

State Tax Change Portal – by NACHA

Sponsored by:

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Business Initiated Payments for Non-Federal Taxes

- Many businesses pay non-federal tax payments (e.g., state, local, and municipality) electronically via the ACH through bank or other vendor provided services (collectively referred to as “service providers”)
- Service providers “hard code” tax authority payment requirements, such as account number, transit-routing number, addenda and other information to properly route the payments, based on the tax authority formatting requirements.

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Format Change Issues

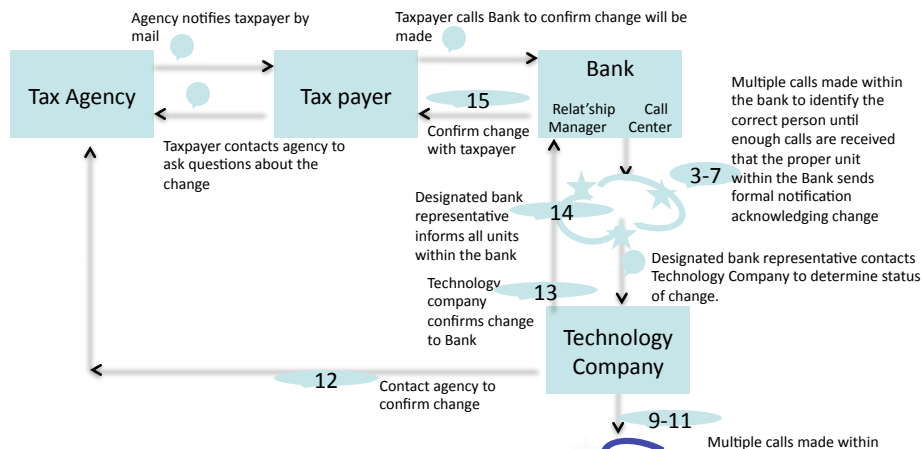
- When tax authorities make ACH format changes for electronic tax payments (e.g., routing/account number changes, adding new tax types), typically only the tax paying business is notified (usually by US Mail).
- Service providers learn about these changes from their customers – not the tax authority.
- The lack of communication between tax authorities and service providers regarding the payment format changes creates inefficiencies and risk.
 - Tax payments may be misrouted until the service provider can make the change. Late fees and penalties may arise causing disputes and negative customer relations between the business taxpayer and service provider.
 - Taxpayers will contact the service providers requesting clarification resulting in multiple phone calls to determine whether the change has been made to affect tax payments.
 - The update process may require extended time/effort (next slides) to verify new data, make coding changes, and test/install new code

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Behind the Scenes: Notification

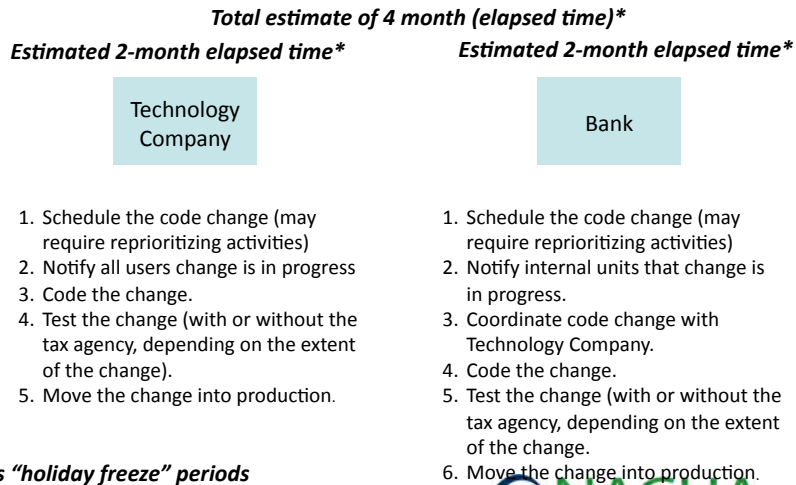


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Behind the Scenes: Making the Change



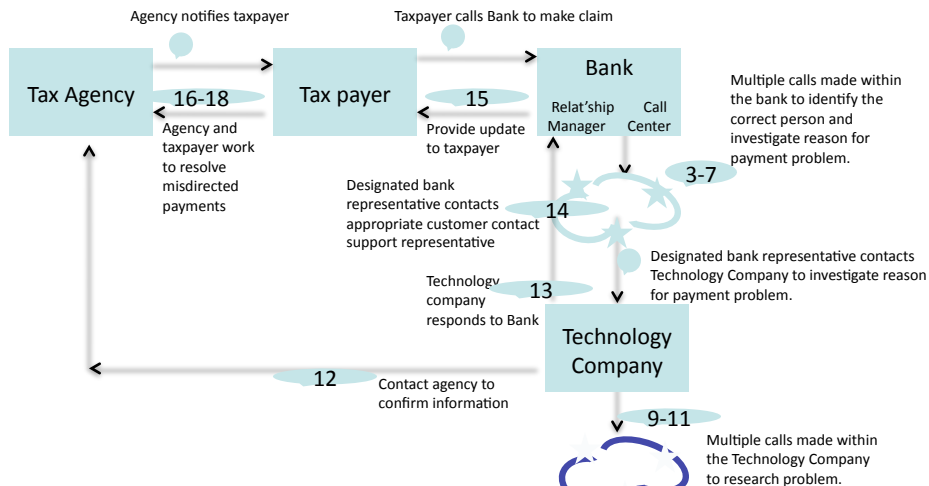
***Excludes "holiday freeze" periods**

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Behind the Scenes: Change Not Made on Time or Incorrect Change Made



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State Tax Change Portal for Banks, Processors and Businesses

- The purpose of the State Tax Change Portal is to:
 - improve the timeliness and quality of communications between states and service providers regarding format/data changes that affect ACH payments for business taxes;
 - provide more lead-time for service providers to implement changes; and
 - reduce the risk of misdirected payments and associated fees/penalties.
- NACHA has been working closely with the Federation of Tax Administrators to define needs and solutions.

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Portal Features

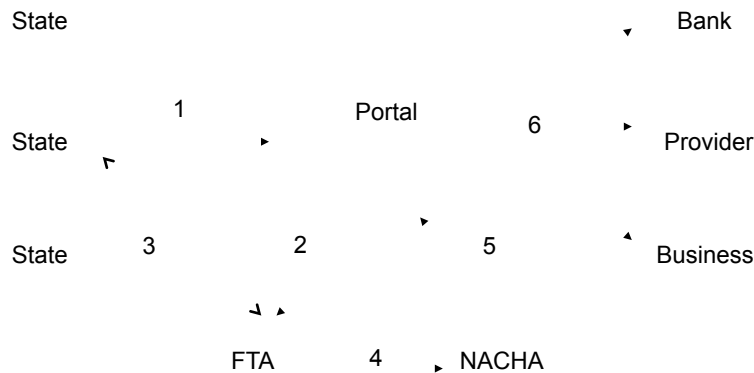
- Website
 - Pages designed for banks/payment processors, businesses, state tax authorities
- Listserv function for posting and transmitting appropriate tax change notices
 - Receiver enrollment
 - Sender submission – notifications to include new business tax types and their respective ACH formats, retiring or replacing of corporate tax types, change in payment service offering
 - Change of taxing authority's banking information (note: actual bank account information will not be transmitted - just a notice that information has changed and receiver should contact agency for details).

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Notification Process Flow



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Notification Process

- Step 1: States will submit notifications through an online form (in the Tax Authorities section of the website).
- Step 2: When a notification is submitted, an email (auto-generated – with tracking ID) will be sent to the FTA with a request to verify the submission. The email will be held in “suspense” (i.e., not distributed) until it is approved.
- Step 3: The FTA will verify the source and content of the submission.
- Step 4: If the submission is approved, the FTA will send an email to NACHA. (Turnaround could be as little as 24 hours.)
- Step 5: NACHA will login to the website administrative tool and approve the submission.
- Step 6: Upon approval, the notification will be released via email to the entire list of receivers.

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Portal Roles

- **Senders**
 - Senders include state tax authorities
 - Senders will be able to submit notifications through a form on the website. The form will capture basic contact information – State Organization/Association, Primary Contact (First Name, Last Name, Phone and Email Address), Secondary Contact (First Name, Last Name, Phone and Email Address) – as well as provide a Notification Details/Description field which will contain the notice.
- **Receivers**
 - Receivers include financial institutions, payment processors, businesses and others interested in receiving updates and notifications.
 - A registration form on the website will capture Company Name, First Name, State(s), Last Name and Email address of Receivers.
 - Receivers will be sent an email when an update is approved through the notification system.

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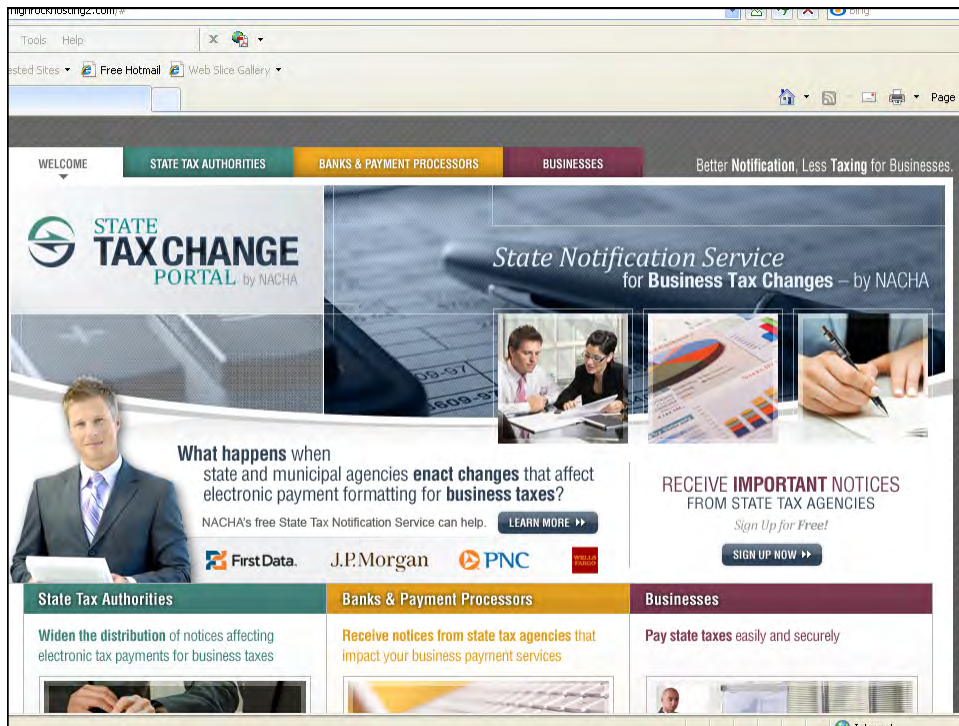
Portal Roles

- **FTA (Federation of Tax Administrators)**
 - The FTA will receive notices submitted through the Tax Portal via email (auto-generated).
 - The FTA will provide a single point-of-contact and/or email address to be the catch-all for notification emails.
 - The FTA will verify the authenticity of all notification submissions.
 - Approved notifications will be by sent via email to NACHA.
- **NACHA**
 - NACHA will provide a single point-of-contact and/or email address for the FTA to send approved notifications.
 - NACHA will administrate the database of notifications submissions
 - All submissions will be held in a central database accessible to NACHA through the Tax Portal administrative tool.
 - NACHA will send email notifications to the Receivers list following FTA approval.

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Timeline

- May-June 2010: website development and testing
- July 2010: rollout/communications
- Challenge: reminding states about this option when they may not if fact have a need to send a notice for several years.

More Information

- John Biloz, Vice President, J.P. Morgan, john.l.biloz@jpmchase.com, 815-728-1589
- Robert Unger, Senior Director, NACHA, runger@nacha.org, 703-561-3913
- To receive an email notice when the website is ready – send an email to runger@nacha.org

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