**Proposed Segment “Third Party Payment” or “TPP”**

State revenue agencies process large numbers (between 15,000 and 20,000 a month for a medium-sized state) paper check payments being remitted by third party payers (employers, payroll service companies, financial institutions, etc.) on behalf of delinquent taxpayers. The paper check process presents considerable paperwork burden on the remitters to create the checks and for the states to deposit and post the payments efficiently and accurately.

State revenue agencies have begun looking for ways to move the payments to ACH by comparing among themselves and the large payroll service bureaus how tax garnishments are remitted in other similar situations. The revenue agencies have also began discussions with the banking community on automating both the notification and payment processes associated with bank levies. While the IRS and several states support an XML format for allocating garnishments, many payroll companies and large employers have no capacity or desire to support this format. Other states faced similar constraints.

Employers and the payroll companies typically can support single addenda CCD+ for both the tax TXP and child support DED addenda formats since they must remit wage withholding payments and federally mandated electronic child support. Using the TXP addenda record for third party payments is not sufficient, because it only has one identification field, which is not adequate to identify both the party who was making the payment and the taxpayer’s account on whose behalf the payment is being made. The DED format has more reference ID fields available, so a single addenda record can reference both the party originating the payment and provide multiple identification fields for the taxpayer. This last piece is critical to validate that payments post to the correct taxpayer’s account. The consensus among states, however, is that the DED format should not be used for general third party payments due to a variety of Federal regulations and reporting relating to child support payments. The decision, therefore, is to develop a third party tax payment record. X12G/TG2 has created a draft “TPP” segment for subsequent review.

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| **Ref** | **Element ID** | **Data Element Description** | **Attributes** | | | |
| 01 | 1049 | Tax Payment Type Code | M | | ID | 1/5 |
| 02 | 127 | Reference ID | M | | AN | 1/80 |
| 03 | 373 | Date | M | | DT | 8/8 |
| 04 | 1051 | Tax Amount | M | | N2 | 1/10 |
| 05 | 127 | Reference ID | M | | AN | 1/80 |
| 06 | 93 | Name | M | | AN | 1/60 |
| 07 | 127 | Reference ID | O | | AN | 1/80 |
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**Semantic Notes:**

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| 01 | TPP01 is the state assigned tax type, based on tax type code table maintained by the Federation of Tax Administrators, code source 153. |  |
| 02 | TPP02 is the identification or registration number of the third party originating the payment. |  |
| 03 | TPP03 is a date applicable to this payment, such as a payroll date, account debit date, or tax period end date. |  |
| 04 | TPP04 is the amount of the payment |  |
| 05 | TPP05 is the identification number of the taxpayer on whose behalf the payment is being made |  |
| 06  07 | TPP06 is the name of the taxpayer on whose behalf the payment is being made.  TPP07 is an optional second identification number for the taxpayer on whose behalf the payment is being made, such as a case number. |  |