Tigers IAT Development - Thursday, August 20 1pm Eastern

The webinar started with Terry Garber's explanation of the need for the IAT schema and how each state will need to include their due diligence statements for their tax returns and industry will also need to include it within their applications.

At the TIGERS meeting in Boise, the group created a generic due diligence statement after a variety of iterations. The final statement is:
"In order to comply with new banking rules, please answer the following question: will the funds for this payment come from (this refund go to) an account outside the US?"

Additionally, Terry advised that states can get additional information on IAT on the FTA website at www.taxadmin.org. It is also important that states obtain the "IAT Survival Guide" publication from NACHA

Roll call was taken by the secretary and noted that the following states, city and industry along with the IRS were present on the call:
Alabama, New Jersey, Montana, Arkansas, Pennsylvania, Florida, Nebraska, Idaho, North Carolina, Iowa, New York , Mississippi, Kansas, Oklahoma, Ohio, Oregon, West Virginia, Missouri, Vermont, Utah, Connecticut, Virginia, Minnesota, New Mexico, Tennessee, Maryland, Illinois

New York City

Intuit, CCH, ADP, Paychex, PrimePay and CorpTax

Terry further explained that the goal for today's meeting is to build the FT structure that accommodates the IAT requirements. Terry presented several "straw-man" schemas from a variety of resources such as Scott Mueller (WI), Penny Berman (MD) and Michael McConkie (UT) which were available on the statemef website prior to the webinar.

TIGERS thanks them for the extra efforts they went through to provide us with the starting points for the development to meet the IAT requirements.

Scott's schema provides the IAT elements derived from the NACHA requirements, regardless of their placement in the FinancialTransaction schema. Scott questioned the IAT data fields, and which structures states actually want and need. In Scott's schema a separate Foreign Currency Type which allows for states that are only sending domestic RTNS to select the domestic currency type. Scott felt that this complex could be omitted for state tax transactions that are domestic currency only.
.
With Scott's schema the Payment detail element includes destination country, company Entry Description...this is the one that actually moves the money. Most important in this type is Transaction Type Code, since an IAT can operate either as a debit or as a credit.

Several questions/comments were pointed out in Scott's schema. They are:

- The schema does not handle the issue of whether or not the transaction is an IAT in the first place.

- Is the destination country enumerated? There is a countrycode which provides for enumerations in both the originator and originatingDFI

An action item is to determine what countrycodes list is used by NACHA. And, to determine if they the ISO codes.

Within Scott's schema the Originator - is the originating entity (taxpayer or state) not the bank. In the event of a refund deposit, it was also noted that the only elements states need is the receiver information. The taxpayer only gives us "their" info and the State plug-in the state information

Terry reviewed the existing FT schema in order to determine where to put the IAT. There are several methods in which to include the IAT with developing all the mandatory information. The final placement was not decided during this meeting

Mike McConkie of Utah provided a review of the two schemas he developed in order to adapt the IAT. In the FT2.xsd Mike provided choice gates at each element - StatePayment--RefundDirectDeposit--ACHCreditInfo---EstimatedPayments. It was noted the 7 addenda record needs to be included in the IAT branch of the ACHCreditInfo.

Mike's FT3.xsd is more complicated as it makes many of the elements optional which would need to be added to StatePayment, RefundDirectDeposit and etc and leaves it open to missing required IAT information or the need for business rules to enforce the mandatory elements. However, the advantage of this version is that is backward compatible by choosing the building blocks with the optional elements.

Penny's version provides for an extension of the StatePayment and RefundDirectDeposit. Using a choice between a checkbox jurat statement and the IAT data fields, it allows for restrictions of the IAT data by states not supporting the IAT. It is still not backward compatible with the current FT as it requires at minimum the jurat statement that this is not an IAT transaction..

The review of the three options resulted in the following

- OR agreed with Penny's option, but it appears that a state that is not developing IAT this might be complicated.
- Faye suggested that we develop some realistic scenarios to see how each schema works in real-time.
- It was noted that two schemas do not support a split refund—one domestic and one IAT.

Terry suggested that since this is such a complicated issue, it is necessary that we don't rush into a determination. The following action items will be completed prior to the next webinar ---to be announced--- in order to discuss and vote on the schemas:

- Terry will post all the schema versions on statemef
- Create use cases so that we can review how each schema performs in each scenario and have a follow up to this webinar. Faye Shea of Intuit agreed to compile the cases. States/Industries should send them to Terry and to faye_shea@intuit.com.
- Determine how to restrict countries when the state's bank requires such restrictions.
- An action item is to determine what countrycodes list is used by NACHA, and to determine whether the countrycodes are ISO codes.