

7 Collections

Overview

This chapter provides information about Federal government tax and non-tax collections through the ACH.

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A. Federal Tax Collections

Electronic Federal Tax Payment System (EFTPS) Overview

The Electronic Federal Tax Payment System (EFTPS) is a free service offered by the U.S. Department of the Treasury for business and individual taxpayers to initiate all Federal tax payments. The system enables taxpayers and tax professionals to schedule payments over the phone or online (www.eftps.gov) 24 hours a day, 7 days a week.

Any business or individual taxpayer can use EFTPS. Some business taxpayers are required to use EFTPS because total deposits of designated federal taxes during a calendar year exceed \$200,000. If this is the case, a business is required to use EFTPS beginning in the second succeeding calendar year. Once a business is required to use EFTPS, the requirement remains in subsequent years even if annual tax deposits fall below \$200,000.

EFTPS Enrollment

Taxpayers using EFTPS to make their Federal tax payments must complete an enrollment process prior to making their first payment. An enrollment may be completed online at www.eftps.gov or by a paper enrollment form.

Business taxpayers may request the Business Enrollment Form 9779 and Instructions by calling EFTPS Customer Service. (See EFTPS Assistance at end of this section.)

Individual taxpayers may request the Individual Enrollment Form 9883 and Instructions by calling EFTPS Customer Service. (See EFTPS Assistance at end of this section.)

Financial institutions may make Business and Individual Enrollment Forms and Instructions available to their customers. Forms may be ordered by calling EFTPS Customer Service. (See EFTPS Assistance at end of this section.)

Pre-notification

Unless the taxpayer elects to bypass the bank account verification process, EFTPS will originate a pre-notification entry to the taxpayer's account as part of the EFTPS enrollment process. It is the responsibility of the RDFI to review the pre-notification entry and respond accordingly. A financial institution may be assessed late fees by Treasury where the RDFI failed to respond to a pre-notification entry containing incorrect information.

EFTPS Payment Methods

EFTPS offers taxpayers two primary payment methods: EFTPS–Direct (ACH Debit) and EFTPS–Through a Financial Institution (ACH Credit). A Same Day Payment mechanism is also available through Fedwire or the Fedline Taxpayer Deposit Application.

EFTPS–Direct (ACH Debit)

A taxpayer may access EFTPS directly—by the Internet or by phone—to make a tax payment. At the completion of the tax payment, the taxpayer will receive an EFT Acknowledgement Number as a receipt confirming that the payment instructions have been received. If the payment has been initiated at least one calendar day before the tax due date, the payment will be debited against the taxpayer's account on the due date.

Format

EFTPS originates ACH debit entries using the Cash Concentration or Disbursement (CCD) format for business taxpayers and the Prearranged Payment and Deposit (PPD) format for individual taxpayers.

Reversals

EFTPS–Direct follows the NACHA Operating Rules for reversal entries.

EFTPS–Through a Financial Institution (ACH Credit)

With EFTPS–Through a Financial Institution (available only to businesses), taxpayers must first make sure that their financial institution offers a tax payment service and that the taxpayer is eligible to use that service. Institution deadlines and fees may apply. Financial institutions are strongly encouraged to originate a zero dollar entry prior to the first ACH Credit payment. Taxpayers can use EFTPS–OnLine (www.eftps.gov) to check on payments or access payment history, but they cannot make or cancel a payment through EFTPS–OnLine if EFTPS–Through a Financial Institution is selected during enrollment.

Format

EFTPS requires financial institutions to originate the ACH Credit tax payment in the Cash Concentration or Disbursement + Tax Payment Addenda Record (CCD+TXP) format. The format is contained in the taxpayer's enrollment confirmation package, and financial institutions should refer to the NACHA Operating Rules for additional information regarding the TXP record format.

Returns and Reversals

EFTPS follows the NACHA Operating Rules for returns and reversals.

Same Day Payments

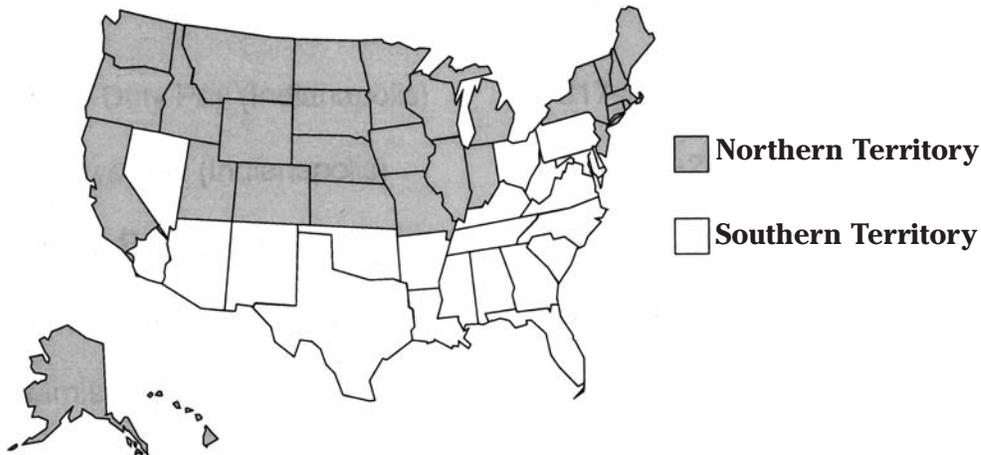
Same Day Payments can be used by enrolled taxpayers as a back-up to the ACH Debit or Credit payment options or as a primary payment mechanism. Taxpayers are automatically enrolled for Same Day Payments when they submit their enrollment form.

For more information, please contact your Fedwire operations area or your local Federal Reserve Bank Operations Area.

EFTPS Assistance

If a taxpayer is initiating Federal tax payments using EFTPS—Through a Financial Institution (ACH Credit) see below for the appropriate customer service helplines.

	Northern Territory	Southern Territory
Routing Number	071036210	061036000
Account Number	04236036	23401009
Taxpayer Enrollment/Helpline	1 (800) 945-8400	1 (800) 555-4477
Financial Institution Helpline	1 (800) 945-7900	1 (800) 605-9876



For further information, see Contacts in Chapter 8.

Financial Management Service
 Electronic Banking Services Division
 401 14th Street, S.W., Third Floor
 Washington, DC 20227
 (202) 874-6577

B. Federal Non-Tax Collections

Direct Payment (Preauthorized Debit)

General

Direct Payment/ACH debit is an electronic transfer of funds via the ACH system from the remitter's account to the agency's account. The remitter (consumer or corporation) gives advance written authorization to the agency to process the ACH debit against the remitter's account at a financial institution.

Examples of Direct Payment applications include:

- Loan payments
- Grant repayments
- License fees.

Enrollment

The Federal agency receiving payments from remitters by means of a debit must obtain a completed SF 5510 (Authorization Agreement for Preauthorized Payments) or other approved authorization form from the remitter. This authorization allows the agency to process a debit against the remitter's bank account. The agency must advise the remitter of the amount and frequency of the debits and any changes to the amount or frequency unless the remitter has specifically waived the right to this notice.

There are two types of debit applications that the Federal agency may use: (1) recurring and (2) single debit.

Recurring Debits

Recurring debits are authorized by the remitter in writing, in advance, to occur at regular intervals. For the life of the agreement with the remitter, only one authorization is needed unless the terms of the agreement change.

Single Debits

Single debits allow a remitter the opportunity to maintain control over his/her funds by a separate authorization for each payment.

Establishing a Direct Payment (ACH Debit) Application

Prior to initiating ACH Debit items, an agency must obtain an authorization from its remitters. The FMS provides Federal agencies with two ODFI service options to allow agencies to choose the level of service which best fits their needs.

FMS Lockbox Network Financial Institutions

The FMS General Lockbox Network financial institutions provide a wide range of lockbox services to Federal agencies including ACH collections. One of these banks may serve as the agency's ODFI processing both recurring and single debits.

FMS Regional Financial Center

The Kansas City Regional Financial Center (RFC) of the Department of the Treasury, Financial Management Service, can serve as an ODFI, for recurring debit programs on behalf of Federal agencies.

Summary of ACH Debit Products

Mechanism	ACH Method	Type of Payment	Remitter Base
General Lockbox Network (Electronic Lockbox)	Debit	Recurring/Single Constant/Varying amount	Individuals and Corporations
Kansas City Financial Center	Debit	Recurring Constant/Varying amount	Individuals and Corporations

Assistance

For further information, see Contacts Chapter 8 or contact the Customer Assistance Staff for your area of the country.

Financial Management Service
Product Promotion Division - Marketing Issues
(202) 874-6540

Financial Management Service
Financial Services Division - Operations Questions
(202) 874-7026

PAD Authorization Form (SF 5510)

AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS

(AGENCY NAME)

PAPERWORK REDUCTION ACT AND PRIVACY ACT STATEMENT

The following information is provided to comply with the Privacy Act of 1974 (P.L. 93-579). The information requested on the form is required under various provisions of title 15 U.S.C. 1601, 12 CFR 205 and 31 CFR 202, for the purpose of providing authority to the Department of Treasury to designate financial institutions to collect payments, by electronic means, from your account. The information will be used for identification with the records of the government agency and the financial institution to direct your payments to the point you authorize. No deduction may be made unless a signed authorization form is received. Failure to furnish this information may delay or prevent the collection of these payments through the Automated Clearing House System.

INDIVIDUAL/COMPANY INFORMATION

INDIVIDUAL/ORGANIZATION NAME: (PLEASE PRINT)

STREET ADDRESS:

CITY/STATE:

ZIP CODE:

TELEPHONE NUMBER:

AREA CODE:

YOUR AGENCY ACCOUNT IDENTIFICATION NUMBER:

TYPE OF PAYMENT:

I hereby authorize the initiation of a deduction from my account and the financial institution named below to debit such account. I understand I will be notified if the debit amount needs to be adjusted, either to be increased or decreased. I also understand that I have the right to stop automatic payment by notifying my financial institution in writing three days prior to the time my account is charged.

SIGNATURE: _____ DATE: _____

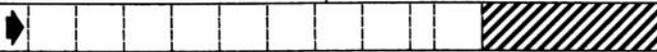
FINANCIAL INSTITUTION INFORMATION

FINANCIAL INSTITUTION NAME:

STREET ADDRESS:

CITY/STATE:

ZIP CODE:

NINE - DIGIT ROUTING TRANSIT NUMBER: 

ACCOUNT TITLE:

ACCOUNT NUMBER:

CHECKING

SAVINGS

SIGNATURE AND TITLE OF REPRESENTATIVE:

TELEPHONE NUMBER:

AREA CODE:

DATE:

ACH Credits

An ACH credit allows the remitter to originate an ACH transaction for payment to an agency through his/her financial institution. The remitter initiates the payment by requesting the FI to send a credit to the agency's designated ACH receiving point (the RDFI). This allows the remitter to maintain control over both the timing and the amount of the payment.

The agency notifies the remitter of the amount of the obligation due the government. At this time, or by prior agreement, the agency advises the remitter of the banking information required to properly credit the payment to the agency's account, the information necessary to properly identify the payment, and the acceptable formats to use. (For specific format information, see the NACHA Operating Rules.)

Prior to receiving ACH credit items, an agency must initiate an agreement with FMS and the RDFI. The FMS provides Federal agencies with two RDFI service options to allow agencies to choose the level of service which best fits their needs.

FMS Lockbox Network Financial Institutions

The lockbox financial institutions can serve as the RDFI for the agency and process and receive ACH credits. The banks have the capacity to receive information from the agency, from the remitter, or directly from the ACH system.

Remittance Express

Remittance Express (REX) is a program which allows the Federal government to receive ACH credits directly from the private sector, for payment to the agency by receiving ACH credit transactions at a unique routing number at the Federal Reserve Bank of Richmond.

Types of REX Applications

REX applications are well suited for credit type transactions, where a private sector remitter initiates a payment to the Government, such as...

- Medical care recovery cost from insurance companies,
- Various types of fees, e.g., Electrical Power User Fees, Petroleum Reserve Fees, etc.,
- Energy sales,
- Pollution payments, and
- Medical payments.

REX Enrollments

To enroll in the REX program a Federal agency must first sign a Memorandum of Understanding (MOU) with the FMS and complete a REX Agency Account Set-up Form.

Format

REX accepts the Cash Concentration or Disbursement Plus Addendum (CCD+) and the Corporate Trade Exchange (CTX) formats.

Summary of ACH Credit Products

Mechanism	ACH Method	Type of Payment	Remitter Base
General Lockbox Network (Electronic Lockbox)	Credit	Recurring/Single Constant/Varying amount	Individuals and Corporations
Remittance Express	Credit	Recurring Constant/Varying amount	Corporations

Assistance

For questions concerning REX, see Contacts Chapter 8 or contact the Customer Assistance Staff for your area of the country.

Financial Management Service
Financial Services Division
401 14th Street, S.W., Third Floor
Washington, DC 20227
(202) 874-7026

C. Paper Check Conversions

What is paper check conversion?

Paper check conversion is the process of converting personal and business checks into electronic funds transfers at the point of sale (POS) or in a lockbox environment (commercially known as eCheck). These transactions can be consumer (Point of Purchase, POP), consumer accounts receivable (ARC), and business transactions that are taken over the counter or received through the mail. The authorization to process business checks electronically is found in 31 CFR Part 210, the Department of the Treasury's adaptation of the NACHA—The Electronic Payments Association—rules.

How are business customers notified that their checks will be converted into an ACH debit?

Processing agencies are responsible for notifying their customers. This may be by mail, electronic postings, or physical postings at drop box or point-of-purchase locations. This notification, together with the customer's subsequent presentation of the check, constitutes authorization of conversion.

What should financial institutions know?

- All commercial checks will be converted using the CCD SEC code. The check number will be placed in field 7 (identification number), found in positions 40-54 of the entry detail record.
- It is anticipated that alternative payment methods will be made available for any lockbox at which all checks are converted so remitters will have payment options available.
- The originating ABA routing number identifying Treasury transactions is 041736126.
- For fraud or legal questions, Treasury will provide an image of the transaction.

What happens if the ACH debit can't be processed?

- The use of cash management tools at the financial institution such as account debit blocks or positive pay verification may prohibit the account to be debited via ACH.
- For accounts that use cash management tools, the customer may request debits coming from a specific originating ID to be debited from the account. For example, company XYZ may allow an electronic debit originated by Treasury with Treasury's ACH ID to be debited from the company account.
- Customers may contact the processing agency for alternative payment options.
- If the debit cannot be processed electronically, a paper copy of the check will be presented through the check processing system.

What happens to the physical check?

Checks received at accounts receivable locations are imaged. The original check is destroyed within 14 days of the settlement date, and the image is retained for seven years. Checks presented at points-of-purchase are voided and returned to the customer.

Assistance

More detailed information may be found at: www.fms.treas.gov/ach, www.fms.treas.gov/pcc, or www.pcc.gov.