

**NYS Department of Taxation and Finance
Best Practices for Credit Cards**

**The State Of New York Charges
Into The Information Age**

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Best Practices for Credit Cards**

Vendors:

- ◁ **Official Payments Corp. (OPAY)**
- ◁ **Phone Charge, Inc.**

Credit Cards:

- ◁ **American Express**
- ◁ **Discover/Novus**
- ◁ **Mastercard**

Taxes:

- ◁ **Personal Income Tax Final Payments**
- ◁ **Personal Income Tax Extensions**
- ◁ **Estimated Tax**

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- **Why Did New York Decide To Accept Credit Cards?**
- **How Were The Vendors Selected?**
- **How Does Our Process Work?**

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Three Key Goals:

Customer Service

Convenience

Control

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Who Pays The Convenience Fee?

New York State

- Absorb It
- Seek An Appropriation

Taxpayer Pays It

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Projected Activity

	<u>Average Payment</u>	<u>Universe</u>	<u>Volume Used</u>	<u>Percent Of Universe</u>	<u>Projected Convenience Fee</u>
Final Returns & Extensions	\$1,296	211,094	12,500	5.9%	\$324,000
Estimated Tax	\$2,980	2,248,157	10,000	0.4%	\$596,000
Total					\$920,000

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Activity To Date

	<u>Average Payment</u>	<u>Volume</u>	<u>Average Convenience Fee</u>	<u>Total Convenience Fee</u>
Final Returns & Extensions	\$1,268	9,967	\$25.36	\$252,763
Estimated Tax	\$2,292	343	\$45.84	\$15,265
Total				\$278,028

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Taxpayer Pays The Convenience Fee

- **Simple**
- **Fair**
- **Independent**

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How Did New York State Select The Vendors?

Self Selection: Must Meet Department's Threshold Criteria

**# Major Criteria: Must Be An Approved IRS Credit Card
Provider**

S Parity Of Service

S NYS/NYC/Yonkers Distribution Customization

S Reconciliation/Balancing/Chargeback Processing

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“Disclaimer”

Neither New York State Nor The Department:

- 1. Endorse, Recommend Or Require The Use Of Such Companies Or Their Products, Processes, Information Or Services;**
- 2. Make Any Warranty (Express Or Implied, Including The Warranties Of Merchantability, Fitness For A Particular Purpose And Non-infringement) With Respect To Such Companies Or Their Products, Processes, Information Or Services;**
- 3. Make Any Representation With Respect To Such Companies Or Their Products, Processes, Information Or Services; Nor**
- 4. Assume Any Legal Liability Or Responsibility For Any Act Or Omission By Such Companies, Or For The Accuracy, Completeness, Timeliness Or Usefulness Of Any Product, Process, Information Or Service Offered By Such Companies.**

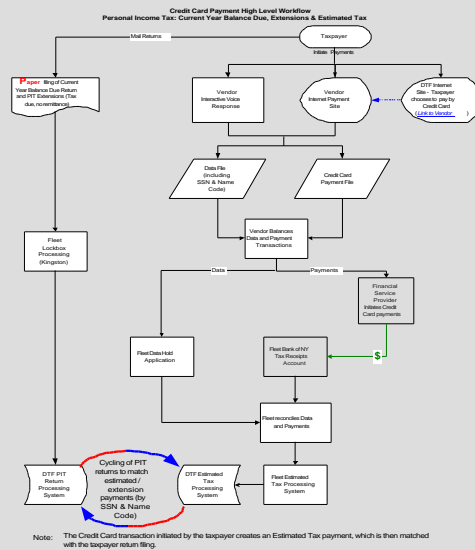
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Question: How Does It Work?

Answer: Exceedingly Well!

How And Why:

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“Best Practices” Survey:

Contacted:

- **Internal Revenue Service**
- **State of California**
- **State of Connecticut**
- **State of Illinois**
- **State of Minnesota**
- **State of New Jersey**

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Five Critical Features:

- 1. Number Of Transaction Files = Number Of ACH Credits**
- 2. Receive Files “Post Mirror Balancing”**
- 3. Predictable Funding Cycle**
- 4. “Live” Credit Card Test**
- 5. ACH Debit Block**

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Critical Feature 1:

Number Of Transaction Files = Number Of ACH Credits

Number Of Programs	(NYS=3)
* Number Of Credit Card Types	(NYS=3)
* Number Of Vendors	(NYS=2)

18 Daily ACH Credits

18 Daily Transaction Files

- < Facilitates Balancing**
- < Allows For Processing Of Balanced Files**
- < Isolates Problem Files Or Deposits**

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Critical Feature 2: Receive Files “Post Mirror Balancing”

- Ensures Reconciliation Has Occurred Between Vendor And Processor PRIOR To You Receiving Your Transaction Files**

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Critical Feature 3: Predictable Funding Cycle

- S Must Establish A Stable Window To Receive ACH Credit After Receiving Transaction Files**
- S If There Is An Unstable Funding Window (E.G., Due To Internet Credit Card Provider Not Supporting A Stable Window), Have The Vendor Remedy Through Direct Funding**

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Critical Feature 4: “Live” Credit Card Test

- S Require Vendor To Make Available “Live” Credit Cards During User Acceptance Testing**
 - Ensures The Vendor And Credit Card Companies Can Achieve The Funding Cycle Time Frames And The Agency Tax Account Is Properly Credited, Reconciliation Between Test Transactions And ACH Credit**

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Critical Feature 5: ACH Debit Block

S Have Your Receiving Deposit Financial Institution Establish An ACH Debit Block On The Account Receiving The Associated ACH Credit

- **Ensures That Credit Card Companies Do Not Erroneously Reverse Prior ACH Credits**

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Percent Utilization By Access Method

	<u>\$</u>	<u>#</u>
Internet	41.2%	49.6%
IVR	58.8%	50.4%

Highest \$ Amt.	=	\$299,997
Average \$ Amt. (Final Returns)	=	\$1,268
Average \$ Amt. Paper (Final Returns)	=	\$981

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