

# Arizona Fed/State Employment Taxes (AZFSET)

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## *Online Withholding Tax Filing Program*

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# Overview of Topics

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- Legislative Mandate
- What AZFSET Includes/Excludes
- Architecture
- Testing
- Expected Volume
- Lessons Learned

# Legislative Mandate

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- ❑ Arizona Revised Statutes (§43-418 and §43-419)
- ❑ All Payroll Service Providers (PSP):
  - Must register their intent to file and pay electronically on behalf of their Withholding tax clients – effective May 31, 2011
  - Must send and maintain an updated list of clients with AZDOR
  - Can be assessed a penalty of \$25 per client, per quarter, for every Client whose Withholding tax return or tax payment is not electronically filed

# Previous Technology (www.aztaxes.gov)

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- ❑ Currently limited to a user interface available on the AZTaxes web site
- ❑ Bulk filing not available - data must individually entered for each taxpayer
- ❑ Reentering data - time consuming and prone to error
- ❑ Lack of an application-to-application interface causes users to print returns from these business systems and submit paper to AZDOR
- ❑ Cost of keying paper returns is then passed to AZDOR (accounting credit)

# AZFSET Project Description

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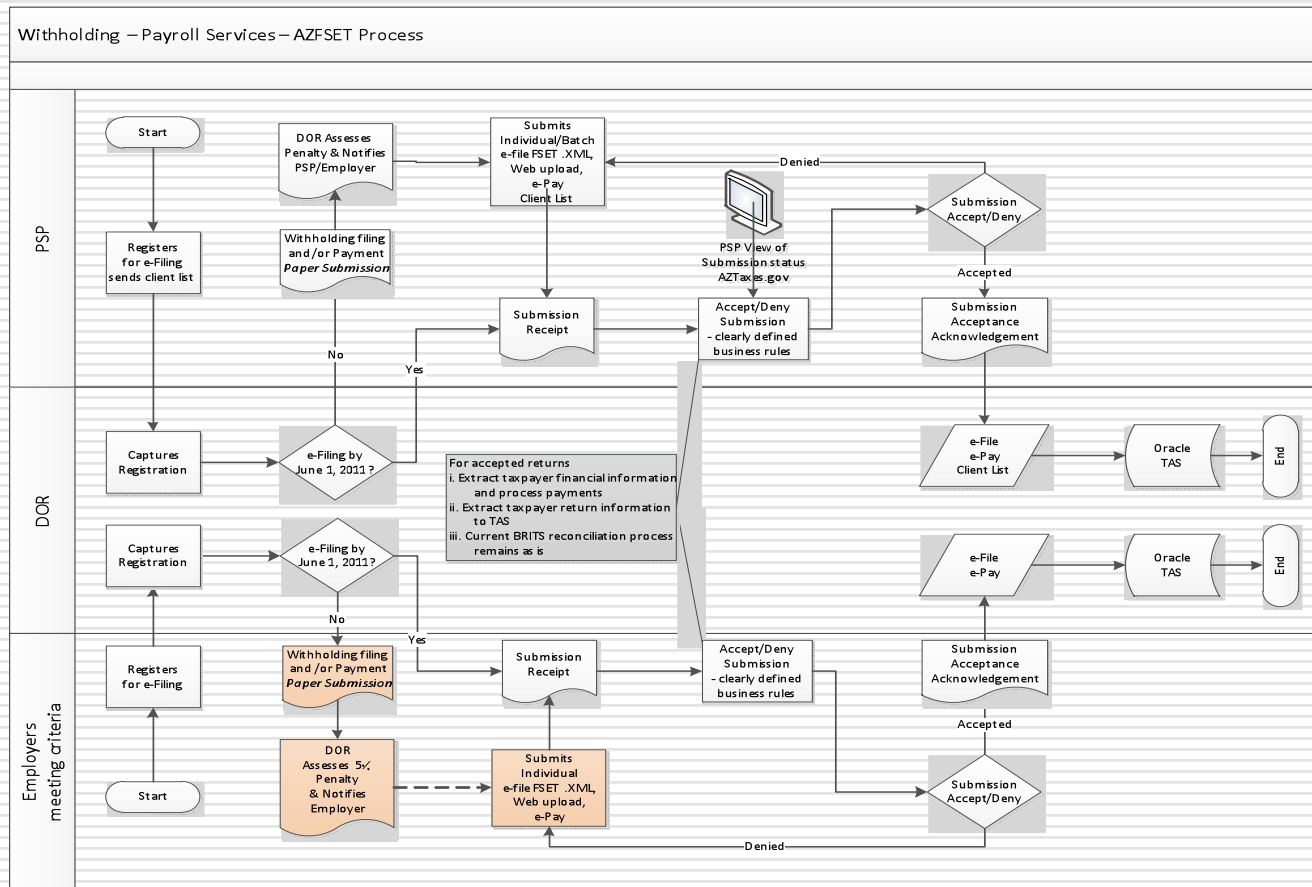
- ❑ AZFSET provides an application-to-application (A2A) interface to DOR's Tax Admin System (TAS) for submission of withholding taxes
- ❑ Utilizes the TIGERS Federal/State Employment Taxes (FSET) protocol (v4.x)
- ❑ Supports the submission of single return and batch return filings
- ❑ Provides two levels of acknowledgement to the submitter:
  - Transmission level acknowledgement and timestamp of a return
  - Filing accepted acknowledgement

# AZFSET Project Description

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- Includes withholding forms:
  - A1-QRT
  - A1-R
  - A1-APR
  - A1-WP
- Excludes:
  - development effort for receipt (electronic or otherwise) and repository of searchable W2 data
  - Extension Forms A1-APR EXT and A1-R EXT

# AZFSET Process Flow Diagram



# AZFSET System Architecture

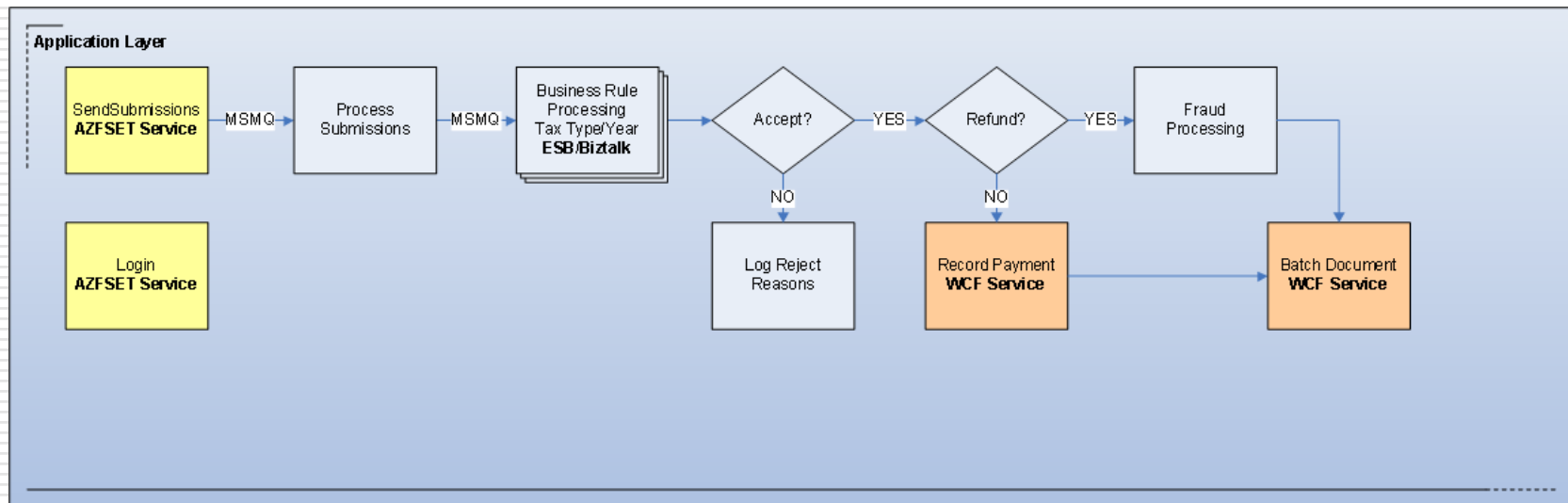
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- A collection of loosely-coupled asynchronous processes that embrace AZDOR's Service Oriented Architecture design patterns
  - Built using the Microsoft .NET Framework
  - Employs Windows Communication Foundation (WCF) to send and receive messages
  - Utilizes Microsoft Message Queuing (MSMQ) for transactional delivery of messages internally that allows for throttling and guaranteed delivery
  - SQL Server Integration Services (SSIS)
  - BizTalk
  - Enterprise Service Bus (ESB) Toolkit 2.0
  - Sharepoint - main hub for reporting services



# AZFSET System Architecture

- Application Layer
  - Contains the windows services that will act as clients to interact with the IRS AZFSET Web Services to send and retrieve eFile data.
  - Contains components to accept/reject returns base on predefined business rules.



# PSP Registration

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- [www.aztaxes.gov](http://www.aztaxes.gov) (PSP login)
- <https://efile.aztaxes.gov/AZFSETPortal>

## Welcome to AZ Web File!

AZ Web File is available to Payroll Service Providers to save time, money and paper and to meet the requirements to electronically file and pay Employer Withholding.

Need to Register?  
[Click Here](#)

Already Registered?  
Please Log on Below

Please use the Email ID provided during registration as Username to Log On

### Account Information

Username

Password

[Forget your password?](#)

Log On

# AZFSET Testing

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- During Design/Development of AZFSET
  - Extensive formal test period - PSPs performed lengthy testing to ensure submissions were “well formed”.
- After launch of AZFSET in Production
  - Standardized test package is NOT utilized.
  - AZFSET Project Manager coordinates with the vendor who submits a sample return or payment.
  - When the sample passes schema validation and has no business rules errors, the vendor is authorized to send client returns for payment or that return type.

# AZFSET Volume

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<b>ACTUAL FY2010</b>	<b>WTH Payments</b>	<b>WTH Returns (A1-QRT &amp; A1-APR)</b>
Total	1,719,783	573,476
Electronic	1,007,308	37,534
Paper	712,475	535,942

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<b>AZFSET PY2012</b>	<b>Count</b>
Submissions - Ready to be Processed	1
Submissions - Rejected	508
Submissions - Ready to be Extracted	11,458
Submissions - Extraction Processed	3,794
Client List - Ready to be Processed	2,364
Client List - Processed	315

# Lessons Learned

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Problem	Root Cause	Solution
No well-defined product to build.	Unknown – too much turnover - No one from original team available to assist with this root cause.	Do a better job of clarifying product scope; follow a defined process; more project documentation to assist with continuity when turnover occurs.
Project framework / methodology was changed mid project.	The people who knew AGILE moved on to another job.	Pick a methodology and stick with it.
Communication was inconsistent (both to whom and how often).	There was a huge amount of turnover in this project.	Need to have better defined project roles and responsibilities and more project visibility.

# Lessons Learned

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Problem	Root Cause	Solution
Lack of Subject Matter Expertise (SME) on some of the new technology; there were no back-ups for SME's that left the agency	Too much new technology was introduced with too little knowledge.	Ensure that new technology is supportable.
Manual migration process allows room for error.	NA	Automate migration process and better define what is being migrated.

# AZFSET References and Contacts

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- [www.azdor.gov](http://www.azdor.gov) (E-Services for PSPs)
  - <https://www.azdor.gov/EServices/PayrollServiceProviders.aspx>
- [www.aztaxes.gov](http://www.aztaxes.gov) (PSP login)
  - <https://efile.aztaxes.gov/AZFSETPortal>
- AZFSET Project Manager
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# AZFSET

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Questions

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