



Guarantee Success by Supporting Various e-File Roles

The purpose of this document is to provide guidance as your agency implements an electronic filing system so that full participation in electronic filing can be achieved by accommodating the primary business roles actively used in the industry today.

Electronic filing is in the best interest of all parties involved in payroll tax and information return processing. It offers the opportunity to decrease the time, effort, and cost involved in processing tax and information returns for both the taxpayer and taxing authority. Properly implemented, electronic filing systems also facilitate compliance and improve accuracy through automating processes that were previously subject to human error.

The most effective electronic filing systems are designed and implemented through the cooperative efforts of the taxpayer, the taxing authority, and the computerized return processing industry. All electronic filing policies and processes should be designed so they support the main business roles involved in the entire electronic filing process, bearing in mind that entities can assume multiple roles.

Main Business Roles

Many agencies typically develop electronic filing systems for employers to either upload files or to manually enter return information on agency websites. Agencies also allow payroll service providers to upload files in bulk. However, one sector of the market that is typically excluded when designing electronic filing systems is the large and very important business role of transmitters. Listed below are these 3 main business roles that should be accommodated when agencies develop new electronic filing systems in order to gain the full benefits of electronic filing.

Payroll Service Provider

The payroll service provider produces paychecks and related reports for employers. Employers may choose this role because payroll departments can be expensive to run and may only be cost effective for large businesses, as payroll management can be a time-consuming process. Using a payroll service provider enables employees to focus energy on primary business functions.

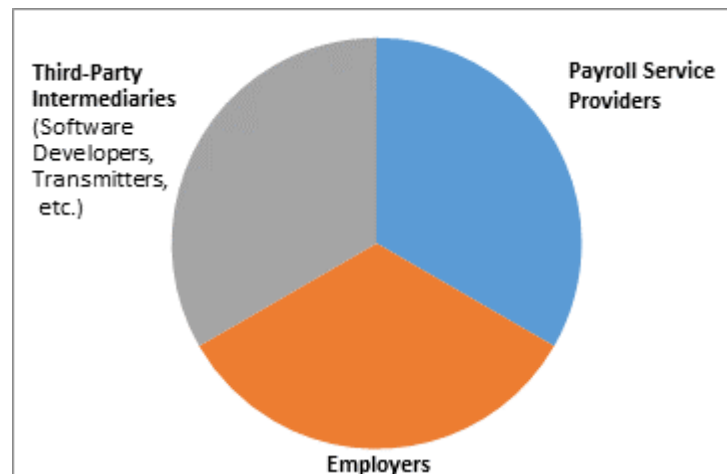
Employer

Employers may choose to handle payroll and tax filing functions on their own because they desire to control the data, and they do not want to incur the associated cost of paying others to provide the necessary functions.

Transmitter

The transmitter receives prepared returns and serves as a pass-through, transmitting the returns to the appropriate agencies on behalf of the employer. The transmitter receives acknowledgments from taxing agencies, which are forwarded on to his clients. The transmitter has authority to communicate with taxing agencies on behalf of his clients regarding the success of the transmission, but no authority to communicate with taxing agencies regarding the data that is transmitted.

Employers choose this role because by utilizing the services of a transmitter, employers can eliminate the time-consuming and costly process of formatting, testing, and filing with each agency. Paying to have these services performed is less costly for employers than if employers performed them on their own. Employers have demonstrated a willingness to pay for the convenience of having the transmitter perform all file transmission procedures.



Reasons Agencies Should Accommodate These Roles

Accommodating the roles of payroll service provider, transmitter, and employer provides benefits for agencies. When working with payroll service providers and transmitters, agencies deal with a small number of technically skilled filers and experience less agency-required support, reduced time in testing, and fewer errors in filed submissions.

Some agencies may express hesitation in supporting transmitters for various reasons. While there may be perceived security issues, the transmitter is simply the “mailman” delivering the return to the agency. The transmitter performs no processing of the data, but rather simply delivers the already prepared file. The fact that transmitters have possession of the data represents employer consent.

Some agencies may express that they would prefer direct contact with the employer. However, not all employers are either able or desire to file their own tax returns. Instead employers hire payroll service providers and transmitters to provide many services that involve direct contact with the taxing agency including electronic filing. Employers are willing and desire to pay for the convenience and breadth of services these roles provide. Additionally, a large number of filings are currently handled by transmitters, so accommodating transmitters would enable agencies to achieve the full participation in electronic filing.

Summary

The NACTP (National Association of Computerized Tax Processors) includes in its membership over 50 payroll and tax preparation software companies, electronic filing transmitters, tax form publishers, tax processing and payroll service providers, and others. The Association has grown to now represent over 1 million employers in addition to individual taxpayers.

NACTP member companies and government taxing authorities share a common goal: to provide the best possible service to employers. By working together, this goal can be achieved. When building an electronic filing system it is critical to support all three business roles listed above. Each of these roles is being actively utilized in the industry today because employers recognize the benefits that each role provides. Therefore, in order to promote full participation in electronic filing and ease the burden of transitioning to e-file, it is essential that your agency's electronic filing system can efficiently accept filings from all three primary business roles.