

Notes on International ACH Transaction Discussion of June 25, 2009 – State EFT Teleconference

Attending:

AL
UT
ME
MT
IN
NJ
SC
IA
ND
NC
IL
ID
MI
OR
CA EDD
RI
KY
WV
VT

Agenda for the call:

IAT Requirement

- Background
- FTA steps & NACHA response
- Current state of awareness
- Action options
- Next Steps

Background

FTA learned that the National Automated Clearing House Association (NACHA) has created a new International ACH Transaction (IAT), which will go into effect September 18, 2009.

The IAT must be used for domestic payments that are funded by a bank outside of the U.S. Our understanding is that if funding for a tax payment comes from an account outside U.S. territorial borders, the IAT format is required for every ACH transaction related to the tax payment account, including payments to government agencies. This is in response to anti-terrorism rules issued by the U.S. Treasury's Office of Foreign Assets Control (OFAC).

Potentially, virtually every state revenue agency that maintains a website to enable taxpayers to initiate electronic tax payments would need to add new questions and data elements to taxpayer interfaces for ACH Debit to permit taxpayers to report the new

elements required by the IAT, namely, the foreign correspondent bank's identification number, name, country code, and country name. Additionally, some tax authorities consider the EFT payment and TXP addenda to be a tax return, and some agencies cannot accept more than one ACH payment or return from an employer for a given tax period; under the new IAT rules, some taxpayers may have to make separate tax payments (IAT and domestic) for the same tax period.

FTA corresponded with the National Automated Clearing House Association (NACHA), indicating that application of these rules to state tax payments would not further OFAC's intended goals, as payments to government entities would appear to pose no risk, and requested a waiver. NACHA replied that it could not grant a waiver, but that such a request could be made of OFAC.

See

<http://www.taxadmin.org/fta/edi/nacha/default.html>

and

http://www.nacha.org/IAT_Industry_Information/

for the correspondence and further NACHA background. The latter page has a wealth of information relating to the IAT, including education offered in your region by your ACH Association.

Current state of awareness

AL - has had contact with their financial institution, are at "what is IAT" stage; they know that they have foreign-address taxpayers

NC – has a meeting with their financial institution scheduled to discuss

SC – has looked at a workaround, possibly having ACH Credit taxpayers they have identified pay via Fedwire; plan to make changes to their ACH Debit processing as well

RI – is aware that they have taxpayers with Canadian addresses

OR – has talked to the State Treasurer and their financial institution

Action options

Three identified:

- FTA will contact NACHA on available IAT education resources and publish to states/arrange if possible

- State should contact their own financial institutions on IAT compliance and examine their taxpayer accounts for presence of foreign addresses/draw accounts

- FTA will obtain an OFAC contact to discuss a waiver

[Note: since the June 25 call FTA has corresponded with NACHA requesting IAT education assistance and the provision of a contact at OFAC.]

A second teleconference to discuss the IAT requirement will be set up as soon as requested responses have been received.