NACHA Background

• The ACH Network facilitates global commerce by serving as a safe, efficient, ubiquitous and high-quality electronic payment system
  – Accessible by more than 15,000 U.S. financial institutions
  – Almost 19 billion ACH payments - $30 trillion - in 2009 for Direct Deposit, auto-debit, online bill payment, corporate payments, etc.

• NACHA is a non-profit association and is the rule-making body for the ACH
  – Develops and enforces the NACHA Operating Rules
  – Through its Councils, education, and industry dialog NACHA brings together payments system stakeholder organizations
  – Core competencies in rule-making, education, and in fostering industry dialog
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.

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.
Behind the Scenes: Notification

1. Agency notifies taxpayer by mail.
2. Taxpayer contacts agency to ask questions about the change.
3. Designated bank representative informs all units within the bank.
4. Technology company confirms change to Bank.
5. Multiple calls made within the Technology Company.
6. Technology company confirms change to Bank.
7. Designated bank representative contacts Technology Company to determine status of change.
8. Taxpayer calls Bank to confirm change will be made.
9. Contact agency to confirm change.
10. Designated bank representative informs all units within the bank.
11. Technology company confirms change to Bank.
12. Multiple calls made within the Technology Company.
13. Designated bank representative contacts Technology Company to determine status of change.
14. Taxpayer contacts agency to ask questions about the change.

Total estimate of 4 month (elapsed time)*

Estimated 2-month elapsed time*

1. Schedule the code change (may require reprioritizing activities)
2. Notify all users change is in progress
3. Code the change.
4. Test the change (with or without the tax agency, depending on the extent of the change).
5. Move the change into production.

*Excludes “holiday freeze” periods

Estimated 2-month elapsed time*

1. Schedule the code change (may require reprioritizing activities)
2. Notify internal units that change is in progress.
3. Coordinate code change with Technology Company.
4. Code the change.
5. Test the change (with or without the tax agency, depending on the extent of the change).
6. Move the change into production.
Behind the Scenes: Change Not Made on Time or Incorrect Change Made

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 worked with Federation of Tax Administrators and its member states to define the portal functionality.
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
    - Types of notifications include: new/retiring business tax types, payment/ACH format changes, 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).

Notification Process Flow

1. State → Portal
2. State → FTA
3. State → NACHA
4. FTA → NACHA
5. Bank → Provider
6. Bank → Portal
Notification Verification Process

• States will submit notifications through an online form (in the Tax Authorities section of the website).
• 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.
• The FTA will verify the source.
• Once verified, the FTA will send an email to NACHA and the notification will be released by NACHA via email to the entire list of receivers.

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.
Portal Roles

• FTA (Federation of Tax Administrators)
  – The FTA will receive notices submitted by states through the Tax Portal via email.
  – The FTA will verify the authenticity of all notification submissions.
  – The FTA will notify NACHA about approved notifications.

• NACHA
  – NACHA will administrate the portal and the database of notifications submissions
  – NACHA will send email notifications to the Receivers list following FTA approval.

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Then here.

Fill in Information.
To receive notices, click this tab.

To fill in information, please input the following:

- Company Name:
- Primary Contact Information:
  - First Name:
  - Last Name:
- Title:
- Email:

TERMS OF SERVICE - NOTIFICATION SIGNUP
Notice from Montana

State Notification Service for Business Tax Changes – by NACHA

NACHA Tax Portal
Montana Department of Revenue has added 42 Tax Type codes and 11 Amount Type codes to their ACH Credit list. For a list of codes and more information please visit our website at http://www.montana.gov/business/taxannonser/ or call the Department at 800-511-9191.

If you have any questions, please contact
Mary West
Sales Tax Management Analyst
Office: 541-434-7000 ext. 130
www.montana.gov

Notice from Colorado

State Notification Service for Business Tax Changes – by NACHA

NACHA Tax Portal
The Colorado Department of Revenue has added two new tax type codes in the 200 series. County Government Motor Vehicle Sales Tax (1991), County County Sales and Use Tax have new tax type codes for the $1.00 tax. Payment separation was required when Colorado county sales tax is a new tax type code 200. Payment separation was required when Colorado county sales tax is a new tax type code 200. Effective October 1, 2016, counties should use tax type code 200 to pay the sales tax portion of the tax rate code 201 to remit those and registration fees. Use is restricted to Colorado counties. Only 509 - Prepaid Wireless Prepaid Wireless 691.

Effective January 1, 2011, all retail merchants in Colorado selling prepaid wireless communication services (through the sale of a prepaid wireless phone or prepaid wireless phone card) must collect a fee of 1.4% per sales transaction. Retailers will send the fee to the Colorado Department of Revenue at the time their sales tax is due. This new tax also requires retail merchants to timely report the amount of this tax. The tax, known as the Prepaid Wireless Telephone 691, will provide Colorado funding for enhanced 911 emergency services as authorized by the Colorado General Assembly. The requirements are a result of Senate Bill 2011-710 passed during the 2010 legislative session.

If you have any questions, please contact
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NACHA Tax Portal Benefits

• States
  – Communicate changes to subscribed banks and payment application providers through a single site

• Banks/payment providers
  – Stay “in the loop” - more lead-time for service providers to respond to customers and implement changes

Status

• Site launched June 17, 2010
• 450+ have signed up to receive notices
  – Banks/credit unions, payroll companies, money services, tax authorities, payment providers, large companies (insurance/telco)
• 6 states have submitted notices
  – New tax types added, debit instructions, banking change
Next Steps

• Continue educating FTA membership on the availability and benefits of the tax change portal
• Enhance site as warranted
• Explore other opportunities for using the portal/leveraging participants

Other Collaboration Opportunities

• Communicating company ID changes for debit payments
  – Notify banks/providers when the state tax authority changes company ID so that debit blocks can be updated. If the debit block is not updated for the new company ID, the debit may be returned, risking late payments and associated penalties/fees
• NACHA TXP standard compliance for credit payments
  – Some states are creating unique requirements for TXP payments, causing tax payers and providers to engage in manual interventions.
• Child support/unemployment taxes
  – Similar to state tax changes, banks/providers would like to know when changes are made that affect ACH child support and unemployment tax payments
• Municipalities/local tax authorities
  – Expand the portal to include changes made by municipalities and local tax authorities that affect ACH payments
Contact

• NACHA Tax Portal: www.nachataxportal.org
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• Rob Unger, Senior Director, NACHA, runger@nacha.org, 703-626-5851