E-file for Payroll Service Providers

November 9, 2010

Agenda

- Welcome Comments – L. Nowlan
- Overview of HB 2012 – H. Armstrong
  - New requirements for PSCs
  - Effective dates
- New Procedures – J. Bustamante
  - Registration
  - Client List updates
- Submission Methods – D. Irwin
  - Web services
  - Web upload

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Welcome

- Introductions/Housekeeping Items
- What are we going to do today?
  - Overview of House Bill (HB) 2012
  - New Procedures for Implementation
  - New Submission methods

Why HB 2012?

- Improve efficiency
- Increase electronic transactions
- Decrease processing costs
- Decrease opportunity for posting errors

Process Administration Division

- Process tax returns and payments
- Opening the envelopes, data entry, depositing the money, and issuing the refunds
- 117 full time employees

FY 2010 Volume

	Total	Electronic	%
Returns	5.2M	1.9M	37%
Payments	4.0M	1.35M	34%
Withholding:			
Returns	658,837	37,033	5%
Payments	1,701,366	974,011	57%

Process Administration Division

- Full time staff (117) physically unable to process the paper volume without assistance
- Temporary staff is needed
- 211 additional individuals
- $1,099,823.01 for FY2010

Process Administration Division

- ↑ E-file = ↓ Processing time
- ↑ E-file = ↓ Errors
- ↑ E-file = ↓ Temporary Staff
- ↓ Temporary Staff = ↓ Costs
- ↓ Overall = ↑ EFFICIENCY

Comments and Questions

Overview of HB 2012

- Laws 2010, 7th Special Session, Chapter 12, Section 35 (HB 2012)
  - Arizona Revised Statutes (A.R.S.) §§ 43-418 and 43-419
    - Section 43-418 establishes the requirements and defines a payroll service company for registration purposes
    - Section 43-419 establishes the penalties that will be assessed on the payroll service company for noncompliance

Overview of HB 2012

- Section 43-418(D)(2) defines "Payroll Service Company"
  - "means a person who has custody or control over a client's monies for the purpose of paying the withheld taxes and filing returns of a client with the department."
  - If you do not meet this definition, then you are not required to register with the Department.

Overview of HB 2012

- Payroll Service Companies must:
  - Register with the Department (Jeorge will discuss the process)
  - In order to register, you agree to:
    - Be authorized in writing to act on behalf of each client
    - Keep clients' money for paying withholding taxes separate from the PSC's money
    - Timely make all payments electronically
    - Timely file all returns electronically
    - Electronically provide a client list to the Department
    - Update the client list by the first of every month
    - Provide a copy of a contract with a client upon Department request
    - Comply with all other requirements
      - Because of the current rule moratorium, rules to be adopted later

Overview of HB 2012

- Written authorization to act on behalf of a client
  - In order to discuss a client's confidential information with the Department (to resolve billing, etc.)
  - Arizona Form 285
    - Refer to General Tax Procedure (GTP) 95-2 and General Tax Procedure Advisory (GTP) 95-2A
    - Individual Specific
    - Filed with the Department
  - Memorandum of Understanding
    - PSC maintains Arizona Form 285 at its office
    - PSC provides a copy upon request

Overview of HB 2012

- Section 43-419 establishes the penalties that will be assessed on the payroll service company for noncompliance
  - Assessed on the payroll service company (not the “client” or employer/taxpayer*)
  - $25.00 for each payment not made electronically
  - $25.00 for each return not filed electronically
  - Abatable for Reasonable Cause (Jeorge will discuss)

*Employers required to pay by EFT will be subject to a 5% penalty of the non-EFT payment beginning April 1, 2011.

Overview of HB 2012

- Payroll Service Company Penalty Example
  - If Client A is required to make six payments in the 3rd quarter of 2011, and none of the payments are made electronically, the payroll service company would be subject to six $25 penalties, a total of $150.
  - If the payroll service company files the quarterly reconciliation for Client A by paper, an additional penalty of $25 would apply.
  - A grand total of $175 in penalties would be assessed toward the payroll service company related to Client A for the 3rd quarter of 2011.

Overview of HB 2012

- Effective Date - withholding tax returns due from and after May 31, 2011
  - Form A1-WP (Payments) – April 1, 2011 or later
  - Form A1-QRT (Quarterly) – 2nd quarter 2011
    - Due July 31, 2011 or
    - August 10, 2011 (if all payments are timely)
  - Form A1-APR (Annual Payment) – CYE 2011
    - Due February 28, 2012, unless extension granted

Overview of HB 2012

- PSC Penalty will not apply to:
  - Form A1-R (Annual Reconciliation) – CYE 2011
    - Due February 28, 2012, unless extension granted
    - Can be filed electronically
  - Attachments to Form A1-R and Form A1-APR
    - Forms W-2 and 1099
    - The department will be able to accept these attachments electronically

Comments and Questions

Payroll Service Company Registration

- Where to Electronically Register
- How to Register
- Confirmation of Registration
- Updates to Existing Registration
- How to Add Contacts
- Forgot Password / Password Reset

Where to Electronically Register

- www.aztaxes.gov for link to withholding.
- From www.withholding.aztaxes.gov click "Register" in the left navigation menu.
- You will immediately be navigated to the Payroll Service Company Registration page.

How to Register

- Complete all of the required fields (all of the required fields are indicated with a red asterisk)
  - Legal Name
  - Business Email Address
  - Taxpayer ID (EIN)
  - Taxpayer ID Type
  - Transmit Method
  - Taxpayer Activity (if applicable)
  - Complete Mailing and Primary Addresses

www.AZTaxes.gov

State of Arizona
Department of Revenue

AZ.GOV
Arizona's Official Web Site

Setting the Standard for Tax Services

- Home
- Register
- User Guide

Payroll Service Company Registration

* Legal Name	
DBA - Doing Business As	
* Business Email address	
Identification Numbers	* Tax Payer Id ____ * Tax Payer Id Type EIN
* Transmit Method	Web Upload
Mailing Address (Please us this check box if the mailing address is a P.O. Box) ☐ This is a PO Box	* Address 1 Address 2 Address 3 * City ____ * State ARIZONA * Zip ____ * Phone ____
Primary Address (Please list physical address of the business) ☐ Same as mailing	* Address 1 Address 2 Address 3 * City ____ * State ARIZONA * Zip ____

How to Register

- Complete all of the required fields (required fields are indicated with a red asterisk)
  - Captcha Validation
  - Terms of Service

Enter the Text from the image into the box below the image

I have read and agree to the Terms of Service ☐

Terms of Service

1. Be authorized in writing to act on behalf of each client
2. Keep clients' money held for payment of state withholding taxes separate from the money of the payroll service company
3. Timely make all withholding tax payments electronically
4. Timely file all withholding tax returns electronically
5. Electronically provide a client list to the Department including the name, address, tax identification number and federal deposit frequency of each client
6. Update the client list by the first of every month
7. Provide a copy of a contract with a client upon Department request
8. Comply with all other requirements as set forth in the statute or administrative rule.

Check here to agree to these statutory requirements. You cannot register without agreeing to these statutory requirements.

Register

Payroll Service Company Registration

* Legal Name	
DBA - Doing Business As	
* Business Email address	
Identification Numbers	* Tax Payer Id ____ * Tax Payer Id Type EIN
* Transmit Method	Web Upload
Mailing Address (Please us this check box if the mailing address is a P.O. Box) ☐ This is a PO Box	* Address 1 Address 2 Address 3 * City ____ * State ARIZONA * Zip ____ * Phone ____
Primary Address (Please list physical address of the business) ☐ Same as mailing	* Address 1 Address 2 Address 3 * City ____ * State ARIZONA * Zip ____
Enter the Text from the image into the box below the image	
	Terms of Service

Registration Confirmation Email

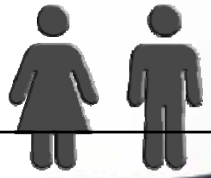
From: noreply@azdor.gov [mailto:noreply@azdor.gov]
Sent: Monday, August 02, 2010 3:31 PM
To: Last Name, First Name
Subject: AZDOR - Payroll Service Provider Registration Email Verification

Password is !**pCY5E$=MP.>-W**

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail (and any attachments). If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you. Mon Sep 27 2010 15:22:12

Please use the following link to verify your registration.

http://dvlpazfset/PayrollRegistration/Account/RegistrationVerification?id=MTU2



Create Account

Password must be 8 characters long and include each of the following:

- Uppercase Letter
- Lowercase Letter
- Number
- Special Character

Fields

New password

Confirm new password

Complete Registration

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Log On

Please enter your username and password. Register if you don't have an account.

Account Information

User name

Password

Reset Password

Log On

State of Arizona
Department of Revenue

Setting the Standard for Tax Services

Change Password

Use the form below to change your password.

New Password must be 8 characters long and include each of the following:

- Uppercase Letter
- Lowercase Letter
- Number
- Special Character

Account Information

Current password

New password

Confirm new password

Change Password

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Welcome hpeters@azdor.gov! Log Off | FAQs | Contact Us | Site Map

State of Arizona
Department of Revenue

Setting the Standard for Tax Services

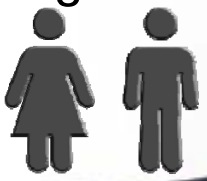
- Home
- FileLayouts
- Upload Returns
- Authorized Contacts
- User Guide

Welcome to AZ Web File!

AZ Web File is available to Payroll Service Providers 24 hours a day, 7 days a week. Use this site to save time, money and paper, and to meet requirements to electronically file and pay Employer Withholding returns.

Confirmation of Registration

- Upon submission of the electronic registration form, a confirmation Email will be sent to the Email provided.
- Within the Email confirmation page, a link will be provided. Click on the link to verify your registration. You will immediately be navigated to the Create Account page for completion of your registration.
- Here you will create the Password for the Payroll Service Provider account. Password must be at least eight characters long and contain one uppercase letter, one number, and one special character.
- Upon entering your password, select Complete Registration. A Registration Complete message will appear. You can now Log On to enter the site.



State of Arizona
Department of Revenue

Setting the Standard for Tax Services

Authorized Contacts List

	Name	Type	Eff Begin Date
Edit Contact | Contact Details	KC Chiefs	Entity	10/28/2010

Add Contact

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Authorized Contacts List

	Name	Type	Eff Begin Date
Edit Contact | Contact Details	KC Chiefs	Entity	10/28/2010

Add Contact

Add Secondary Contact Information

* Bus Contact Name	
* Phone Number	
* Email	
	Submit

This information will be used to verify your identity as an Authorized Contact

Client List

- What is a client list?
- When is client list due?
- What information is required on the client list?
- Updates to client list
- Terms of Service

Penalty Abatement Request

Information on Penalty Abatement Requests can be found in Publication 700 available on the departments website **www.azdor.gov**

- When to submit penalty abatement request
- What information is required on the request

Penalty Abatement Request

Where to submit request:

Penalty Review Unit (PRU)
1600 West Monroe, 1st Floor
Phoenix, AZ 85007

Who to contact for status of request:

602.716.7802

Comments and Questions

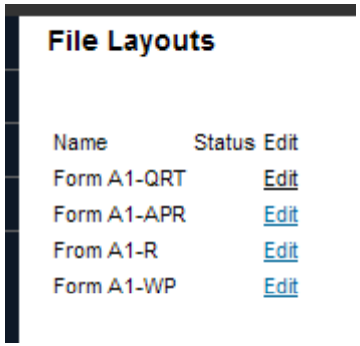
Filing Returns

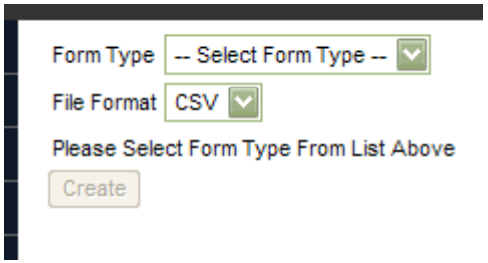
- Web Upload Users
  - Create File Layout
  - Upload Files

- Web Services (FSET Gateway)
  - Admin Services
    - Login
    - Logout
  - Transmitter Services
    - SendSubmissions
    - GetNewAcks
    - GetAcks
    - GetAck
    - GetAcksByMsgID

Web Users

- Create File Layouts
  - Only one type of submission per file
    - A1-WP (Payments)
    - A1-QRT (Quarterly Return)
    - A1-APR (Annual Return)
    - A1-R (Annual Reconciliation)
    - Client List





File Layouts

- Required Fields
- Optional Fields
- Field Position
- File Type
- One record per line

Form Type: Form A1-QRT

File Format: CSV

Position			Field	Format	Required
1		Move Down	Period Begin Dt	D	Required
2	Move Up	Move Down	Id	V	Required
3	Move Up	Move Down	Last Name	V	Required
4	Move Up	Move Down	First Name	V	Required
5	Move Up	Move Down	Middle Initial	V	Required
6	Move Up	Move Down	Period End Dt	D	Required
7	Move Up	Move Down	Tax Type Cd	V	Required
8	Move Up	Move Down	Postmark Date	D	Required
9	Move Up	Move Down	PLN	V	Required

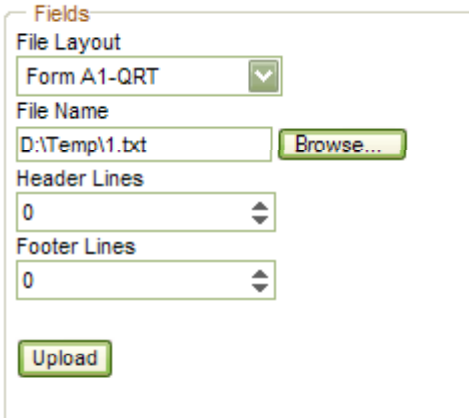
Add Filler

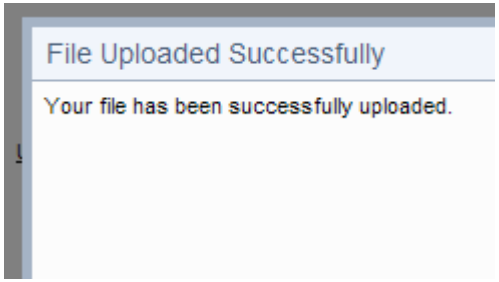
Create

Generate Sample File

Upload Returns

- Select a file layout that has been created
- Select the file to upload
- Specify the number of header / footer lines
- Upload





Upload Details

- View status of each return
  - Accepted
  - Rejected with reasons – rejected returns need to be corrected and resubmitted in a new file upload

Upload Returns

	FileName	FormTypeId	SubmittedDate	Status	RecordCount
Details	D:\Temp\1.txt	Form A1-QRT 2010	11/2/2010 1:38 PM	Upload File Being Processed	100

Upload New File

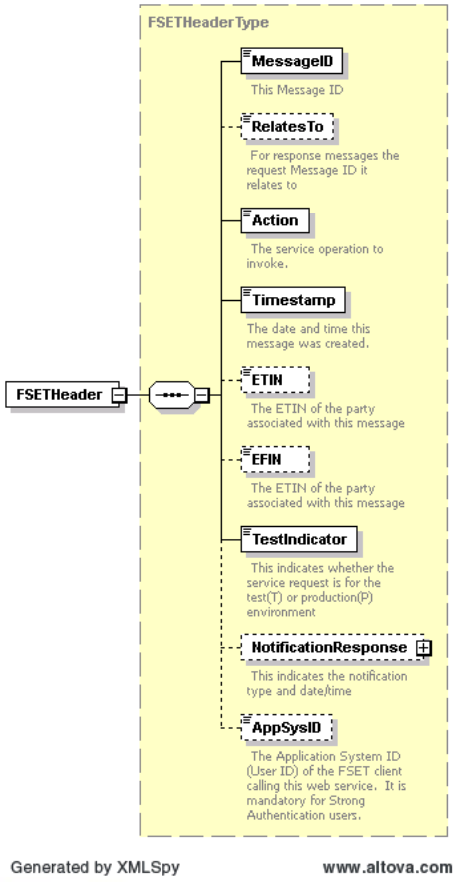
Web Services

- Implementation Guide
- http://www.statemef.com/
  - Gateway: FSET Gateway Service
  - Schema: FSET Release 4.3
    - FSET Header
    - FSET ReturnState
      - StateWH
      - StateAnnual
    - FSET EnrollmentState
      - EnrollmentDataState/Enrollment

Admin Services

- Login
- Logout

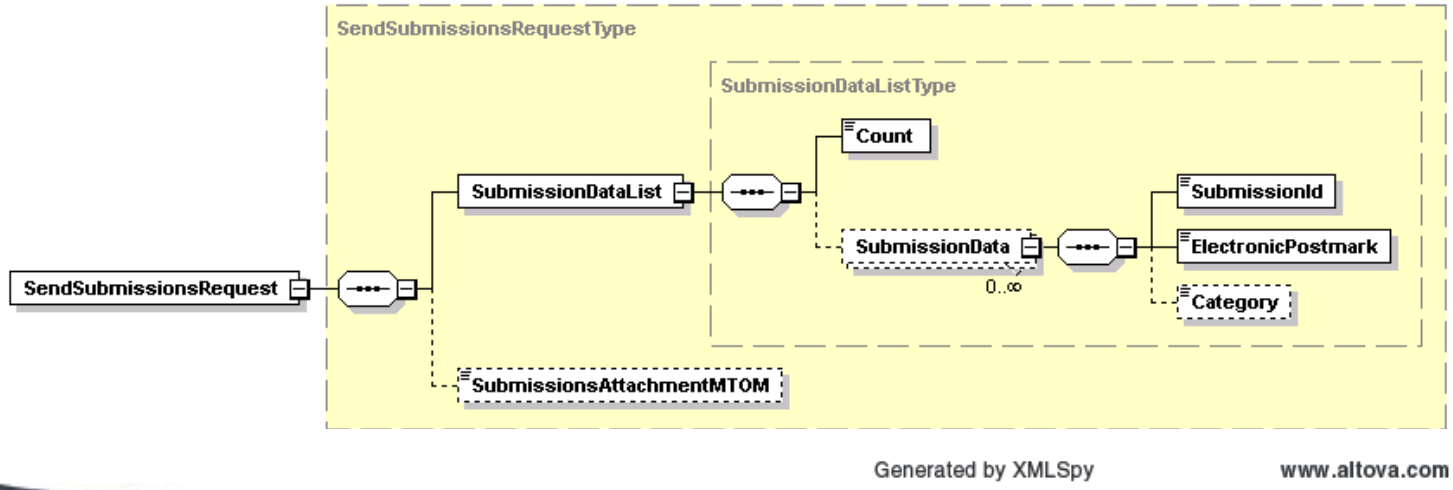
FSET Header



- MessageId (20) - ETIN + ccyyddd + xxxxxxxx
- Action – SendSubmissions
- Timestamp – UTC 2009-01-20T16:30:18.045Z
- ETIN
- EFIN
- TestIndicator
- AppSysID

SendSubmissions

- SubmissionId (20) – EFIN + ccyyddd + xxxxxxx
- ElectronicPostmark – UTC 2009-01-20T16:30:18.045Z
- Category
  - StatePayment, StateWH, StateAnnual, Enrollment

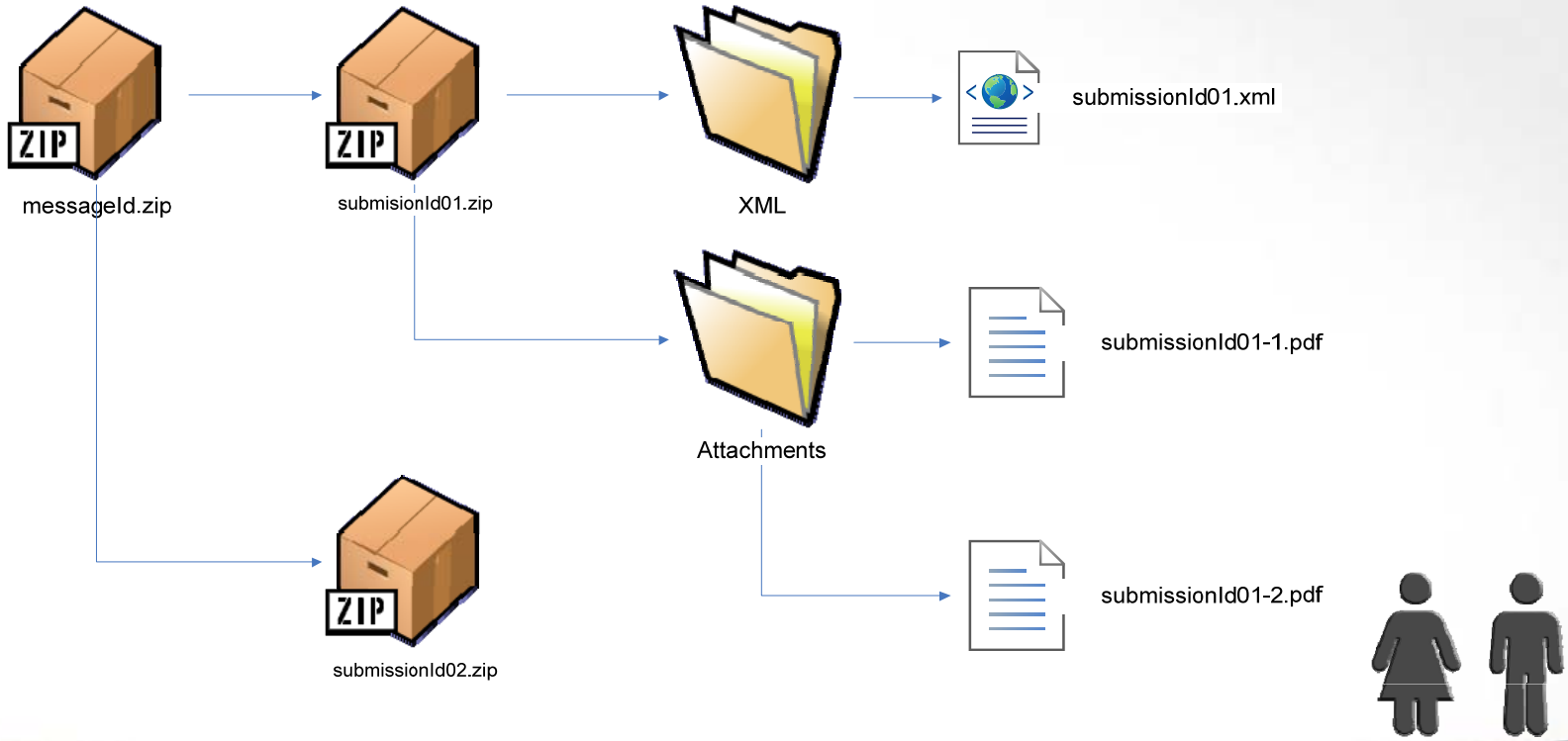


Acknowledgements

- GetNewAcks – all new acknowledgements
- GetAcks – list of SubmissionIds
- GetAck – SubmissionId
- GetAcksByMessageId - MessageId

Attachments

- MTOM only



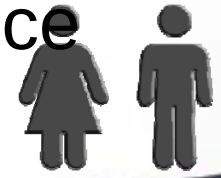
Comments and Questions

THANK YOU

- RECAP
  - All payroll service providers are required to register for the electronic filing using their EIN
  - All payroll service providers are required to electronically file and pay on behalf of their clients.

THANK YOU

- Recap (Cont'd)
  - 3 options to electronically file and pay
    1. AZTaxes.gov
    2. Web services
    3. Web upload
  - Testing will begin January 2011
  - Successful implementation
  - Don't hesitate to contact us for assistance



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Closing Comments and Questions