

NATIONAL PAYROLL REPORTING CONSORTIUM, INC.

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September 22, 2006

Mr. Patrick Shier
Acting Deputy Director and Chief of Unemployment Insurance
Alaska Department of Labor and Workforce Development
Employment Security Tax Division
1111 W 8th Street, Suite 203
Juneau, AK 99811-5509

Dear Mr. Shier:

Members of The National Payroll Reporting Consortium (NPRC) are concerned about an important element of the Department's electronic filing program for unemployment insurance wage reports.

The NPRC is a non-profit trade association whose member organizations provide payroll processing and related services to over 1.2 million employers nationwide, covering over one-third of the private sector work force. Payroll service providers have long served an important role in our nation's tax collection system as a conduit between employers and government tax authorities. Payroll service providers improve the efficiency of government tax collection and improve tax compliance.

The NPRC actively supports appropriate electronic filing and tax payment programs. NPRC members have long worked with the IRS and state revenue and employment security agencies in every state, and have significant expertise in administering unemployment insurance and other employment-related wage and tax reporting.

Our concern is the 'mandatory' treatment of geographic and occupational codes in Alaska's new wage reporting system. We are sensitive to the Department's need for this information, and we agree that with respect to DLWD's internet-oriented wage and tax reporting system, it would be appropriate to not accept a wage report without these codes. Generating an error message to an employer while they are interacting with your website would effectively prompt them to determine and report the proper codes.

The situation is more difficult with respect to the payroll service industry, which has generated electronic wage reports for more than a third of the Alaskan work force for many years. Unlike the DLWD website, employers interacting with their payroll systems can not be forced to assign such codes at the time they establish a new worker on the payroll system. As the Labor Department well knows, employers can be fined for failing to pay a worker when payment is due, so any data fields not immediately needed to produce a paycheck can not be made mandatory in a payroll system. Virtually all payroll systems include programs to remind clients to input the geographic and occupational codes, but if the codes are missing when a wage report must be filed, it is filed without the codes.

NPRC members file very large wage reports, often including thousands of employers in one file. As presently defined, the Department's wage reporting system would reject the entire wage report of any employer with one or more wage records that were missing the geographic and occupational codes.

The decision to make those data fields mandatory will create significant hardships on the very community that has been most helpful in reporting wages electronically for many years. It would result in hundreds of rejected wage reports each quarter. Clients of payroll service providers would be potentially subject to late filing penalties and would, for the most part, have to file any rejected wage reports in paper format. Payroll service providers are intermediaries, and have no means to change client-supplied data or to correct and re-file a wage report electronically if it is rejected.

We urge the Department to change its treatment of the geographic and occupational codes in wage reports to 'optional', at least with respect to large multi-employer filers, so that otherwise-valid reports can be accepted.

As the only state to require such information in wage reports, Alaska faces an uphill battle in its efforts to educate all employers, particularly multistate employers, as to the need for geographic and occupational codes in wage reports. Payroll service providers support the Department with client training, documentation and software edits and prompts. We would be happy to work with you and your staff to consider other measures to improve the quality and completeness of wage reports. Please call me at (610) 827-1591 if we can be of service. Thank you.

Sincerely,



Pete Isberg
National Payroll Reporting Consortium

Cc: Greg O'Claray, Commissioner
Bill Kramer, Chief of Unemployment Insurance