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Authorization Agreement - For Electronic Funds Transfer (EFT) Via ACH Credit

Company Name: _____

Company Address: _____

_____

Employer Account #: _____

Federal Identification # (FEIN): _____

I hereby authorize the Illinois Department of Employment Security (IDES) to use the above information in direct conjunction with the Electronic Funds Transfer. This authority is to be used by IDES for this purpose only. We will comply with the Electronic Funds Transfer provisions set forth by IDES.

Authorized Signature: _____

Date: _____

EFT Contact Person: _____

Phone #: _____

Mail or Fax to:

Illinois Department of Employment Security
33 S. State Street, 10th Floor
Document Control Unit
Chicago, IL 60603

Fax: 217-557-1948 | Employer Hotline: 800-247-4984; TTY number: 866-212-8831

Revised 10/17

Illinois Department Of Employment Security

Guidelines For

Electronic Funds Transfer (EFT) Program

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SECTION I

Introduction

IDES is participating in a program which enables employers to pay Unemployment Insurance Contributions through Electronic Funds Transfer (EFT), ACH Credit. This program is intended to provide an understanding of the movement of the funds and limited employer account information through the banking system. It is not intended to handle large amounts of non-payment data. EFT is designed to move payments faster; however, it can also offer you a number of benefits:

- The cost and time to generate and sign checks is eliminated.
- Reduced postage fees because of the elimination of the payment coupon.
- You know exactly when your account will be debited.
- EFT prevents confusion associated with postal delays so you are less likely to receive delinquent tax notices.
- EFT can be implemented without any significant up front investment, such as additional computers or remittance processing hardware.

The purpose of this booklet is to provide you with specific information concerning taxpayer requirements, options, and answers to some basic questions. When you have finished reading this booklet and you have additional questions or would like further information, please feel free to call IDES.

Requirement For Participation In The EFT Program

In order to participate in Illinois' EFT program you must fill out an Authorization Agreement form. Service Bureaus or Accountants representing various employers need to complete only one agreement for all their clients (current and future). Registration in the program via the EFT Authorization Agreement form provides the Department with the critical information needed to monitor the payment of your Unemployment Insurance contributions.

When your completed authorization form is received by the Department for

the ACH Credit Option, you may be required to process a "pre-note" or pre-notification transaction at least 10 days prior to the first transmission of an actual remittance. Such transactions are actually "penny-dollar" or dummy transactions used to test the accuracy of account number, Federal Identification Number (FEIN) and other features of the processing system for a taxpayer before any funds are actually involved. You will be notified if your "pre-note" was accepted.

The requirement to mail the transmittal and remittance will not be necessary during the EFT program. However, you must submit your UI 3/40 report in a timely manner.

If you choose to use a credit currently existing in your account to satisfy your UI contributions amount or no UI contributions amount is due for a quarter, you should not utilize the EFT program for that quarter.

Electronic Payment Options

Illinois' Electronic Funds Transfer program offers one method for electronic payment and one for emergency backup:

- Automated Clearing House Credit (ACH credit)
- Fedwire – <u>for emergency backup only</u>

Following is a brief explanation of the two payment options.

ACH Credit

To use the ACH credit option, you initiate a credit by instructing your bank to transfer the tax due from your account to the IDES account. Your bank will then insert a "trace number" into the payment transaction to be used as payment verification. In addition to the payment amount, taxpayer account posting information is sent with the funds transfer using the CCD+ format. A copy of the CCD+ standard format is included in this packet.

The ACH credit must be initiated at least on the due date of the quarterly report or earlier in order for the funds to be available on the due date. We recommend you contact your bank to determine what ACH services they offer.

Fedwire

This option is being offered by the IDES only as a **backup method**. If for

some reason you are unable to initiate your ACH credit on or prior to the due date, this is the only electronic alternative available to avoid late payments and interest. If you find you must use this backup method, your bank must initiate the Fedwire on the tax due date. Fedwires do have costs associated with them for both the initiator and the receiver. If you use this option, you will be required to pay all fees.

To effectively credit the payment information to your account, our standard Fedwire format (we require the same data as the CCD+) information should be entered by your bank as part of the Fedwire transaction. Your bank should provide you with a paper copy of the transmission for your records.

Again please note, **this option is only offered as an emergency backup for an ACH credit; it is not a routine EFT payment option.** If you use this emergency backup option, you **must** contact the Department at 800-247-4984, ext. 3, to notify us of the situation.

# # #

SECTION II

Illinois Department Of Employment Security

Electronic Funds Transfer (EFT) Program

Memorandum Of Understanding

Because it is within the Department's mission to collect contributions due as efficiently as possible, IDES feels it must take a pro-active step to understand the electronic payment environment, to understand our business partner's capabilities and concerns, and to advise interested and affected parties on EFT tax payment processes.

The Automated Clearing House (ACH) payment network has become the primary means of collecting EFT tax payments. It is the Department's intent to provide the voluntary EFT program participants the same level of confidence they receive when complying with the existing statutory requirements and Administrative Rules and Regulations. To that end, the Department has drafted this Memorandum of Understanding to provide a means of complying with statutory intent even though the process may not be specifically identified in the existing statutes and Administrative Rules and Regulations. The Memorandum of Understanding addresses the following EFT issues and EFT program procedures:

- **Electronic Payment Options**
- **Payment Due Dates**
- **Proof of Reasonable Cause**

Electronic Payment Options

The Department's electronic funds transfer program offers one method for electronic payment and one for emergency backup:

- **Automated Clearing House Credit (ACH Credit)**
- **Fedwire (for emergency backup only)**

Payment Due Dates

During the EFT program, IDES is accepting EFT payments for the quarterly Unemployment Insurance Contributions. For the payments to be properly credited to the state's bank account, the payment must be initiated as

follows:

ACH Credit

The ACH credit must be initiated by the employer's bank at least on the due date of the report or prior to the due date.

Fedwire

If this emergency back up method is used, the employer's bank must initiate the Fedwire on the contributions due date.

Holidays and Weekends

Holidays and weekend dates should be taken into consideration when planning your EFT tax payments.

Proof of Reasonable Cause

In instances where electronic payments are not deposited in the state's account on the due date, the Department may impose the appropriate interest established in existing statutes and Administrative Rules and Regulations. The Department realizes this is another critical area of concern for corporate taxpayers because they lack the traditional envelope postmark date to prove that a timely or "due diligence" effort was made to initiate the contribution. If this situation arises, due diligence and a good faith effort to initiate an EFT transaction in a timely manner will constitute reasonable cause for excusing the imposition of applicable interest in the event that payment is not received by the due date.

A "timely manner" would be a transaction initiated far enough in advance to be completed and payment of taxes made on or before the due date.

Payment Threshold

Since the EFT program is not being initiated as the result of a mandatory statute, there is no payment threshold for this program. However, those participants submitting EFT payments in lieu of making paper tax payments, are required to remit the same tax amount as required by the existing payment program.

Remittance

One of the benefits of an EFT program is the reduction of paper handling and

processing. However, UI 3/40 reports still need to be submitted in a timely manner, and changes to account information still need to be reported to the Department via a UI 50A.

Taxpayer Assistance

The IDES Revenue Report and Remittance Division staff will be assisting EFT participants for the program. If you require such assistance, call the Department at: 800-247-4984, ext. 3

The Department feels the issues and policies addressed in this Memorandum of Understanding will provide our business partners the same level of confidence they experience while making paper/check tax payments. At the same time, the Department's compliance with statutory intent is not compromised.

This opportunity to work with Illinois business, industry representatives, business associations, and other state agencies is welcomed and appreciated by the Department. This is an opportunity for both business and government to learn each other's need and capabilities. It is this kind of interaction that leads to formulation of sound and workable tax administration policy.

Calendar Of Due Dates

For electronic funds transfer purposes, the schedule below reflects the due dates for the Unemployment Insurance contributions.

UI 3/40 Quarterly Report And Remittances:

First Quarter	April 30
Second Quarter	July 31
Third Quarter	October 31
Fourth Quarter	January 31

Observed State and Federal Holidays

The following holidays should be taken into consideration when planning your EFT tax payments.

Federal & Financial Institution Holidays

January	New Year's Day and Martin Luther King, Jr. Day
February	President's Day
May	Memorial Day
July	Independence Day
September	Labor Day
October	Columbus Day
November	Veterans' Day and Thanksgiving Day
December 25	Christmas Day

For purposes of the EFT program, the Department will adopt the same treatment as the Federal Reserve System for recognizing due dates which fall on weekends or Federal Reserve holidays. Thus, when the statutory due date falls on a weekend or a holiday observed by the Federal Reserve, the Department will allow payments to be credited on the next business day.

State Holidays

The following state holidays are observed by IDES. This information is provided simply to inform you when Department personnel will not be available to assist in EFT inquiries or problem resolution.

January	New Year's Day and Martin Luther King, Jr. Day
February	President Lincoln's Birthday and President's Day
May	Memorial Day
July	Independence Day
September	Labor Day
October	Columbus Day
November	Veterans' Day, Thanksgiving Day, and Thanksgiving Holiday (day after)
December	Christmas Day

SECTION III

Questions and Answers

Q. What type of tax can be remitted through EFT?

A. During the EFT program, IDES is accepting EFT payments for the UI 3/40 quarterly Unemployment Insurance Contributions.

Q. What if I discover that on the due date my EFT ACH credit is not working? What can I do in an emergency situation?

A. Your only EFT payment alternative to the ACH credit is the Fedwire. This transaction can be completed on the same day and is the only electronic method available to you in order to avoid late payment and interest. If you use this emergency backup option, you must contact the Department at 800-247-4984, ext. 3 and tell us of the situation.

Or mail your check and payment coupon (Be sure the postmark is timely) to:

Illinois Department of Employment Security
307 E. Jackson Street, 3rd Floor
Springfield, IL 62701

Q. What do I do if I need to amend quarterly report?

A. You will have to send your amended quarterly report (UI 3/40 C) and a check (if applicable) directly to:

Illinois Department of Employment Security
307 E. Jackson Street, 3rd Floor
Springfield, Illinois 62701

OR:

Use the EFT, ACH Credit for the payment but you must indicate the specific year/quarter of the report being amended.

Q. If my payment is even dollars, do I still report cents?

A. Yes, cents must be reported even if zero. Example: use 120000 for $1200.00

Q. When should I send in the corresponding tax return?

A. All UI 3/40 reports should be filed by the due dates currently established. EFT does not affect your return filing. If the UI 3/40 report is not filed timely, a penalty for late reporting will be assessed.

Q. When do I call if the due date is on a weekend or legal holiday?

A. When a due date falls on a weekend or legal holiday the payment is due the first business day following the Saturday, Sunday, or legal holiday. The EFT transaction must be initiated on the first business day following the weekend or holiday or on the last banking day prior to the weekend or holiday.

If the UI3/40 report is not filed timely, a penalty for late reporting will be assessed.

Q. Is it possible to change previously reported EFT information?

A. If using ACH credit, you can have your bank initiate another ACH credit transaction for the amount previously underpaid or send a check for the underpayment. If the amount previously remitted was in excess of your liability, the amount of the overpayment can be used as a credit the next quarter or a refund can be requested using the UI-28 form.

Q. What if I want to change financial institutions or make filing changes?

A. If you have selected the ACH credit option and you change financial institutions, there is no need to contact the Department.

Q. What are the costs of the EFT program?

A. The ACH credit or Fedwire processing costs are paid by you. Your financial institution can apprise you of their fee schedule.

Q. How will the Department handle late payment associated with EFT?

A. The Department may impose interest if payments are not transmitted on the due date. If payment delay occurs for which you are not responsible, you will be asked to furnish one of the following items as proof of your good faith attempt to transfer funds timely:

The "trace number" assigned by your bank, if you are using ACH credit, or your "confirmation number" if using Fedwire.

If the Department determines that you used "due diligence" in your attempt to initiate a payment in a timely manner, there are processes in place through our "reasonable cause" program to adjust your account. Whenever problems arise during the EFT program, contact the Department.

Q. Can I mail a check once I have elected to use the EFT option?

A. You can switch back and forth between EFT and paper tax payments during the EFT program.

ACH Credit Tax Payment Specifications

The ACH credit tax payment specifications and implementation considerations are specified as follows:

National Automated Clearing House Association (NACHA) Record Formats

NACHA record formats for CCD+ entries flow in the following order:

- **File Header Record**
- **Company/Batch Header Record**
- **Entry Detail Record**
- **Addenda Record (Carries an 80 character Free Form Field)**
- **Company/Batch Control Record**
- **File Control Record**

The following sections contain NACHA formats with footnotes, where applicable, explaining and specifying how fields are to be utilized in conjunction with the TXP convention.

(table follows)

Entry Detail Record Definitions

Record Type Code - Always a "6"

Transaction Code - Always a "22"

Receiving DFI Identification - Always "07110933"

Check Digit - Always a "8"

DFI Account # - Always "038954"

Amount - $ Amount being sent for Unemployment Insurance.
Must Include Cents

Individual Identification # - Always "ILUI" immediately followed by your specific 7 digits Illinois Account number from your UI 3/40 Packet, followed by four spaces

Example: ILUI2050050

Individual Name - Your Company's NAME.

Discretionary Data - Optional to the Originating Bank

Addenda Record Indicator - Always a "1". Indicates that Addenda record is attached.

Trace Number - 15 digit # assigned by Originating Bank.

Addenda Record Definitions

Record Type Code - Always a "7"

Addenda Type Code - Always a "05"

Free Form - Must use TXP Addendum Convention (attached) in these instructions.

Special Addenda Sequence Number - Assigned by Originating Bank

Check Digit - Assigned by Originating Bank.

TXP Addendum Convention

FIELD #	FIELD NAME (DATA ELEMENTS & SEPARATORS)	FIELD REQUIRE-MENTS	DATA ELE-MENT TYPE	MINIMUM / MAXIMUM USE	CONTENTS
	Segment Identifier				TXP
	Separator				*
TXP01	Taxpayer Identification	M	AN	1/15	9 digits Federal Identification Number (FEIN)
	Separator				*
TXP02	Tax Type Code	M	ID	1/15	ILUI
	Separator				*
TXP03	Tax Period End Date	M	DT	6/6	Qtr. Ending Date YYMMDD i.e. 020630
	Separator				*
TXP04	Amount Type	M	ID	1/1	U
	Separator				*
TXP05	Amount	M	N2	1/10	$$$$$$$$cc
	Separator				*
TXP10	Taxpayer Verification	O	AN	1/6	SLCD
	Terminator				\backslash

TXP Addendum Definitions

TXP01 AN
The string type data element is symbolized by the representation, AN. The data element is the 9-digits Federal Identification number of the employer.

TXP02 ID
The identifier type data element is symbolized by the representation, ID. The data element is always "ILUI"

TXP03 DT
The data type data element is symbolized by the representation, DT. Format for the date type is YYMMDD. YY is the last two digits of the year (00-99), MM is the numeric value of the month (01-12), and DD is the numeric value of the day (01-31).

Example: 020630 for second quarter 2002, period ending June 30,2002.

TXPO4 ID
The amount type is used to identify the type of amount that follows. To date identified values include, **U** for Unemployment Insurance.

TXP05 N2
The Amount fields are used to carry the dollar amount being paid. Only one amount field is required. The amount field should always contain cents (cc).

Example: $1200.00 would appear as 120000.

TXP10 SLCD
This is an optional field. It is the scan line check digit on the payment coupon but may be other elements used for taxpayers verification.

Other TXP Addendum Definitions

Data Element Type
The Date Element Type identifies the type of information contained in the data element (field). For instance, AN, ID, DT, N2.

Field Requirement
The field requirement of a field (data element) indicates whether the field is mandatory (M); optional (O), or required (R).

Min/Max Use
The min/max use of a field specifies the minimum and maximum length of a particular field. For example, 1/6 indicates that this data element must carry at least one character, but not more than 6.

N2
The numeric type of field (data element) is represented by the two-position representation, N2. N indicates numeric and 2 indicates the decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. It is intended that this number will always be positive for the TXP application. In the TXP convention the amount fields are defined as N2 type data elements. Thus, $1200.00 would look as follows *120000*.

> Note: For zero dollar amounts this data element type may contain one Character(0).

Optional (0)
The appearance of this field (data element) is either at the option of the sending party (originator) or is based on the mutual agreement of the receiver.

Segment Identifier
The segment identifier serves as the name of the segment. The identifier occupies the first character positions of the segment and consists of TXP.

Segment Terminator
Each segment ends with a segment terminator. The terminator denotes the end of the segment.

Separator
The separator or data element separator is used to separate fields (data elements) within a segment. The character to be used as separator is the asterisk (*).

Taxpayer Identification
The Taxpayer identification data element contains the 9 digits Federal Identification Number (FEIN).

Tax Period End Date
The tax period end date is used to provide the necessary information to identify what time period the payment covers. The tax due date is information that can be derived from knowing what period is covered by the payment.

Tax Type Code
Use "ILUI" to identify Unemployment Insurance Contributions.

Taxpayer Verification
The taxpayer verification field is an optional field that may be used by the originator.

# # # #

Sequence of Records for CCD Entries

ENTRY DETAIL RECORD

DATA ELEMENT NAME	RECORD TYPE CODE	TRANSACTION CODE	RECEIVING DFI IDENTIFICATION	CHECK DIGIT	DFI ACCOUNT NUMBER	AMOUNT	INDIVIDUAL IDENTIFICATION NUMBER	INDIVIDUAL NAME	DISCRETIONARY DATA	ADDENDA RECORD INDICATOR	TRACE NUMBER
Field Inclusion Requirement	M	M	M	M	R	M	M	R	O	M	M
Contents	`6'	22	07110933	8	038954	$$$$$cc	ILUI 2 ACCT. NUMBER spaces	Company's Name	Alphameric	1	3 Numeric
Length	1	2	8	1	17	10	15	22	2	1	15
Position	01-01	02-03	04-11	12-12	13-29	30-39	40-54	55-76	77-78	79-79	80-94

ADDENDA RECORD

DATA ELEMENT NAME	RECORD TYPE CODE	ADDENDA TYPE CODE	FREE FORM	SPECIAL ADDENDA SEQUENCE NUMBER	CHECK DIGIT
Field Inclusion Requirement	M	M	M	M	M
Contents	`7'	`05'	See Attached 4 TXP Convention	Numeric	Numeric
Length	1	2	80	4	7
Position	01-01	02-03	04-83	84-87	88-94

2) The information contained in this field may be determined by the originator (corporation).

3) The information contained in this field my be determined by the receiver.
4) This field carries the remittance information in the TXP format.