

Next Generation Electronic Filing Systems for Payroll Services

Issues and Design Recommendations

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A decorative graphic at the bottom of the slide features a horizontal band with a gradient from orange to grey. The band contains binary code (0s and 1s) in white and orange. To the right, there are several overlapping circles in orange and grey, and a large, faint, light-colored circular shape in the background.

Why we are here, now...

- *To provide recommendations for electronic filing*
 - *States will benefit from well-planned systems*
 - *Avoid pain! Learn from the experience of early adopters*
- *NPRC members can't use systems developed for individual employers*
 - *NPRC members report a third of private sector workforce*
- *To ask for early involvement in systems development*

Background and Issues

- *What is “next generation electronic filing”?*
 - *The shift from magnetic media to file transmissions*
 - *Secure Internet connections (HTTPS, SSH, FTP etc)*
 - *Unattended computer to computer transfer*
- *Enrollments*
 - *Why necessary?*
 - *Early systems created ‘enrollment’ processes that were more difficult than actual filing*
- *Edits*
 - *Early systems included new edits that made it far harder to file electronically than on paper*

Issues

- *Significant lead time is necessary*
 - *Large payroll services must program to specifications*
 - *Systems and specifications are often completely different*
 - *Quality Assurance testing takes several months*
 - *Including development and testing of back-up systems*

Agenda (continued)

- *Authorizations*
- *Other Processes*
 - *Tax payments*
 - *Contingency planning*
 - *Notice processing*
 - *E-Services*
- *Closing Comments*





What developers do
to users who submit
late changes...



Technical Infrastructure

- *Format*
 - *Use an established data format*
 - *FSET (IL & CT), MMREF, NASWA/ICESA*
 - *Be consistent across tax types and returns*
 - *Withholding and unemployment tax data*
 - *Payment, quarterly and annual returns*
 - *Publish a clear mapping of data from paper returns to the electronic format*

Technical Infrastructure

- *Protocols*
 - *Application to Application (“A2A”) is the gold standard of next generation electronic systems*
 - *Unattended transmission reduces costs and errors*
 - *Implement as XML documents over HTTPS (“MeF”)*
 - *Requires a clear Application Programming Interface (“API”)*
 - *Specify gateway, file name, encryption, compression*
 - *Publish API and update in advance of changes*

Technical Infrastructure

- *Protocols, cont.*
 - *Accept “batch” transmission of unrelated filings and payments by high volume submitters*
 - *Assure security through encryption*
 - *Authenticate transmitter by PIN, password or PKI*
 - *No need for additional authentication of each employer*

Technical Infrastructure

- *Acknowledgments*
 - *FSET standard provides for 3 acknowledgments*
 - *First level: Transmission Receipt*
 - *Identifies transmitter, time of filing, file size*
 - *Second level: Transmission Acknowledgment*
 - *Accept or reject each return in a transmission*
 - *Third level: Agency Back-End*
 - *Use existing methods to resolve issues directly with each employer*

Technical Infrastructure

- *Edits*
 - *Aggressive enforcement of edits or asking for additional information discourages electronic filing*
 - *Apply same standards to electronic and paper files*
 - *Post files, and issue transmission receipt*
 - *Apply standard federal edits (e.g. to SSN's)*
 - *Reject at the employer level*
 - *Do not reject entire transmission*
 - *Do not selectively reject individual employee records within an employer's file*

Technical Infrastructure

- *Testing*
 - *Allow sufficient time after specifications are finalized (ideally, 6 months)*
 - *Test all aspects of production system*
 - *Transmission, file format, acknowledgment*
 - *Develop sample returns and scenarios*
 - *Provide a secure environment for live data testing*

Authorizations

- *Enrollments can be a barrier*
- *Instead, maintain existing data exchanges or initiate*
 - *Use this as preliminary file to “enroll,” add to payroll service’s filing list or review for potential errors*
 - *Minimum of quarterly to catch new employers*
 - *Account number validation*
 - *Deposit frequency*
 - *Error reports for problem accounts*
 - *Use the opportunity to suppress tax forms*

Authorizations

- *Powers of attorney are already obtained by all new employers with a third party*
 - *Provides for limited coverage for designated tax types*
 - *The filing of the return establishes authorization*
 - *Upon provision of a client list—preferably through the data exchange—allow third parties to act on behalf of employers to obtain information*

Other Processes

- *Payments*
 - *ACH Credit vs. ACH Debit*
 - *Use the standard NACHA format record that will provide EIN-level detail to allow posting*
 - *Eliminate additional transactions when possible through use of TXP addenda record*
 - *Always test the file*

Other Processes

- *Back-up processes*
 - *In case of failure, provide for contingency systems (CDs, tapes, flat files)*
 - *Be flexible with initial transmissions*
 - *Run parallel systems during initial transition*
- *Notice processing*
 - *Electronic supplemental payments*
 - *Consider variations in systems, which can create difficulty*

Other Processes

- *Offer additional incentives when possible:*
 - e-Services*
 - *Visibility of filing, amendments and notices for authorized periods (quarter-driven authorization)*
 - *Role assignment*
 - *Allow for a primary administrator and a list of additional authorized users*

Other Processes

- *Additional processes?*
 - *Concentrate on high-return items (highest bang for development buck)—not amendments or other exceptions*
 - *Allow for some paper processing*
 - *Automate from current to future, not retroactively*

Closing Comments

- *Allow adequate time for industry development (minimum 6 months)*
- *Seek stakeholder participation before too involved with vendor or in-house changes (draft versions for review and comment)*
- *Consider size of largest customers and bulk providers and the corresponding file size*
- *Consider the variety of needs among TPAs vs. CPAs and employers*

Closing Comments

- *Don't build effective dates into legislation*
- *Leave yourself an out – run parallel systems until you have actual live data and tier system changes where possible*
- *Be realistic about development changes after initial implementation*
- *Keep contacts consistent and allow for fluid access*

Contact Information

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