
Payroll Taxes Electronic Filing & Payment

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Why we are here today

Goals: Share our experience & Learn from you all.

- Small Biz customers expecting (demanding) electronic filing and payment of payroll taxes.
- How lessons learned from income tax e-filing can be applied to increase payroll tax e-filing.
- Highlight key barriers to agencies e-filing goals. Share proposal to meet the needs of all users [Small biz taxpayers, Tax professionals, Payroll Service Providers, Software developers and Transmitters].
 - Most users have common requirements: Yet there may be some unique areas within user's requirements.
- How to increase e-filing adoption while keeping cost low.
- This session focuses on the software developer and transmitter models from Intuit perspective, and augments the NPRC E-Filing presentation on the payroll service provider perspective.



Today's Agenda

- **Situational Assessment – Case Studies**
- **Barriers for e-filing / e-payment**
- **Moving Towards Vision - Technology Proposal and Motivation**
- **Q&A**

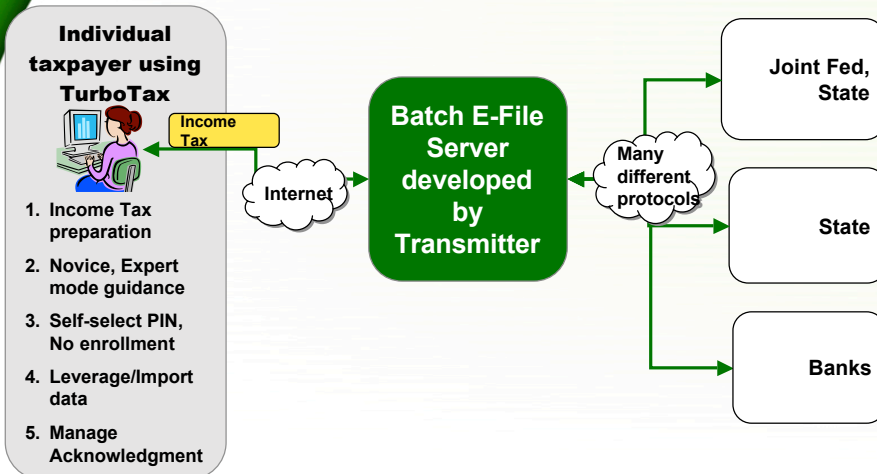


Situational Assessment

Case Study #1 Income Tax E-Filing



SW Developer/Transmitter E-Filing - "Do-It-Yourself" Model #2

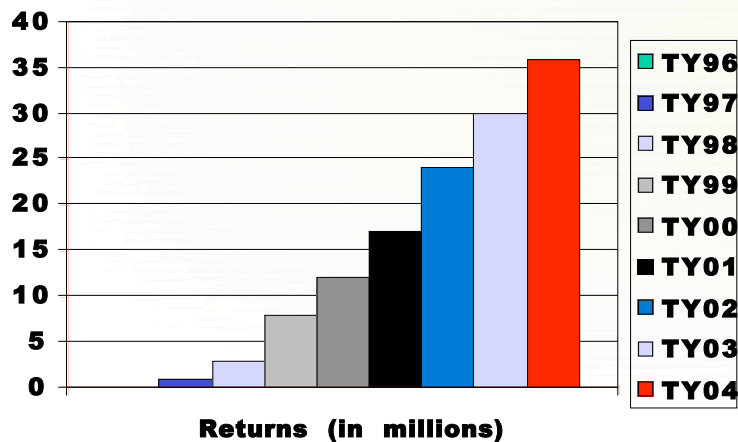


- TurboTax enables taxpayers to manage their income tax returns in one place**
- Batch transmitters enables 'multiple returns, high volume' E-Filing submission**

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TurboTax E-Filing Volume Growth



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TurboTax E-Filing – Taxpayers Wins

Personal & Professional Income Taxpayers Wins

- ☺ Paperless. No prior enrollment work required, electronic signatures accepted (AGI, SSN, Self-Select PIN).
- ☺ Saves time. Tax filing is faster than ever, higher accuracy.
- ☺ Easy to use, Integrated experience...information is managed in one place.

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TurboTax E-Filing – Agency Wins

Federal & State agencies win

- ☺ High E-Filing adoption.....help achieve agency e-filing goals.
- ☺ Highly accurate and paperless filings.....brings efficiency & cost savings.
- ☺ Joint Fed/State minimizes number of connections & support large volume batch providers...results in happy industry e-file providers.

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TurboTax E-Filing – Industry Wins

Intuit & Industry wins

- ☺ Identified and solved taxpayers problems...resulted in happy customers (higher retention and new sales).
- ☺ Industry collaboration ...resulted in many choices for the taxpayers to e-file.
- ☺ Agencies developed systems for batch submission...resulted in e-file at a lower price.



Case Study #2 Payroll Tax E-Filing



QuickBooks Payroll Tax Filing & Payment Choices

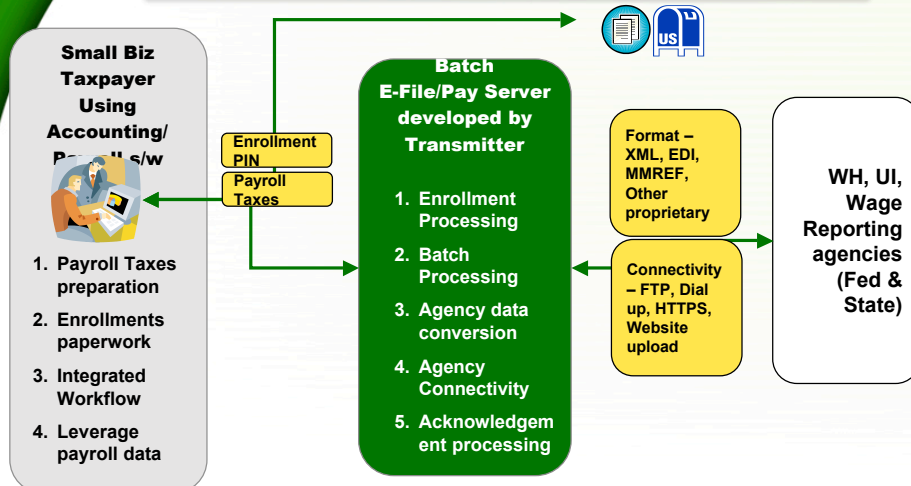
	Small Business Pays Taxes and Files	Outsource Pays Taxes and Files
Small Business Pays Employees	Do-It-Yourself	Assisted
Outsource Paying Employees	NA	Outsourced

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SW Developer/Transmitter E-Filing & E-Payment - "Do-It-Yourself" Model #2

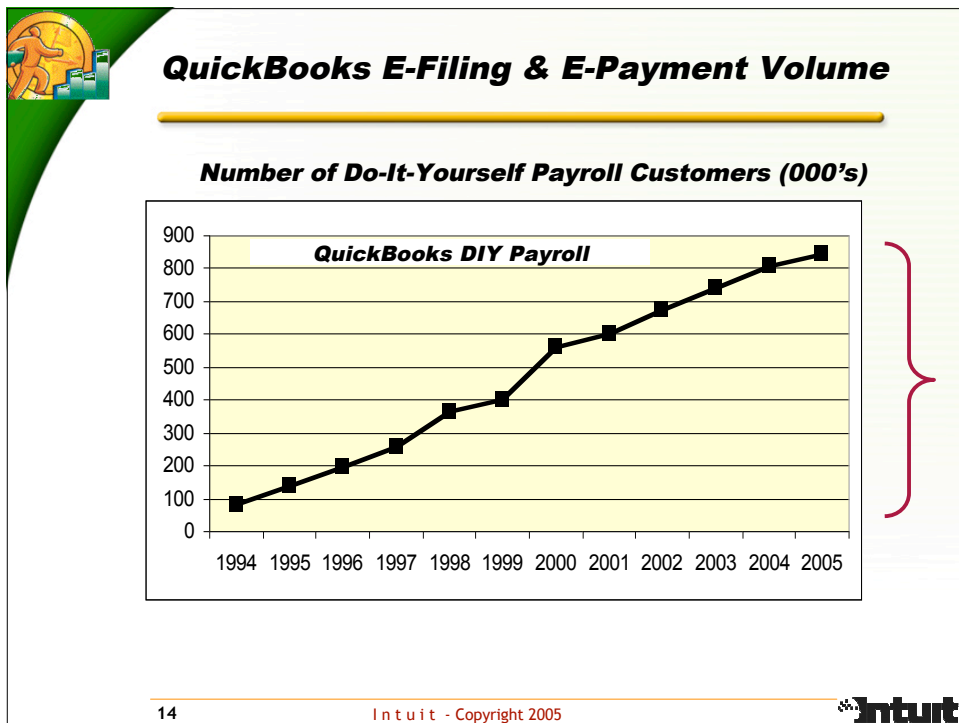
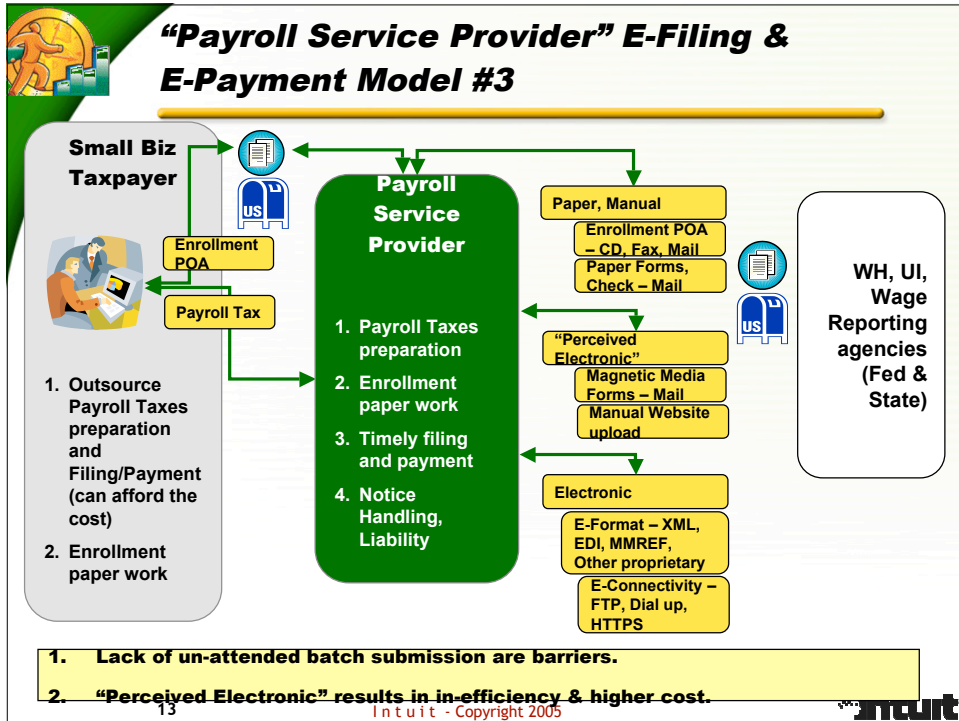


1. Enrollment requirements and lack of automated batch submission are barriers.
2. Very few agencies support this model.

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Payroll Tax E-Filing & E-Payment...Taxpayers Challenges

Small Biz Payroll Taxpayers challenge

- ☹️ “Paper and manual processes are required which slows things down”.
- ☹️ “I can’t keep track of all the websites, I thought I filed all my taxes but didn’t know I need to go to other website too”.
- ☹️ “My state mandated e-filing, I can e-file on the website but can’t use my business software to file electronically”.
- ☹️ “I need all my payroll taxes in one place, why can’t I do that?”



Payroll Tax E-Filing & E-Payment...Agency Challenges

Federal & State challenge

- ☹️ “My agency spent money on website, why can’t I achieve my e-filing goals?”
- ☹️ “My agency has limited funding, How do I meet the needs of all users (taxpayers, payroll service providers, tax professionals, software developers and transmitters etc.)?”
- ☹️ “How do I evolve my legacy systems infrastructure?”



Payroll Tax E-Filing & E-Payment...Intuit Challenges

Industry, Intuit challenge

- ☹️ “Can’t offer low cost solution to the taxpayers; manual processes for enrollments and “perceived e-filing” can’t scale to support large customer base”
- ☹️ “Agency websites are designed for human interaction, lack automated application-to-application batch submission”
- ☹️ “Why can’t payroll agencies apply leanings and re-use systems developed for income tax e-filing?”
- ☹️ “Industry can drive large e-filing volume, why don’t we all work together towards this goal?”



Summary...

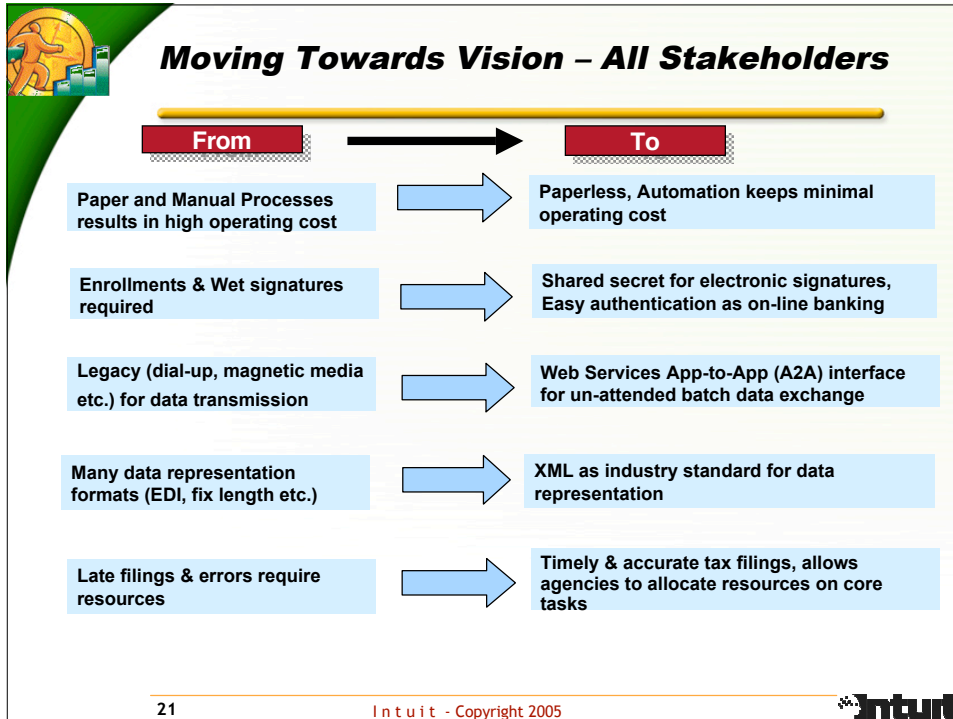



Summary...Key Take Away & Goals

- Small Biz taxpayers wants to e-file/pay if process is easy.
- All stakeholders want to bring efficiency and reduce cost. Meeting taxpayers needs require support from all stakeholders.
- Enrollments & Paper processes adds up cost for the taxpayers.
- Agency websites are designed for human interaction, lack automated application-to-application batch Interaction.
- Lessons can be applied from income tax e-filing to build scalable system infrastructure.
- Agency investment need to support all stakeholders. Therefore re-use of technology & system infrastructure is key.



Moving Towards the Vision...

#1. design for industry standard protocols...help reduce cost


Data Transmission

- ✓ Unattended (App-to-App) transmission is key for automating process and lowering cost associated with electronic filing & payment.
- ✓ Support batch submissions & provide real-time validation of the transmission to ensure authorization, completeness and correctness of the transmission.

How to?

- ✓ A2A transmission requires an API, including a well-defined data format and a secure transmission protocol.
- ✓ Web Services uses a Web Service Definition Language (WSDL) document to specify the API between the communicating applications.
- ✓ In addition to Web Services, other A2A transport protocols include SCP, secure FTP and FTP over private network.

Note: "Transmissions" applies to both "files" and Web Services "messages".

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#1. design for industry standard protocols...help reduce cost Cont'd

Data Format

- ✓ Legacy formats are barrier (as they require additional customization (therefore cost) and may be acceptable in a contingent scenario only but commonality is key.

How to?

- ✓ States should accept a common format for payroll data. FSET XML is highly desirable.
- ✓ XML Documents over HTTPS (Web services) are becoming the premier industry standard for A2A, also adopted by the new IRS MeF system.

Privacy and Security

- ✓ Privacy and confidentiality concerns are paramount in A2A. Security mechanism will continue to be evaluated and improved. Many systems rely on secure sockets (HTTPS) for encryption and server authentication.

How to?

- ✓ Investigate industry security standards for Web services such as WS-Security allow for well documented, interoperable, vendor and tool-supported security implementations. The IRS MeF system has chosen SAML as a security mechanism.

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#2. Design reusable infrastructure ...help speed up e-file adoption

Reusable infrastructure

- ✓ Reuse is key while modernizing technology infrastructure. Legacy systems needs to refresh and consolidated overtime.

How to?

- ✓ Design for Interactive Websites & Un-attended Batch transmission. Identify commonality and develop reuse infrastructure.
- ✓ Design for Joint Fed/State gateway integration for long-term reuse.
- ✓ Identify common e-filing needs of various type types (income tax, payroll tax, sales tax, use tax etc.) and plan for reusable components.
- ✓ Leverage freeware low-cost tools for rapid prototype (XML tools, Web server, Security tools etc.)

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#3. Eliminate enrollments ...help Increase e-filing adoption

Eliminate Complex Enrollments for “E-Filings”

- ✓ Design systems to accept electronic returns without requiring separate enrollment transactions.
- ✓ If signature required, Consider developing unified shared secret (similar to income tax e-filing) as an alternate to enrollments.

How to?

- ✓ Consider automatically enrolling each taxpayer for electronic filing.
- ✓ Implement a **shared secret** / credentials model as a means for electronic signature. An example of shared secret could look like; combination of total liability payment from last year, year in which small biz registered, self-select PIN. These credentials could be used as electronic signature for submitting electronic returns.



#3. Eliminate enrollments ...help Increase e-filing adoption

Eliminate or Automate Enrollments for “E-Payments”

- ✓ Design systems to accept electronic payments without requiring separate enrollment transactions.
- ✓ If enrollment is really required, Consider unified enrollment for payments across federal and state agencies.

How to?

- ✓ Consider using the bank account information provided in the electronic payment transaction itself by real-time validation of taxpayer and bank account.
- ✓ Alternatively, develop single electronic enrollment for all payments (Joint Fed/State EFTPS) so taxpayers should register once and use that PIN for any federal or state payment.

Note: This will help all stakeholders as many clients begin using a payroll service or a transmitter on short notice, and occasionally shortly before a payment (or return) is due.



Win-Win-Win

Small Biz taxpayers win

- ☺ No paper work required. Easy to use and integrated with their business software
- ☺ Takes less time since all their data is in one place
- ☺ Accuracy, Less chance of error and re-work therefore have confidence to pay and file taxes right.

Federal & State agencies win

- ☺ Increased adoption of e-filing & e-payment with some of the hardest to reach small businesses.
- ☺ More accurate & timely filings, payments. No paper work, save \$\$.
- ☺ Scalable infrastructure to quickly enable future e-filing.

Industry win

- ☺ Can offer low cost e-filing solution to the taxpayers.
- ☺ Increased collaboration with agencies in meeting e-filing goals.
- ☺ Providing more value to the customers results in happier customers.



Q&A

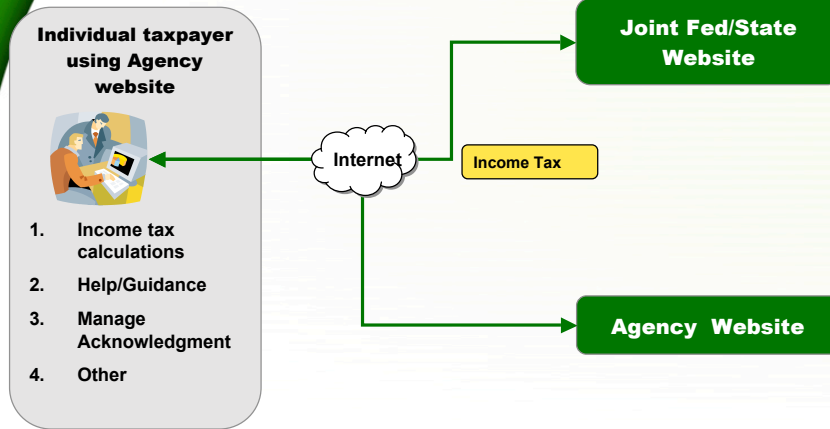
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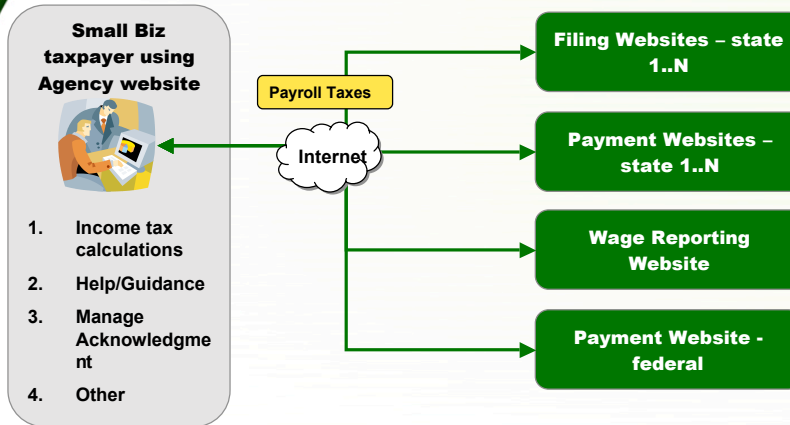
Appendix: Agency Website E-Filing - "Do-It-Yourself" Model #1



Websites provides "one return at a time" direct channel for agencies



Appendix: Agency Website E-Filing & E-Payment - "Do-It-Yourself" Model #1



1. Each agency developed websites for "one return at a time" direct channel
2. Most agencies support this model.





Appendix : What QB Payroll DIY Customers Tell Us



D. Loebner,
Media One Services

- “All my payroll tax data is right there in QuickBooks; don't want to type-in again on multiple web sites....less chance of error”



R. Knapp,
Lane Consulting

- “Having it all in QuickBooks is less chance of forgetting it..... payment process being outside of QuickBooks is just easier to forget to do it.”



N. Jones,
Power Technology

- “I want to see record of all my tax filing and payment in one place; it's just one step vs. get out of QB, get on the agency site and 3 – 4 more steps”