Dispel the Myths

LINKED VS UNLINKED RETURNS
Terry Garber, TIGERS State Co-Chair
Fluffy Cazalas, TIGERS Industry Co-Chair

Dispel the Myths - Linked vs Unlinked Returns
In the Fed/State program, the IRS functions as an electronic post office for participating states. Basically, when a return is transmitted, it first goes to the IRS, which validates certain information in the manifest to determine whether it is coming from a valid transmitter and a valid taxpayer then decides what to do with the return.
If the information in the manifest validates and it is determined to be a state return, based on manifest contents, it is dropped in the appropriate state “bucket.” States then drain these returns periodically for processing. The state returns can be either “Linked” or “Unlinked” (also known as State Stand Alone or State Only returns).
A state submission can be linked to an IRS submission by including the IRS Submission ID of the federal return in the state manifest.

```xml
<?xml version="1.0" encoding="utf-8"?>
  <SubmissionId>12345620131201218290</SubmissionId>
  <EFIN>123456</EFIN>
  <TaxYear>2012</TaxYear>
  <StateSubmissionType>20CC</StateSubmissionType>
  <SubmissionCategory>CORP</SubmissionCategory>
  <FederalEIN>111111111</FederalEIN>
  <NameControl>FAST</NameControl>
  <IRSSubmissionId>12345620130301919270</IRSSubmissionId>
</StateSubmissionManifest>
```
If the state submission is linked to an IRS submission (also referred to as a Fed/State return), the IRS will check to see if there is an accepted IRS submission under that IRS Submission ID.

If there is not an accepted federal return for that tax type, the IRS will deny the state submission and a federal acknowledgement will be sent to the transmitter rejecting the return. The state has no knowledge that the state return was rejected by the IRS.

Dispel the Myths - Linked vs Unlinked Returns

REJECTING A LINKED RETURN
If there is an accepted federal return under that IRS Submission ID, then the IRS will perform minimal validation on the state submission. The validation includes verifying that the state is a participating state in the Fed/State Program. The IRS will then pass the return to the appropriate state.
A state submission not linked to an IRS submission (referred to as an unlinked, state stand alone or state only return) will NOT include an IRS Submission ID of a federal return in the state manifest.

```xml
<?xml version="1.0" encoding="utf-8"?>
    <SubmissionId>12345620131201218290</SubmissionId>
    <EIN>123456</EIN>
    <TaxYear>2012</TaxYear>
    <StateSubmissionType>20CC</StateSubmissionType>
    <SubmissionCategory>CORP</SubmissionCategory>
    <FederalEIN>111111111</FederalEIN>
    <NameControl>FAST</NameControl>
</StateSubmissionManifest>
```
If the taxpayer does not link the state return to a previously accepted federal return, then the IRS will perform minimal validation and pass the entire state submission that was sent in by the taxpayer to the appropriate state.

An unlinked return may or may not have a federal return included with the state submission (depending on state requirements) but it would not necessarily be an accepted federal return.

Dispel the Myths - Linked vs Unlinked Returns

VALIDATING UNLINKED MANIFEST
Examples of confusing documentation from states regarding unlinked returns:

**State-Only Electronic Return Transmissions** - IRS provides the ability for an ERO or individual to transmit/retransmit a state return through the fed/state system without simultaneously transmitting a federal return. There is no difference in the transmission sequence. State-Only returns are transmitted to the IRS, validated and made available for states to download in the same fashion as with the traditional fed/state transmission. This provides a means for individuals who file multiple state returns to have each participating state’s return electronically filed. However, each state return must be transmitted separately. **The taxpayer’s federal return must be completed, transmitted and accepted by the IRS before transmitting/re-transmitting a State-Only return.**

**Unlinked**

Unlinked filing is when the state return is transmitted through the Fed/State system without simultaneously transmitting an original federal return. The software must support unlinked filing in order for the state only transmissions to be available to the electronic filer. Unlinked returns are transmitted to the IRS and made available for states to retrieve in the same fashion as the linked transmission. **The federal return must be completed, transmitted and accepted by the IRS before transmitting/re-transmitting an unlinked return.**

**Note:** requires a copy of the complete federal return, including federal binary attachments, in the state submission.

**Dispel the Myths - Linked vs Unlinked Returns**

**CLARIFYING DOCUMENTATION**
Linked and Unlinked have nothing to do with the state copy of federal data!

You can require a copy of the federal data as part of both linked and unlinked submissions – even though for an unlinked submission, it will not be accepted data.

Conversely, you don’t have to have a copy of the federal return data to have a linked submission – you just have to point to a federal submission-id.

Dispel the Myths - Linked vs Unlinked Returns

THE BIGGEST MYTH OF ALL!
When Legacy Fed/State Efile began in 1990, there were only “fed/state” returns – the federal return always had to be accepted before the state return would be released to the states. Efile was new to the states, and we wanted the reassurance that IRS had seen the data and found it good.

But soon there was trouble in Paradise...

Dispel the Myths - Linked vs Unlinked Returns
What could a taxpayer and ERO do, if the federal return was rejected for an obscure technical reason, but the state deadline was looming?

How could a multi-state taxpayer efile, if the federal return could only be filed once, with only one state return?

To answer these needs, the team of IRS, states, an Industry developed what was called the “state standalone” return. The federal return did not have to be accepted for this return to be made available to the states. Or, the federal return could be filed at another time, with the state return for a different state. When MeF was developed, the state standalone became the unlinked submission.

**Dispel the Myths - Linked vs Unlinked Returns**

**A NEW CONCEPT WAS BORN**
Dispel the Myths - Linked vs Unlinked Returns