

## Reporting and Removing Accounts Receivable Balances on the ETA 581 Report: Principles and Illustrative Scenarios

**Background.** Even though their laws permit efforts to collect old accounts receivable (A/R) balances, States are to cease reporting them on the ETA 581 after they reach about two years of age so that the report's balances do not overstate what is likely to be collected. This instruction is intended to clarify the reporting rules and how the reporting is validated.

**Reporting.** A state is to "age" the receivable balances it reports on the ETA 581 report. It is to report Contributory balances as appropriate in five cells on line 402, ranging from "less than 6 months" (#28), to "over 15 months" (#32). Reimbursing receivables are reported using the same age categories on line 404. States are to cease reporting receivables after they have been reported two times in the >15 month category. Removal of A/R balances involves a two-part test: (1) the receivable's age, and (2) how many times it has been reported in the >15 month cell on the 581.

- **Age.** Age of Contributory receivables is measured from the last day of the calendar quarter of business activity covered by an employer's contributions report (which DV calls the Employer Report Quarter or ERQ) to the report quarter (RQ). For Reimbursing receivables, age begins with the receivable's Due Date. To be removed, a Contributory receivable must be at least 8 quarters old (measured from the Employer Report Quarter). A Reimbursing receivable must be at least 7 quarters old (measured from the date the payment was first due).
- **Times Reported in the >15 months category.** Most receivables are detected and established soon after the ERQ, but occasionally the state will detect and establish a receivable that is already quite old. Reporting can only begin with the Date/Quarter of Establishment, which is when count of the number of times reported begins. Although most receivables have been reported twice in the >15 months cell at the time they attain the normal age for removal, only receivables meeting the "twice reported" condition can properly be removed when older than the "normal age."

**Validation.** The Tax Population 4 validation extract record uses three fields to determine age and number of reported quarters, as follows.

- **Age:**
  - Age of *Contributory* employer receivables is determined from the Employer Report Quarter (field 6) to the RQ and must be at least 8 (see subpopulations 4.5 and 4.6, page A.22 of Appendix A)
  - Age of *Reimbursing* employer receivables is determined from the Due Date (field 7) to Report Quarter, and must be at least 7 quarters before the RQ (see subpopulations 4.13 and 4.14 page A.23 of Appendix A)
- **Number of Times Reported.** The number of times both C and R receivables have been reported is determined using the Established Quarter/Date (field 5)

**Contributory A/R Scenarios.** The following scenarios for Contributory receivables assume that the Report Quarter (RQ) is 200802.

- **Scenario 1.** This is perhaps the "normal case" for removal. The ERQ for these is 200602, making them about 730 days (8 quarters) old at the end of the 200802 RQ, and before the RQ they could have been reported as many as seven times, the last two of which would have been in the >15 months cell on the 581. If they were established as early as the 200603 quarter or as late as the 200703 quarter, the DV software will put them into subpopulation 4.5 for removal at the end of the 200802 RQ.
- **Scenario 2.** These receivables are also 8 quarters old at the end of 200802, but they were established in 200704—the last quarter they could be established and still have been eligible for removal because they been reported twice in the >15 months cell on the 581. The DV software will put them into subpopulation 4.6.

- *Scenario 3 and 4.* These receivables date from 200601 or earlier but they were not established until 200704. Thus, they will be older than 8 quarters before they have met the “twice reported” condition. The DV software will put them into subpopulation 4.6.

<b>Reporting and Removal Scenarios for RQ = 200802</b>						
Scenario 1: Reporting and Removal of A/R for ERQ=200602, Est in 200603						
Cal Qtr	Rel to RQ	Age at End of RQ	ERQ	Established Date/Q	#Qtrs Rpt	Report cell
200603	RQ-7	1	200602	9/30/2006	1	<=6 mo
200604	RQ-6	2	200602	9/30/2006	2	<=6 mo
200701	RQ-5	3	200602	9/30/2006	3	9 mo
200702	RQ-4	4	200602	9/30/2006	4	12 mo
200703	RQ-3	5	200602	9/30/2006	5	15 mo
200704	RQ-2	6	200602	9/30/2006	6	> 15 mo
200801	RQ-1	7	200602	9/30/2006	7	> 15 mo
200802	RQ	8				Removed

Scenario 2: Reporting and Removal of A/R for ERQ=200602, Est in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	ERQ	Established Date/Q	#Qtrs Rpt	Report cell
200603	RQ-7	1	200602			<=6 mo
200604	RQ-6	2	200602			<=6 mo
200701	RQ-5	3	200602			9 mo
200702	RQ-4	4	200602			12 mo
200703	RQ-3	5	200602			15 mo
200704	RQ-2	6	200602	12/31/2007	1	> 15 mo
200801	RQ-1	7	200602	12/31/2007	2	> 15 mo
200802	RQ	8				Removed

Scenario 3: Reporting and Removal of A/R for ERQ=200601, Est in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	ERQ	Established Date/Q	#Qtrs Rpt	Report cell
200602	RQ-8	1	200601			<=6 mo
200603	RQ-7	2	200601			<=6 mo
200604	RQ-6	3	200601			9 mo
200701	RQ-5	4	200601			12 mo
200702	RQ-4	5	200601			15 mo
200703	RQ-3	6	200601			> 15 mo
200704	RQ-2	7	200601	12/31/2007	1	> 15 mo
200801	RQ-1	8	200601	12/31/2007	2	> 15 mo
200802	RQ	9	200601			Removed

Scenario 4: Reporting and Removal of A/R for ERQ=200504, Est in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	ERQ	Established Date/Q	#Qtrs Rpt	Report cell

200601	RQ-9	1	200504			<=6 mo
200602	RQ-8	2	200504			<=6 mo
200603	RQ-7	3	200504			9 mo
200604	RQ-6	4	200504			12 mo
200701	RQ-5	5	200504			15 mo
200702	RQ-4	6	200504			> 15 mo
200703	RQ-3	7	200504			> 15 mo
200704	RQ-2	8	200504	12/31/2007	1	> 15 mo
200801	RQ-1	9	200504	12/31/2007	2	> 15 mo
200802	RQ	10	200504			Removed

Reimbursing A/R Scenarios. The following scenarios for Reimbursing receivables assume that the Report Quarter (RQ) is 200802.

- *Scenario 1.* This is perhaps the “normal case” for removal. The Due Date is 8/15/2006, making them 685 days (between 7 and 8 quarters) old at the end of the 200802 RQ; and before the RQ they could have been reported as many as seven times, the last two of which would have been in the >15 months cell on the 581. If they were established as early as the 200603 quarter or as late as the 200703 quarter, the DV software will put them into subpopulation 4.13 for removal at the end of the 200802 RQ.
- *Scenario 2.* These receivables are also 8 quarters old at the end of 200802, but they were established in 200704—the last quarter they could be established and still have been eligible for removal because they been reported twice in the >15 months cell on the 581. The DV software will put them into subpopulation 4.14.
- *Scenario 3 and 4.* These receivables had due dates in 200602 or earlier but they were not established until 200704. Thus, they will be older than 8 quarters before they have met the “twice reported” condition. The DV software will put them into subpopulation 4.14.

<b>Reporting and Removal Scenarios for RQ = 200802</b>						
Scenario 1: Reporting and Removal of A/R for DD = 8/15/2006, Estab. in 200603						
Cal Qtr	Rel to RQ	Age at End of RQ	Due Date	Established Date/Q	#Qtrs Rpt	Report cell
200603	RQ-7	1	8/15/2006	9/30/2006	1	<=6 mo
200604	RQ-6	2	8/15/2006	9/30/2006	2	<=6 mo
200701	RQ-5	3	8/15/2006	9/30/2006	3	9 mo
200702	RQ-4	4	8/15/2006	9/30/2006	4	12 mo
200703	RQ-3	5	8/15/2006	9/30/2006	5	15 mo
200704	RQ-2	6	8/15/2006	9/30/2006	6	> 15 mo
200801	RQ-1	7	8/15/2006	9/30/2006	7	> 15 mo
200802	RQ	8	8/15/2006			Removed

Scenario 2: Reporting and Removal of A/R for DD = 8/15/2006, Estab in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	Due Date	Established Date/Q	#Qtrs Rpt	Report cell
200603	RQ-7	1	8/15/2006			<=6 mo
200604	RQ-6	2	8/15/2006			<=6 mo
200701	RQ-5	3	8/15/2006			9 mo

200702	RQ-4	4	8/15/2006			12 mo
200703	RQ-3	5	8/15/2006			15 mo
200704	RQ-2	6	8/15/2006	12/31/2007	1	> 15 mo
200801	RQ-1	7	8/15/2006	12/31/2007	2	> 15 mo
200802	RQ	8	8/15/2006			Removed

Scenario 3: Reporting and Removal of A/R for DD = 5/15/2006, Estab. in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	Due Date	Established Date/Q	#Qtrs Rpt	Report cell
200602	RQ-8	1	5/15/2006			<=6 mo
200603	RQ-7	2	5/15/2006			<=6 mo
200604	RQ-6	3	5/15/2006			9 mo
200701	RQ-5	4	5/15/2006			12 mo
200702	RQ-4	5	5/15/2006			15 mo
200703	RQ-3	6	5/15/2006			> 15 mo
200704	RQ-2	7	5/15/2006	12/31/2007	1	> 15 mo
200801	RQ-1	8	5/15/2006	12/31/2007	2	> 15 mo
200802	RQ	9	5/15/2006			Removed

Scenario 4: Reporting and Removal of A/R for DD = 2/15/2006, Estab. in 200704						
Cal Qtr	Rel to RQ	Age at End of RQ	Due Date	Established Date/Q	#Qtrs Rpt	Report cell
200601	RQ-9	1	2/15/2006			<=6 mo
200602	RQ-8	2	2/15/2006			<=6 mo
200603	RQ-7	3	2/15/2006			9 mo
200604	RQ-6	4	2/15/2006			12 mo
200701	RQ-5	5	2/15/2006			15 mo
200702	RQ-4	6	2/15/2006			> 15 mo
200703	RQ-3	7	2/15/2006			> 15 mo
200704	RQ-2	8	2/15/2006	12/31/2007	1	> 15 mo
200801	RQ-1	9	2/15/2006	12/31/2007	2	> 15 mo
200802	RQ	10	2/15/2006			Removed