Same Day ACH: Your Solution to Due-Date Tax Payments
As of September 23, 2016, Same Day ACH can be an option for your taxpayers. While federal taxes will not be eligible for same-day payments yet, state tax agencies can take advantage of this new payments solution. Financial institutions around the country will be able to receive Same Day ACH files, and many banks and credit unions will offer Same Day ACH origination services, allowing ACH credit payments to be made and settled on a single business day.

Defining Same Day ACH

So now you’re asking, “What is Same Day ACH exactly?”

Same Day ACH builds upon existing ACH Network capabilities and establishes a new option for same-day clearing and settlement. This means that an ACH payment can be made and settled within a single business day.

Same Day ACH is rolling out in three phases.

1. The first phase went live on September 23, meaning that nearly all ACH credit transactions are eligible for same day processing, supporting your customers that want or need to send same-day tax payments.

2. In Phase 2, effective in September 2017, Same Day ACH debits will be added, allowing for same-day tax payments authorized via an ACH debit.

3. Coming in March 2018, Phase 3 introduces faster funds availability requirements; funds from Same Day ACH credit transactions must be available by 5 p.m. of the receiving bank’s local time.

Impact on State Tax Payment Operations

So what does this mean for you and your taxpayer? Easy answer: new same-day payment options.

When I worked at a state revenue department, I witnessed first-hand the issues that arose with due-date electronic payments. If an error occurred or a customer forgot a payment, we defaulted to a wire payment; however, wires created new complications. For example, we never knew when wired money would be in the account, and for business tax payments, it could be a substantial sum.
I predict that once tax agencies incorporate Same Day ACH into their offerings, we will see it used very regularly, because it solves major headaches for both the taxpayer and the tax agency.

Our office also struggled with the outliers paying with checks. My state, like many others, mandated electronic payments over a certain dollar threshold; however, a large number of paper checks still cycled through our offices. The top 20 percent of payments accounted for 60 to 70 percent of the total dollar value paid, but 80 percent of our payments reflected a smaller dollar amount. This meant that while we collected the majority of tax dollars electronically, the bulk of the manual processing centered on the smaller dollar amounts paid via check.

Why, when electronic payment is so readily available, are there still so many check-writers? It comes down to one key point: the desire to hang on to money until the last possible second. Small-to-mid-sized businesses want to pay via check because it buys them more time with their money. “Float” has long been a driver of rationale behind check writing.

Now, with Same Day ACH as a tool in your toolbox, you have a more efficient solution to address due-date and check payments. Customers can decide to initiate a payment the morning it’s due, and it will be credited that day. I predict that once tax agencies incorporate Same Day ACH into their offerings, we will see it used very regularly, because it solves major headaches for both the taxpayer and the tax agency.

Key Points of Consideration
Same Day ACH creates a good option for your organization, but you should consider a few key points as you look at how you want to integrate this new payment offering.

First, there is a limit of $25,000 for individual Same Day ACH payments. For large business tax payments, that means Same Day ACH is not an option. You will need to consider how you communicate to your tax payers about their payment options and limits.

Also, you should explore how the value-added service of Same Day ACH fits into your broader payments strategy. Consider your organization’s primary objective for offering Same Day ACH. Do you want to leverage it to drive greater electronic payment adoption, or use it primarily to allow tax payers to avoid penalties and interest for missed due dates or late payments?

Finally, look at Same Day ACH implementation from an operational standpoint in two key ways:

1. Applying the payment. Confirm that you can accurately apply the same-day payment to the tax-payer’s account as of the payment date. You may need to employ changes to comply with this standard, but doing this now will ensure its efficient use.

2. Cut-off times. You will have limitations on the timeframe to submit a Same Day ACH file to your financial institution when collecting payments via Same Day ACH debit. You should check with your bank or credit union on the cut-off for same-day payments, and ensure that your customer-facing information reflects that timing. Regardless of how you choose to implement this new payment option, Same Day ACH creates opportunities for due-date payments, and that is something your customers will appreciate.
Getting Started with Same Day ACH
This change ushers in a new way to move payments faster, and implementing Same Day ACH allows you to meet growing customer demands. Talk to your financial institution about its Same Day ACH services and how they can benefit your suite of payment options. Your financial institution will be your partner in exploring ways to better support your payments program.

For state tax agencies, Same Day ACH offers:

1. **An ACH credit payment option on the due date.** For customers who want to make a credit payment because they want to keep their account information confidential, having Same Day ACH means that they can make that payment on the day it is due, simplifying the process for them.

2. **An alternative to payment warehousing.** If you do not offer warehousing, or a way for your customers to set a debit payment date in advance of its due date, Same Day ACH gives you a new option for due-date payments.

3. **A solution for emergency late payments.** When a customer needs a way to make up for a payment mistake or a forgotten due date, you no longer have to default to a wire. Same Day ACH provides a solution that will get the payment made, maintaining the full transparency of an ACH payment.

4. **A way to move to business customers to electronic payments.** This is your opportunity to convert check payments to electronic ones. Many mid-size-to-small businesses still write checks to give themselves the “float,” or extra time to hold onto their money, but they have no way to know when that money will clear the account. With Same Day ACH, you are providing them with an electronic option that enables that due-date payment—and control over when the money moves.

For me, Same Day ACH means efficient due-date payments no longer exist only in a dream world. We’re in a reality where due-date tax payments run efficiently and smoothly. And that’s a picture worth framing.

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Visit NACHA.org/same-day-ach for more information.