

# 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](http://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](http://www.eftps.gov) or by a paper enrollment form. Paper enrollment forms can be obtained 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 prenotification entry and respond accordingly. A financial institution may be assessed late fees by Treasury where the RDFI failed to respond to a prenotification 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 Corporate Credit or Debit (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 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](http://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 Corporate Credit or Debit +, 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**

Taxpayer Customer Service .....1 (800) 555-4477 (Business),  
 .....1 (800) 316-6541 (Individual)  
 Financial Institution Customer Service .....1 (800) 605-9876

**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. See PAD Authorization Form (SF 5510) below.

### PAD Authorization Form (SF 5510)

<b>AUTHORIZATION AGREEMENT FOR PREAUTHORIZED PAYMENTS</b>		OMB No.: 1510-0059 Expires: 08/31/2007
(AGENCY NAME)		
<p><b>Paperwork Reduction Act/Privacy Act Statement</b></p> <p>The information requested on this form is required under various provisions of title 15 USC Chapter 41, 12 CFR 205, and 31 CFR 202 and 206, for the purpose of authorizing the Department of Treasury to designate financial institutions to electronically collect payments from your account. The information will be used to match the records of the government agency with those of the financial institution to direct your payments to the point you authorize. No electronic collection from your account may be transacted unless a signed authorization form is received. Furnishing this information is voluntary, however, failure to furnish this information may delay or prevent the electronic collection of a payment through the Automated Clearing House. You are not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this collection of information is 1510-0059. We estimate that it will take approximately 15 minutes to complete this form.</p>		
CHECK ONE: <input type="checkbox"/> START <input type="checkbox"/> CHANGE <input type="checkbox"/> STOP		
<b>INDIVIDUAL/COMPANY INFORMATION</b>		
INDIVIDUAL/ORGANIZATION NAME (PLEASE PRINT)		
STREET ADDRESS		
CITY/STATE:		ZIP CODE:
AREA CODE:	TELEPHONE NUMBER:	
YOUR AGENCY ACCOUNT IDENTIFICATION NUMBER:		TYPE OF PAYMENT:
<p>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.</p>		
SIGNATURE: _____		DATE: _____
<b>FINANCIAL INSTITUTION INFORMATION</b>		
FINANCIAL INSTITUTION NAME:		
STREET ADDRESS		
CITY/STATE:		ZIP CODE:
NINE-DIGIT ROUTING TRANSIT NUMBER: 		
ACCOUNT TITLE		
ACCOUNT NUMBER		
		<input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS
SIGNATURE AND TITLE OF REPRESENTATIVE		AREA CODE/TELEPHONE NUMBER
		DATE
STANDARD FORM 5510 (Rev. 2/2005) AUTHORIZED FOR LOCAL REPRODUCTION	PREVIOUS EDITION NOT USABLE	DEPARTMENT OF THE TREASURY 31 CFR 202 and 206; I TRM 6-8000

### ***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**

<b>Mechanism</b>	<b>ACH Method</b>	<b>Type of Payment</b>	<b>Remitter Base</b>
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, contact the Customer Assistance Staff for your area of the country.

You may also contact the Financial Management Service-General Revenue Collection Division:

Lockbox Program Manager (202) 874-6577

Lockbox Program Specialist (202) 874-7026

## **ACH Credit Collection**

An ACH credit allows the remitter to originate an ACH transaction for payment to an agency through his/her financial institution (FI). 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 Corporate Credit or Debit Plus Addendum (CCD+) and the Corporate Trade Exchange (CTX) ACH formats.

### **Summary of ACH Credit Products**

<b>Mechanism</b>	<b>ACH Method</b>	<b>Type of Payment</b>	<b>Remitter Base</b>
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, contact the Customer Assistance Staff for your area of the country or call:

General Revenue Collection Division      (202) 874-7026

### *Pay.gov*

Pay.gov is a free service offered by the U.S. Department of the Treasury for businesses and individuals to initiate various Federal payments online (www.pay.gov) 24 hours a day, 7 days a week.

### *Pay.gov Registration*

A registration may be completed online at www.pay.gov. It allows for convenient access and payment, but is not required.

### *Pay.gov Payment Methods*

Pay.gov offers two primary payment methods: ACH Debit and credit/debit card transactions.

Pay.gov may be accessed via the Internet to make a federal payment. At the completion of the payment, a Tracking Number is provided as a receipt confirming that the payment instructions have been received.

### *Format*

Pay.gov originates ACH debit entries using the Corporate Credit or Debit (CCD) format for businesses and the Internet-Initiated Entries (WEB) format for individuals.

### *ACH Debit Reversals*

Pay.gov follows the NACHA Operating Rules for reversal entries.

### *Credit/Debit Card Reversals*

Pay.gov follows the Credit Card Association Rules for reversals.

### *Pay.gov Assistance*

If there is an issue regarding Pay.gov, the help desk can be contacted via phone or email at: Hours (EST): 6:00 AM – 7:00 PM, 800-624-1373 (Option #2), [pay.gov.clev@clev.frb.org](mailto:pay.gov.clev@clev.frb.org)

## **C. Paper Check Conversions**

Paper check conversion is the process of converting personal and business checks into electronic funds transfers at the point of sale (POS), in a back office environment, or in a lockbox environment. These ACH transactions can be Point of Purchase (POP), Back Office Conversion (BOC), and accounts receivable/lockbox (ARC). Business check transactions, which utilize the Auxiliary On-Ups field in the check MICR line, are converted to an image of the check, consistent with Check21 formats, and presented to the paying bank either electronically or via a paper substitute check.



## Customers are notified that their checks will be converted into an ACH debit

Processing agencies are responsible for notifying their customers that the conversion of the check payment to an EFT entry may occur. This notice may be by mail or physical postings at drop box or point-of-purchase locations. This notification, combined with the customer going forward with the transaction, constitute authorization for conversion of the check payment to an EFT entry.

### What Financial institutions should know

- Checks presented for payment will either be converted to an Automated Clearing House (ACH) entry or converted to a check image and presented via Check21 formats within the check processing system.
- The originating ABA routing numbers identifying Treasury paper check conversion ACH transactions are 041736126 and 041015672.
- For fraud or legal questions, Treasury will provide an image of the check.

### If an ACH debit can not 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 deposit accounts that use cash management entry filtering tools, the customer may request that their financial institution allow debits coming from a specific originating ID to be deducted from the account. It is recommended that companies allow electronic debits 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.

### The Physical Check

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

## Electronic Check Processing

Electronic Check Processing (ECP) is a Treasury application providing Federal Agencies with a single conversion process for payments made to the Government by paper checks mailed into a lockbox. The checks mailed into a lockbox are imaged by financial agents (commercial banks) within the FMS General Lockbox Network and transmitted to the ECP application. The ECP application supplies the check information and images to the collection application, which will either convert the check to an ACH debit or truncate it under Check 21 and present it via an image cash letter or as a substitute check. Federal Agencies can access transactions, query reports and view images securely on-line.

## Paper Check Conversion Over-The-Counter

Paper Check Conversion Over-the-Counter (PCC OTC) is a Treasury application providing Federal Agencies with a single conversion process for payments made to the Government by paper checks received over the counter or through the mail at agencies offices. The checks are imaged by the Federal Agencies and transmitted to the PCC OTC application. The PCC OTC application supplies the check information and images to the collection application, which will either convert the check to an ACH debit or truncate it under Check 21 and present it via an image cash letter or as a substitute check. Federal Agencies can access transactions, query reports and view images securely on-line.

## PCC OTC Assistance/Further Information

More detailed information may be found at: [www.fms.treas.gov/pccotc](http://www.fms.treas.gov/pccotc), or [www.pccotc.gov/pccotc/index.htm](http://www.pccotc.gov/pccotc/index.htm).