

# **FED/STATE EMPLOYMENT TAXES (FSET)**

## **USER'S GUIDE**

v1.4 – January 8, 2003

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**Version Control:**

| <b>Version</b>         | <b>Change Description</b>   | <b>Author</b> | <b>Date</b> |
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## **1. INTRODUCTION**

Employers are required to accumulate a vast amount of data to meet federal and state quarterly tax and wage reporting requirements. These data are noted on multiple forms (paper or electronic) that are sent to both federal and state government agencies. The requirement to file the tax and wage data with various public entities on multiple forms is redundant, time-consuming, and burdensome for employers.

Additionally, the redundant and often manual paper processes for employer quarterly filings depletes the resources of federal and state agencies. Both the IRS and state agencies have strategic goals to streamline the quarterly reporting process and increase electronic filing. Increasing electronic filing eliminates manual processes, and reduces processing cycle times, errors and costs. Additionally, the simplification of the tax and wage reporting process is expected to increase compliance for both the state and federal agencies.

### **1.1 PROJECT BACKGROUND (COTS SPEF / FSET)**

In August 1999, the STAWRS Program Office organized a consortium of federal, state and private sector partners to develop and test the concept of combined state and federal single point electronic filing. The project was initiated based on feedback from IRS stakeholders and consensus that:

- Employers are subject to an unnecessary burden by the requirement to file quarterly tax and wage data to federal and state agencies;
- Commercial software developers and payroll service providers would like to actively participate in improving the quarterly electronic filing process;
- The commercial availability of software that enables the employer to file both federal and state tax and wage reports as one combined activity would save employers time and help reduce errors in filing; and
- Reducing the complexity and redundancy of tax and wage reporting through single point electronic filing software packages would likely lead to increased electronic filings, and more timely compliance for both the federal and state agencies.

The COTS SPEF consortium worked to develop standards to be used by software developers, states and the IRS for transmitting employer quarterly tax and wage reports and making associated payments.

In November 2001 the COTS SPEF project was transitioned from the STAWRS Program Office to the IRS Electronic Tax Administration (ETA) for completion. The IRS ETA, through a separate project, developed a technical structure for the Employment Tax Return Filing Transport and Packaging using eXtensible Markup Language (XML). The IRS efile transport and packaging structure met or exceeded the requirements defined by the COTS SPEF

consortium. In early 2002 the COTS SPEF consortium adopted the underlying structure of developing the IRS Employment Tax e-file transport and packaging as the basis for developing the state employment schemas.

The ETA COTS SPEF team worked with consortium partners to consolidate the state employment data elements and requirements for the development of state employment schemas for state Withholding (WH), Unemployment Insurance (UI), Combined (WH and UI), state Annual Reconciliation, and state Payments based on the IRS 94x schemas. The draft release of the state employment schemas developed by the ETA COTS SPEF team was published on July 24, 2002.

During 2002 the COTS SPEF consortium held their meetings in conjunction with the Tax Implementation Group For EC Requirements Standardization (TIGERS). In August 2002 the IRS COTS SPEF team formally closed the consortium and initiated the Federal State Employment Tax (FSET) program. The team transitioned future maintenance of the state employment schemas, data elements list, and documentation to the TIGERS group. The IRS team continues to support the FSET project in meeting the goal of reducing employer burden.

## **1.2 PURPOSE OF THE FSET USER'S GUIDE**

The purpose of the user's guide is to provide background, scope, guidelines and instructions for use of the FSET schemas and Internet gateway standards and how to use, request or submit changes to the schemas. The FSET schemas and standards are designed to be used by software vendors to develop single point electronic filing solutions for state and federal employment tax and wage reports and making associated payments. The FSET standards are used by states to develop Internet gateways to receive filings generated by software and service providers using the FSET schemas. The schemas are hosted on the IRS website at [www.irs.gov](http://www.irs.gov).

## **1.3 FSET MISSION AND GOALS**

The mission of the FSET project is to reduce employer burden by simplifying the process for the quarterly filing of state and federal tax and wage reports and making employment tax payments. The project seeks to facilitate the development of standards that will foster the development of commercial software applications for the single point electronic transmission of employer quarterly tax and wage reports that satisfy both state and federal obligations.

FSET will achieve its mission by accomplishing the following goals:

- Providing ongoing support for a set of standard record layouts (XML schemas) that satisfies an employer's state and federal tax and wage reporting obligation;

- Encouraging federal and state agencies to adopt and implement the electronic transmission and data format standards;
- Encouraging the software development community to develop and market software products and/or applications that provide calculations and single point electronic transmission capabilities to deliver quarterly wage and employment-tax data; and

## **2. FSET PROJECT SCOPE**

The scope of the FSET project is limited to filing of federal and state quarterly employment tax and wage reports, i.e., federal Form 941, state withholding tax and state unemployment insurance, and state annual reconciliations, and making associated payments.

- Provide single point filing from the employer's/third party preparer's perspective.
- Electronic signature requirements will meet standards set individually by the IRS and each state. The optimum goal is to have one electronic signature per employer per transmission, with the electronic signature accepted by all recipient agencies. Legislative and state and federal business practices may require the use of more than one signature.
- The FSET project is limited to electronic transmission of data using defined FSET XML schemas. Transmission is recommended via HTTPS connection to a state gateway. States, vendors and the IRS may choose alternative connections, i.e., via point-to-point modem connections.
- FSET may include the capability to make both individual and bulk electronic payments. Software developers will also include the capability to print a payment voucher to be sent with a payment through the mail.
- FSET standards allow for state payments with a return and state periodic payments. The IRS Employment Tax specifications allow for a payment with the return, but do not at this time allow for periodic payments.
- Each participating state will provide an Internet gateway for accepting state WH, UI or Combined and Annual Reconciliation filings. Infrastructure decisions on how each state will develop and manage its system are outside the scope of FSET.
- Transmission to the state may be either by an individual employer, or by a third party, using the required XML record format.

## **3. FSET PARTNERS**

The FSET partners include the IRS, software developers, payroll providers, states and private organizations (e.g., Federation of Tax Administrators [FTA], Interstate Conference of Employment Security Agencies [ICESA]), TIGERS, and professional associations.

### **3.1 STATE PARTNERS**

The original COTS SPEF state partners included twelve states: California, Connecticut, Iowa, Illinois, Massachusetts, Maryland, Minnesota, Montana, New Jersey, New York, Pennsylvania and South Carolina. The FSET program is now open to any state that chooses to participate and to utilize the published FSET standards.

State partners assist with the ongoing maintenance of the FSET standards, will work with software developers/payroll providers to demonstrate and implement the concept of single point electronic filing of employers' quarterly wage and tax returns, and will participate in the ongoing FSET program.

### **3.2 SOFTWARE DEVELOPERS/PAYROLL SERVICE PROVIDERS**

The initial COTS SPEF consortium software developer/payroll service provider partners included: CashTax, FileYourTaxes.com, GovOne Solutions, Intuit, Oracle, Paychex and Ultimate software. Through TIGERS several other software and payroll providers have also provided valuable input to the development of the FSET standards.

The role of the commercial software developer/payroll service providers is to participate in the development of common standards for data transmission and format, develop software packages and/or Internet applications to implement single point electronic filing, and test single point electronic filing using the FSET standards with ongoing participation in the FSET program.

The FSET program is now open to any software developer or payroll service provider who chooses to participate and to follow the published FSET standards.

### **3.3 FEDERAL PARTNERS**

As a federal partner the ETA COTS SPEF team oversaw the development of the draft release of the state employment schemas. ETA will continue to participate in FSET initiatives and sharing information related to the IRS Employment Tax e-file System and the e-file transport and packaging standards. The IRS will also host the FSET state employment schemas, data elements list and other documentation on the [irs.gov](http://irs.gov) Web site. The ETA team will continue to support discussion between software vendors and the IRS payments group to develop additional integrated payment solutions.

### **3.4 TIGERS**

The Tax Implementation Group For EC Requirements Standardization (TIGERS) is a part of the American National Standards Institute's Accredited Standards Committee (ASC) X-12. TIGERS is a Work Group of the ASC X-12 Government Subcommittee's Tax Information Interchange Task Group, which is responsible for the development and maintenance of national standards for

electronic data interchange for tax and revenue administration. The TIGERS group also receives support and sponsorship from the Federation of Tax Administrators. TIGERS currently coordinates the development and maintenance of electronic data exchange standards in both EDI and XML formats for a variety of tax filings and related documents. TIGERS meet six times a year; for more information regarding TIGERS please visit the FTA Web site at [www.taxadmin.org](http://www.taxadmin.org).

The TIGERS group has agreed to take over future updates and maintenance for the state employment schemas, data elements lists and supporting documentation, and to continue to act as a resource for state, federal and software developers to develop and test the FSET standards.

## **4. VERSION CONTROL**

### **4.1 PURPOSE**

Because IRS is serving as a repository of the state schemas, the following process is established to ensure that changes to the schema are documented and handled in a way that would reduce the opportunity for duplication while at the same time allow postings to occur with a minimal delay. Version control will provide a history of the changes and record when changes are approved.

Additionally, TIGERS has established its internal process to promote uniformity in implementation among the states, and to ensure that the needs of new state participants are met promptly.

### **4.2 ROLES AND RESPONSIBILITIES**

Chair, ASCX12G- TIGERS – Will serve as the Liaison between IRS and TIGERS. All changes will flow through the Chair. No changes to state schemas will be posted without final approval by Chair, ASCX12G-TIGERS.

TIGERS – Will review and approve or reject all proposed changes that would modify the state schemas. TIGERS will identify all affected parts of the schemas and User’s Guide as a result of any change.

Federation of Tax Administrators (FTA) – Will maintain internet links to state and federal websites for FSET data.

Federal State Employment Tax Analyst - Will serve as the conduit to receive accepted changes and send proposed changes to TIGERS through the Chair. The analyst will number and load all accepted changes to the [www.irs.gov](http://www.irs.gov) web site. In addition, the analyst will forward all proposed federal 94x XML schema changes to Chair, ASCX12G-TIGERS. The analyst *will not* modify the schema with the exception of stripping out the Federal 94x XML schema parts from the

transmission to avoid having to maintain two locations for the Federal 94x XML schemas. The analyst will monitor and control links from IRS as well as coordinate with FTA to have a link to their website and will provide feedback to FTA for changes to IRS website.

Internal Revenue Service- The IRS will make available its web site to house the state schemas under the Federal State Employment Tax Program. The IRS will have a link from the state schemas to the FTA website.

States- Will utilize the following guidelines in developing state FSET programs.

1. States will use the FSET state schemas as the basis of their XML data formats.
2. All data elements used by the states will be contained in the FSET state schemas. States may not independently add data elements to the FSET schemas or make changes to the schema structures.
3. States may “derive by restriction” to develop schemas for state programs; that is, they may choose not to utilize all data elements or all structures contained in the FSET state schemas if they are not needed for state filing.
4. Any additional data elements needed by a state, that are not contained in the FSET state schemas, will be submitted to TIGERS according to the procedures given in section 4.3.3.
5. Any requests for changes to the FSET state schema structures will be submitted to TIGERS according to the procedures given in section 4.3.3.

## **4.3 PROCESS**

### **4.3.1 TIGERS CHANGES**

Definition: Those changes that originate with a new state added to the FSET Program, changes originating with states already involved in the FSET Program, or changes originated with TIGERS.

1. Changes will be submitted for review to TIGERS, using the forms and procedures given in section 4.3.3.
2. Once the modified schema is received, the FSET analyst will provide a version number and date prior to loading on the IRS web site. The version number will include four (4) Alpha characters (FSET) and five (5) numeric characters (###.##). The

date associated with the schema will be the date approved by TIGERS. Therefore, it is important that this date be included in the e-mail message from FTA. The original upload will be considered version 01.00. The next version will appear as FSET 01.01 10072002 and will increase incrementally until version 99.999 is reached.

3. The FSET Analyst will only accept approved submissions from TIGERS for upload received from the Chair. E-mail messages will be acknowledged as received by FSET.

The schema uploads will occur within five (5) calendar days after receipt

#### **4.3.2 FEDERAL 94X CHANGES**

1. When there is a change to the Federal 94x XML schema, there will be an email sent to the Employment Tax Partners and the TIGERS chair will be emailed at the same time. This will ensure that TIGERS is in the initial feedback loop, and that TIGERS comments on the proposed change are routed to the 94x XML Change Control Board (CCB).
2. Once a change to the Federal 94x XML schema has been approved by the 94x XML CCB, notification of the change will be sent to Chair X12 Sub-Group, TIGERS. Notification will include specific information on what was changed, why the change was necessary, and when the change will be made.
3. The chair will present the change to TIGERS for consideration. (Note: changes to the Federal 94x XML schema will not necessarily be made to the state schemas.)

At this point, the process will follow Steps 1 through 4 for state schemas

#### **4.3.3 TIGERS PROCEDURES**

TIGERS change control forms, available on the FTA website [www.taxadmin.org](http://www.taxadmin.org) will be used by participating states to request additional data elements to be added to the FSET state schemas, to request changes to existing data elements, or to request changes to schema structures. They must be submitted to the Chair, TIGERS work group, preferably four weeks prior to a TIGERS meeting. (TIGERS generally meet in February, April, June, August, October and December). The proposed changes will be posted by FTA on the FTA website, and notification of the proposed changes will be sent to TIGERS members.

The proposed changes will be discussed at the next TIGERS meeting. It is highly advisable for representatives of the state requesting the changes to attend the meeting, in order to explain the reason that the changes are necessary. Simple changes, such as the addition of new optional data elements needed by a state, will generally be approved at the TIGERS meeting. Any changes that are not backward compatible, that is, which would require changes to existing FSET state

programs, may require further consideration. Approved changes will then follow the procedures given in section 4.3.1.

## **5. STATE EMPLOYMENT SCHEMAS**

### **5.1 GUIDELINES USED IN THE DEVELOPMENT OF FSET STANDARDS**

Several factors were considered in the development of FSET standards and technical specifications, including current business processes, technical, legislative and financial restraints. The guiding principles used in developing the FSET standards are listed below.

- Base the solutions on open standards and platform independence
- Use of commercially available systems and services
- Utilize and adapt existing filing standards where possible
- Comply with legislative requirements
- Maintain privacy and security for returns
- Consideration of interface requirements with State and IRS backend processing systems
- Minimize implementation costs for new standards

### **5.2 METHODOLOGY USED TO DEVELOP STATE EMPLOYMENT SCHEMAS**

The draft State Employment Schemas were developed using the IRS 94x schemas as a template. Each of the state employment schemas; state Withholding (WH), state UI, state Combined (WH and UI), and the state Annual reconciliation are copies of the IRS schema IRS941.xsd that have been modified to remove the IRS 941 elements and to include the relevant state employment tax elements. The Acknowledgement schema, which is part of efileMessageState.xsd, is also derived from the 94X equivalent.

Some data structures like the IRS941ScheduleBType have been used as templates for equivalent state data structures. In the efileStateTypes.xsd document there is a type called “PaymentScheduleType”. It is a modification of the “IRS941ScheduleBType”. Deposits have been added to this structure to accommodate states like Minnesota with this reporting requirement. This structure uses a deposit or liability element that can repeat up to 31 times. An attribute of this element is an integer representing the day of the month that the deposit or liability occurred. The elements are grouped into three months, one for each month of the quarter.

For filings that require a payroll listing, or a list of employees, a payroll structure exists with an employee structure, EmployeeType. The payroll contains a sequence holding as many complex EmployeeType children as required. Another element, EmployeeNameFormat, describes the method of presenting the first middle and last names of the employees. The EmployeeType can contain the full address of the employee and all required data associated with each employee.

There are four types of returns, Withholding, UI, Combined, and Annual Reconciliation. Each of these can contain the header information and a payment structure. Alternatively, the header and payment information can be presented in separate XML documents and linked to the return.

### **5.3 INSTALLATION OF STATE EMPLOYMENT SCHEMAS**

The state employment schemas have been packaged in a "Zip" file, which is designed to extract to the virtual directory structure outlined below. For example if you select to extract the files to your C: root directory, the file efileStateTypes.xsd will automatically extract to C:\efile94x.

Since the schemas share common data elements and structures, it is necessary to download and extract the federal 94x schemas as well as the state schemas. You will note that this directory structure is identical to the federal schema directory structure, with the addition of the "state" folder. When extracting the files from this archive, you should extract them to the same root directory where you extracted the federal schemas.

**IMPORTANT:** The federal and state schemas share two common files, efiletypes.xsd, and soap.xsd. Please be aware of this when extracting the files.

```
efileStateTypes.xsd -> \efile94x
efileMessageState.xsd -> \efile94x\message
efileIndexState.xsd -> \efile94x\message
ReturnHeaderState.xsd -> \efile94x\state
StateWH.xsd -> \efile94x\state
StateUI.xsd -> \efile94x\state
StateCombined.xsd -> \efile94x\state
StatePayment.xsd -> \efile94x\state
StateAnnual.xsd -> \efile94x\state
```

Once you have downloaded and extracted the schema files, you may view or print them using an XML editor, a web browser that provides support for XML schema files, or various text file editors.

### **5.4 CREATING INSTANCE DOCUMENTS**

This information is intended for an experienced XML developer, interested in testing the schemas. As of August 2002, the state employment schemas have been produced in draft form. However, they have not been tested for actual use. The state employment schemas are based on the IRS 94x candidate release structure. The instructions for creating an instance document found in the IRS 94x Preliminary Guide Part 1 and 2 are the best available guide for how to create an instance document for the state employment schemas. These guides will help to create sample instance documents using the XML Spy.

The contents of the transmission envelope for state use is different than for IRS use, but follows the same process. Identify the contents (FSET returns and/or payments) of the instance document transmission envelope that is to be tested. Follow the instructions in Guide Part 2 to generate a sample return data instance document. Substitute the state versions of the schemas for the IRS versions. After generating each component of the transmission, follow the directions in the guide to assemble it to create a complete transmission.

## **6. STATE GATEWAY SPECIFICATIONS**

The intent of the state Gateway specifications is to outline the minimum set of specifications that need to be met by a state gateway to receive the state employment schemas. Ideally, the state gateways would provide a consistent interface to the transmitter from state to state. For this reason, the specifications emphasize those functions, which govern the transmitter interface. Supporting internal functions, including interface to state legacy systems, are left to the discretion of the individual states.

### **6.1 MINIMUM STATE GATEWAY FUNCTIONALITY**

#### **6.1.1 AUTHENTICATION**

Authentication is the identification of the party transmitting a file to the gateway. States who require pre-registration of transmitters will either use PIN and Password or PKI for connection validation. Both are supported in the schemas. Most states intend to pre-register transmitters, and authenticate transmitters through a PIN or Password, or through PKI. Other states may not implement registration for connections to the gateway. For this reason, the state must be able to select whether or not the gateway Authentication function will be active.

Ideally, there will be one PIN/Password/Digital Signature for authentication at the state gateway per transmission. Each transmission can carry multiple filings for state WH, UI, Combined, Annual Reconciliations and associated payments. There may be a case where a separate authentication may be required for Withholding, UI and/or payments in some states.

#### **6.1.2 RECEIVING FSET FILINGS**

The gateway must be able handle the action of receiving a FSET filing from a transmitter. Transmitters will upload the SOAP-based XML file to the gateway using HTTPS. They may or may not use a browser.

Acknowledgement One, the transmission receipt, will be posted during this stage (See Acknowledgement Handling).

The transmitters will be permitted to send multiple transmissions (filings) without having to first pick up acknowledgements waiting for them from a previous transmission.

### **6.1.3 DATA VALIDATION**

Data validation involves parsing of the XML document to determine whether it is "well formed." The parser may reside at the gateway, but may also reside at another location of the state's information systems, to which the gateway would pass the file to be validated.

The gateway will post the results of the validation in the form of Acknowledgment Two (see Acknowledgement Handling). The return(s) will be accepted or rejected.

### **6.1.4 DATA STAGING**

Data staging is preparing, or re-formatting, the return for processing by legacy systems. This function could also reside at the gateway, but is most likely performed at another location to which the file is passed by the gateway or by the validation stage. The gateway boundary interfaces to the legacy systems, but the nature of that interface will vary by state.

If the legacy system creates an acknowledgement, it will be posted by the gateway in the form of Acknowledgement Three (see Acknowledgement Handling).

### **6.1.5 ACKNOWLEDGEMENT HANDLING**

The gateway must include the ability to post acknowledgements for retrieval by the transmitters. Because the acknowledgement of a taxpayer's filing is considered confidential information in most states, the handling of Acknowledgement Two or Acknowledgement Three assumes the capability to authenticate Transmitters by means of PIN/Password or PKI connection to the gateway.

Acknowledgment One will be called a Transmission Receipt. This acknowledgement will be provided in real time in the same session as when the transmission is received by the state gateway. The Transmission Receipt may include the following information:

1. ETIN
2. TransmissionIDNumber
3. TransmissionTimeStamp
4. FileSize
5. (Optional) State defined message to indicate expected turnaround time, for Acknowledgement Two.

Transmitters would like for the Transmission Timestamp to be usable as proof of timely filing, even if a return is later rejected by Acknowledgement Two or Acknowledgement Three. While a consensus may be reachable on “best practices,” this decision must be made at state level.

The software vendors would ideally like to reach an agreement with the states to use the time stamp for when a return is received on their servers (currently done with individual tax filings with the IRS). Their next choice is to use the Transmission timestamp from Acknowledgement One. For now “timely filed” is an open issue and defined by the state. Most states and vendors agree the use of the transmission timestamp for Acknowledgement One makes sense. For some states this may be a legislative or policy issue, thus it remains an open issue.

The second acknowledgement is defined as the Transmission Acknowledgement and includes an acknowledgement for each return within the transmission. For rejected returns the Transmission Acknowledgement will indicate at what level the return was rejected, at the Transmitter, Originator or return level. The contents of the Transmission Acknowledgement are specified below under Acknowledgement Two. Acknowledgment Two follows the format of an XML schema that is part of the FSET standard.

The third acknowledgement is optional. It may include information generated by the return processing (legacy) system, and includes errors beyond the scope of XML validation, such as math, and input errors. This a state defined acknowledgement.

The state gateway will post acknowledgements and the Transmitter will be responsible for pulling acknowledgments down from the gateway.

## **6.2 ACKNOWLEDGEMENT CONTENTS**

There will be three levels of acknowledgements posted to the state gateway by the receiving state. Acknowledgement One, the Transmission Receipt and Acknowledgement Two, the Transmission Acknowledgement are required, Acknowledgement Three is an optional acknowledgment that may include more detailed information from the gateway or legacy systems as defined by the state.

### **6.2.1 ACKNOWLEDGEMENT ONE – TRANSMISSION RECEIPT**

This acknowledgement simply states whether or not a file has been successfully received by the transmission protocol, without identifying any filers (taxpayers). The acknowledgement will be provided in real time in the same session as when the transmission is received by the state gateway. Acknowledgement One can be XML based, but does not have to be. The Transmission Receipt may include the following information:

1. ETIN

2. TransmissionIDNumber
3. TransmissionTimeStamp
4. FileSize
5. (Optional) The expected turnaround time, in hours, for Acknowledgement Two.

Transmitters would like for the Transmission Timestamp to be useable as proof of timely filing, even if a return is later rejected by Acknowledgement Two or Acknowledgement Three. While a consensus may be reachable on “best practices,” this decision must be made at state level.

### **6.2.2 ACKNOWLEDGEMENT TWO – TRANSMISSION ACKNOWLEDGEMENT**

The second acknowledgement is created as a result of the Data Validation stage, and includes an acknowledgement for each return item within the transmission. For rejected returns, the Transmission Acknowledgement will indicate at what level the return was rejected, at the Transmitter, Originator, or item level. The Acknowledgement schema is part of the schema efileMessageState.xsd and includes a three-tiered structure, representing the Transmitter, Originator, and Item, with status (Accepted or Rejected) and Errors reported at each tier.

Acknowledgement Two will be posted as an XML document following a standard schema.

### **6.2.3 ACKNOWLEDGEMENT THREE – LEGACY ACKNOWLEDGEMENT**

Acknowledgement Three is an optional acknowledgement generated by the return processing (legacy) system or state gateway, and includes information beyond the scope of XML validation, such as input or math errors. The format and contents of Acknowledgement Three will vary from state to state. However, it is hoped that a standardized format and error code set can be developed at some point in the future.

## **7. STATE PAYMENTS SCHEMA**

The objective in designing a state payment schema is to facilitate any possible method of making a payment to a state tax agency. This includes the various electronic methods made through ACH Credit, EFT Debit Program, or Wire Transfer. Additionally there are some payment methods that can be supported with the addition of a just a few optional elements. This includes credit card payments and bulk payments made by third parties (reducing transaction fees).

The data elements required for this versatility covers all aspects of identification of the tax payer, bank account information, descriptions of tax the payment is applied to, payment, credit and debit information. Since many of these elements would never be used all at the same time, the majority of them are designated as optional.

The design of the schema is very carefully constructed to allow maximum flexibility for any use. It uses branches of like elements grouped together. This grouping also will allow easy future

maintenance. New requirements will be able to be accommodated by simply adding new elements to the appropriate branch of the structure.

## **8. FSET CRITICAL SUCCESS FACTORS**

A critical success factor is a key factor that is essential for achieving a goal. The critical success factors for the FSET Project are defined in Table 1.

**Table 1: Critical Success Factors**

| <b>Factor</b>   | <b>Indicators of Success</b>   |
|---|--|
| Completion of gathering data elements from all states and creating a master data element list and assigning XML tag names to each data element. | Acceptance by software developers, state, and federal partners.  |
| Creation of XML schemas based on collected data elements.   | Acceptance by software developers, state, and federal partners.  |
| Accurate transmission of required data to participating state and federal agencies.   | Data are received and processed by state and federal with reduced processing costs and increased accuracy.   |
| Customer and stakeholder involvement, satisfaction, and system acceptance.  | Determined through feedback from satisfaction surveys, technical and functional interchanges, and/or visits. |
| Increased compliance for filing of Form 941 and state tax and wage reports.   | Amount of reduction in the cost of state and federal government in collecting the information.               |
| Increase in number of employers filing the IRS Form 941 and state tax and wage reports electronically.  | Reduction in processing errors.  |

## 9. APPENDIX – ACRONYMS AND ABBREVIATIONS

|           |   |
|-----------|---|
| TIGERS    | Tax Information Group For EC Requirements Standardization |
| ASC       | Accredited Standards Committee                            |
| COTS SPEF | Commercial Off The Shelf Single Point Electronic Filing   |
| ETA       | Electronic Tax Administration                             |
| FTA       | Federation of Tax Administrators                          |
| FSET      | Fed/State Employment Taxes                                |
| ICESA     | Interstate Conference of Employment Security Agencies     |
| IRS       | Internal Revenue Service                                  |
| PKI       | Public Key Infrastructure                                 |
| STAWRS    | Simplified Tax and Wage Reporting System                  |
| UI        | Unemployment Insurance                                    |
| WH        | Withholding   |