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Contact:
Colleen Morrison
NACHA
703.561.3925
cmorrison@nacha.org

NACHA[®] Launches State Tax Change Portal

*NACHAtaxportal.org Alerts Financial Institutions and Payment Processors
to Updates in Taxing Authority ACH Routing and Format Requirements*

HERNDON, Va., June 17, 2010 – NACHA—The Electronic Payments Association[®] today announced that it has launched the State Tax Change Portal by NACHA, www.nachataxportal.org. Developed by NACHA in conjunction with the Federation of Tax Administrators (FTA), the State Tax Change Portal functions like a listserv and directly alerts subscribers to changes in ACH taxing authority routing and format requirements for state business tax payments.

“The State Tax Change Portal was developed in response to industry need,” said Janet O. Estep, president and CEO, NACHA. “Financial institutions and payment processors were looking for a way to find out about changes made by state tax authorities that affect ACH payments. The State Tax Change Portal provides the solution for states to communicate such changes, creating timely notices that help minimize returns for businesses paying state taxes electronically through the ACH Network.”

A concept that originated in NACHA’s Council for Electronic Billing and Payments (CEBP), the State Tax Change Portal has four objectives:

- To improve the timeliness and quality of communications between states and service providers regarding format and data changes that affect ACH payments for business taxes
- To provide more lead time for service providers to implement changes
- To reduce the risk of misdirected payments and associated fees or penalties
- To facilitate the use of the ACH Network for cost-effective, secure payments between businesses and governmental entities

The portal enables consistent communications to financial institutions, payment processors, and businesses from state tax authorities. State tax change notices will be distributed through a listserv function. Banks, payment providers, and businesses may enroll online to receive email notifications regarding specific changes enacted by state tax authorities. There are no fees for distributing or receiving notices via the State Tax Change Portal.

Previously, when non-federal tax authorities enacted changes that affected the ACH payment routing or information requirements for electronic tax payments (e.g., routing/account number changes, adding new tax types), they communicated the changes only to the taxpaying businesses, typically by U.S. mail. This left financial institutions and payment processors in the dark about changes, possibly causing tax payments to be misrouted or rejected until the code was updated to incorporate the necessary change.

“Financial institutions and payment processors generally hard-code a taxing authority’s information to properly format and route payments according to taxing authority requirements,” indicated John Biloz, vice president, J.P. Morgan Treasury Services, which originally brought the issue to the attention of the CEBP. “When there’s a change, updates are necessary to enable timely payments, and in some cases, these updates can take some time to install. The State Tax Portal enables pending changes to be shared

with us in advance of the effective date, providing the necessary lead time for preparations to ensure a more efficient process for all parties.”

Sponsored by First Data, J.P. Morgan, PNC, and Wells Fargo, the State Tax Change Portal by NACHA addresses business state tax payments that are regulated by state tax authorities. The FTA provided NACHA with a forum to reach the state tax authorities.

“When NACHA approached us about developing the portal, we thought it was a win-win solution,” said Jonathan Lyon, senior manager for tax technology at FTA. “The portal will help our members better communicate with financial institutions and payment processors to disseminate timely information on pending tax changes, enabling seamless payments.”

While the scope of this issue can affect all credit and debit service providers and numerous businesses, fortunately, tax authorities do not frequently enact changes that have ACH payment implications. Industry estimates project 30 to 40 changes per year.

For more information or to register, visit www.nachataxportal.org.

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NACHA—The Electronic Payments Association

NACHA supports the growth of the ACH Network by managing its development, administration, and governance. The ACH Network facilitates global commerce by serving as a safe, efficient, ubiquitous, and high-quality electronic payment system. NACHA represents nearly 11,000 financial institutions through 18 regional payments associations and direct membership. Through its industry councils and forums, NACHA brings together payments system stakeholder organizations to encourage the efficient utilization of the ACH Network and develop new ways to use the Network to benefit its diverse set of participants. To learn more, visit www.nacha.org, www.electronicpayments.org, and www.payitgreen.org.

NACHA’s Council for Electronic Billing and Payment (CEBP)

The Council for Electronic Billing and Payment (CEBP), comprised of billers, financial institutions, technology companies, and other stakeholders, promotes the adoption and usage of electronic consumer, business and government billing and payment programs and services across any delivery channel. The CEBP provides an open forum for education, resource development, solution innovation, research and the exchange of information about the electronic billing and the electronic payment industries. For more information, visit <http://cebp.nacha.org>.

The Federation of Tax Administrators

The Federation of Tax Administrators is a nonprofit organization composed of taxation and revenue departments of the fifty states, District of Columbia and New York City. Its mission is to improve the standards and methods of tax administration.