transmit Local Filed Returns to Virginia Tax.](#))

## Publication Date

12/01/2023