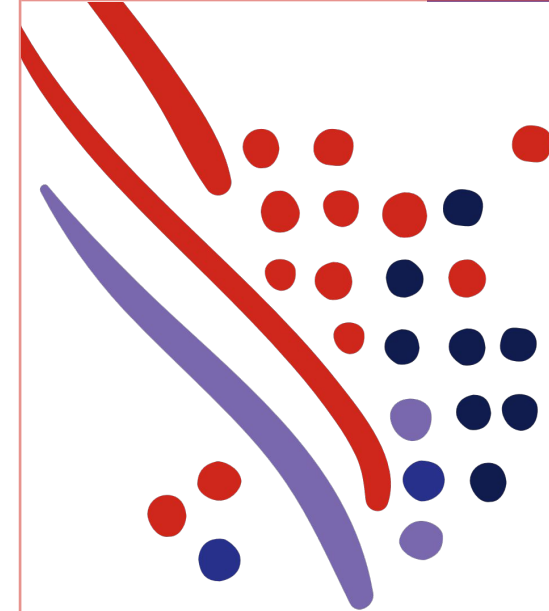


UI Tax Filing and Payments

June 30, 2023 | Memphis, Tennessee



Always Designing
for People®



Size & Scope

Payroll Service Providers

- PSPs typically file and pay 50% of a state's employer population
- PSPs strive to be compliant – filing / payment errors create work for:
 - Employer / client
 - State agency
 - PSP
- Efficiency – Everyone looking to do more with less
- Scale of improvement significant
- Conversely, scale of degraded service also significant

Trusted Partner

- Payroll Service Providers (PSPs) should be considered a trusted partner
- Agencies typically assign PSPs account numbers or identifiers
- PSPs are required to log-in to state systems to transmit or receive info
- PSP consolidate reporting – Consider all ADP’s clients file separately
 - In FL there would be an additional 109,157 returns and payments
 - If there were 5% that needed to contact the agency – an additional 5,457 calls / emails

Processing Evolution

- 1977 – Maryland Unemployment Insurance (I was there)
- Computers? Internet? All paper forms and checks
- All hands on deck to run deposits and deposit checks
- Months before data available for claims processing
- Accept what we received – including taxable wage calculation
- Paper everywhere – building engineer said the 4th floor in danger of collapse due to excessive paper in heavy fire proof cabinets



Processing Evolution

- 2023 – Typical State UI tax agency
 - Most require electronic filing
 - Most require electronic payment
 - UI Tax employer portal on Internet
 - Generally created for single employer
 - Great improvement over paper
 - Not conducive for bulk processing
 - Data can be available immediately
 - Edits can be enforced before data gets to agency



PSP Challenges

Client Behavior

- Clients pay PSPs to perform tax filing and payment function
- Client's primary responsibility? ***Run their businesses***
- Works well for PSP, agency and employer when everything in place
 - Authorizations, account numbers, agency-specific requirements
- Fails when key requirements missing
- After initial onboarding, getting clients to provide information is a challenge
 - Agency □ employer; PSP □ client; PSP □ agency; employer □ agency
- Consider innovative data sharing to solve

PSP Challenges

Authorizations

- PSPs must have:
 - Valid contracts with clients
 - Reporting Agent Authorization (RAA) to transact with IRS
 - RAA may also be used to authorize state or local returns
 - POA / MOU / TPA / RAA to file state and / or local taxes
- Consequences for missing authorization
 - Failure to obtain tax rate information
 - Unable to contact agency to resolve client issues
 - Some states threatening to reject filings and payments
 - Increased delinquencies, notices, and work for all

Form 8655
 (Rev. October 2018)
 Department of the Treasury
 Internal Revenue Service

Reporting Agent Authorization
 OMB No. 1545-1058

► Information about Form 8655 and its instructions is at www.irs.gov/Form8655.

Taxpayer

1a Name of taxpayer (as distinguished from trade name)		2 Employer identification number (EIN)	
1b Trade name, if any		4 If you are a seasonal employer, check here <input type="checkbox"/>	
3 Address (number, street, and room or suite no.)		5 Other identification number (optional)	
City or town, state, and ZIP code			
6 Contact person		7 Daytime telephone number	8 Fax number

Reporting Agent

9 Name (enter company name or name of business)		10 Employer identification number (EIN)	
11 Address (number, street, and room or suite no.)			
City or town, state, and ZIP code			
12 Contact person		13 Daytime telephone number	14 Fax number

Authorization of Reporting Agent to Sign and File Returns (Caution: See Authorization Agreement)

15 Indicate the tax return(s) to be signed and filed. For quarterly returns, use "YYYY/MM" format. "MM" is the last month of the quarter for which the authorization begins (for example, "2018/Q3" for third quarter of 2018). For annual returns, use "YYYY" format to indicate the year for which the authorization begins.

940	941	940-PFR	941-PFR	941-SS	943
943-PFR	944	945	1042	CT-1	

Authorization of Reporting Agent to Make Deposits and Payments (Caution: See Authorization Agreement)

16 Indicate the tax return(s) for which the reporting agent is authorized to make deposits or payments. Use the "YYYY/MM" format to enter the month in which the authorization begins (for example, "2018/08" for August 2018).

940	941	943	944	945	720
1041	1042	1120	CT-1	990-PF	990-T

Duplicate Notices to Reporting Agents

17 Check here to request the IRS to issue to the reporting agent duplicate copies of notices and correspondence regarding returns filed and deposits or payments made by the reporting agent.

Disclosure Authorization for Forms Series W-2, 1099, and/or 3921/3922

18a The reporting agent is authorized to receive otherwise confidential taxpayer information from the IRS to assist in responding to certain IRS notices relating to the Form W-2 series information returns. This authority is effective for calendar year forms beginning _____.

b The reporting agent is authorized to receive otherwise confidential taxpayer information from the IRS to assist in responding to certain IRS notices relating to the Form 1099 series information returns. This authority is effective for calendar year forms beginning _____.

c The reporting agent is authorized to receive otherwise confidential taxpayer information from the IRS to assist in responding to certain IRS notices relating to the Forms 3921 and 3922. This authority is effective for calendar year forms beginning _____.

State or Local Authorization (Caution: See Authorization Agreement)

19 Check here to authorize the reporting agent to sign and file state or local returns related to the authorization granted on line 15 and/or line 16.

Authorization Agreement

I understand that this agreement does not relieve me, as the taxpayer, of the responsibility to ensure that all tax returns are filed and that all deposits and payments are made and that I may enroll in the Electronic Federal Tax Payment System (EFTPS) to view deposits and payments made on my behalf. If line 15 is completed, the reporting agent named above is authorized to sign and file the return indicated, beginning with the quarter or year indicated. If any starting dates on line 16 are completed, the reporting agent named above is authorized to make deposits and payments beginning with the period indicated. Any authorization granted remains in effect until it is terminated or revoked by the taxpayer or reporting agent. I am authorizing the IRS to disclose otherwise confidential tax information to the reporting agent relating to the authority granted on line 15 and/or line 16, including disclosures required to process Form 8655. Disclosure authority is effective upon signature of taxpayer and IRS receipt of Form 8655. The authority granted on Form 8655 will not revoke any Power of Attorney (Form 2848) or Tax Information Authorization (Form 8821) in effect.

I certify I have the authority to execute this form and authorize disclosure of otherwise confidential information on behalf of the taxpayer.

Sign Here

Signature of taxpayer	Title	Date
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For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 102411T Form 8655 (Rev. 10-2018)

Progress! MOU Adoption

South Carolina – New Program for Agent MOUs



- South Carolina worked with National Payroll Reporting Consortium (NPRC)
- Developed Process to establish MOU
- MOU acts as a contract with the state

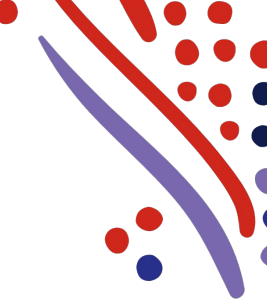
Memorandum of Understanding (MOU) Guide for Agents

I

- Purpose: The purpose of the Memorandum of Understanding (MOU) is to stand as an agreement between SCDEW and the requesting agent. The requesting agent certifies that they have a signed authorization on file for each client/employer for which access is being obtained through the SUITS' agent portal. Furthermore, under the MOU the Agent agrees to:
 - Provide DEW with relevant information regarding their clients, to include their business address.
 - Provide DEW, upon written request, a copy of the written authorization form signed by their client, authorizing the Agent to receive and/or provide client information from and to DEW.
 - Notify DEW within (7) seven calendar days if they are no longer representing a client.

DEW agrees to provide the Agent with access to each of their client's UI tax and/or benefit account that the Agent maintains a signed written authorization.

PSP Challenges - CAPTCHA



- CAPTCHA was implemented by many state UI agencies to reduce UI fraud
- It requires the user of the state web page to acknowledge he/she is not a bot
- For large tax filers this is a significant workload increase.
- More, importantly, CAPTCHA has been found to less effective today as readily available work-arounds are available
- A far more secure and mutually efficient process can be achieved by filing via secure FTP

PSP Challenges - CAPTCHA



CAPTCHA invokes a confirmation measure known as challenge-response authentication by asking the user to complete a simple test that proves you are a human. Typically, these come in the form of a distorted series of letters and or numbers or images to be selected based on a question.

However, all CAPTCHA can confirm is that the person accessing the CAPTCHA sequence is a person and not a bot. It can't validate that the person is who they say they are and is therefore not really a security measure as it doesn't provide an answer to a significant security question - "is this a trusted person for this site".

CAPTCHA can be manipulated. The main exploit is click farms. This refers to the groups of people clicking on ads that pay per click. People can be exploited based on either search terms or earning money to click on images screen scraped from the original site onto another enabling the "human test" (CAPTCHA) to be successfully navigated.

Therefore, CAPTCHA is not a security tool and can no longer truly be used to guarantee that a user passing the CAPTCHA challenge is not a bot.

PSP Challenges - CAPTCHA

ADP's Preferred Solutions: 1 - SFTP - highly preferred; 2 - Secure REST API; or 3 - IP Whitelisting bypassing CAPTCHA

SFTP advantages:

In today's data-driven world, the accuracy, integrity, speed, confidentiality, and availability of data matters a lot to businesses. That's why it's imperative for file transfer systems to be capable of meeting the highest standards in regard to those qualities; SFTP can:

1. Boosts speed and efficiency of business processes

SFTP servers can easily support large file transfers as well as bulk file transfers, i.e., transferring multiple files in one go.

PSP Challenges - CAPTCHA

2. Reduces risks during data exchanges

SFTP already comes with several security mechanisms like:

- Encryption – for preventing unauthorized disclosures during transmission. Encryption scrambles the content of your files while in transit, making them indecipherable to anyone who might intercept them.
- public key authentication – for making sure the person logging into your server is not an impostor. This can be used in tandem with the usual username/password combination to provide what is known as 2-factor authentication, a very strong method of authenticating users.
- data integrity and authenticity checks – for verifying whether the contents of the transmitted file was changed (whether intentionally or accidentally) and whether it came from the legit source
- host authentication – for enabling clients to verify whether the server is actually the server they wanted to connect to.

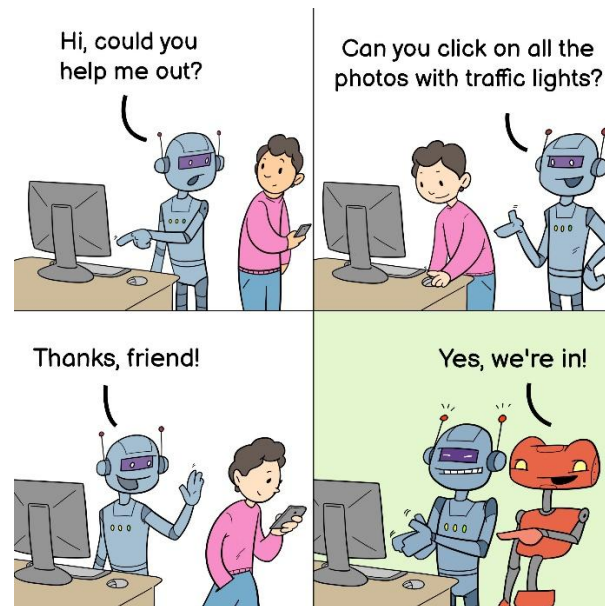
ADP Visit Agenda

New York DOL – April 19, 2023

CAPTCHA Discussion

3. Assists Compliance

Federal legislation, including SOX and HIPAA, and other federal regulations, like [FIPS 140-2](#), set standards for security of confidential (e.g., financial, medical, government) data in transit. Although these guidelines may not specify that Internet-facilitated file transfers be conducted only via SFTP, SFTP is a preferred protocol that can meet the standards that are explicitly outlined



PSP Challenges

Front-Door Edits

- **Yesterday** – Paper forms or magnetic media
 - Not processed real-time and editing occurred post receipt
 - Agency massaged data and tried to correct errors
- **Today** – Newer UI tax systems require data to be filed through web portals or SFTP
 - Real-time or near-time processing
 - Fatal errors result in agency rejecting file
 - PSP / employer responsible for correcting errors
- **Examples** - fatal errors that result in rejects
 - Missing / invalid account numbers
 - Missing / invalid SSN numbers
 - Other – corporate officer codes, monthly employment edits, POAs, etc.

PSP Challenges

OOS Wage Credits

- Most states permit employers to receive credit for wages paid in another state to same employee for the same employer in a calendar year
- Exceptions – LA, MN, MT
- Some states developing new rules for OOS wages
 - Must be a “permanent” transfer (DC, MD, SC)
 - Must be limited to a single previous state (DC)
 - Must reported in the 1st quarter of transfer and only once in a 2-year period (SC)
 - SC rejects wage reports for failing this test



PSP Challenges

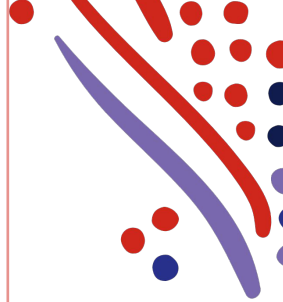
Enhanced Data

- New initiatives to collect more employee data
- Driving well-intentioned efforts to dedicate resources to training and education for emerging and in-demand jobs
- High demand from educational and employer sectors
- Question – how demanding should states be to require and enforce enhanced data collections?
- Fines and penalties?
- Reject wage reports that report missing or invalid data?



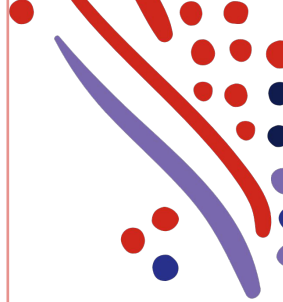
Emerging Technologies

Electronic Employer Delinquency Notices



- Employer Delinquency notice delivery
 - New technologies emerging
 - IRS has been delivering e-notices to PSPs for many years
 - E-notices ensure PSPs receive all notices
 - PSPs no longer depend on employers to notify PSPs
- New XML standard approved by FTA e-standards
 - Enables state Revenue and UI tax agencies to send copies of notices to PSPs
 - Will be implemented by Wisconsin revenue agency – uses FAST system
- Advantages
 - Ensures all notices are delivered to PSP
 - Promotes timely resolution of delinquencies, reducing calls and additional notices

Emerging Technologies



- What else can be engineered better?
 - New employer registrations
 - PSP / TPA assignments – adds / deletes
 - Periodic data exchanges
 - Tax rates
 - Adds / deletes
- When possible, make the exchanges on-demand through a secure agency portal
 - Agencies not required to be involved

Contact & Reference Info

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- NPRC Website Link: <https://www.nprc-inc.org/blog/>