



Third-Party Tax Payments (TPP) Banking Convention

Standardized Formatting for Remittance Information
in Third-Party Tax Payment Addenda Record

7/29/2013

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Third-Party Tax Payments Banking Convention

I. Purpose & Scope

The Third-Party Tax Payments (TPP) Banking Convention contains the format, definitions and implementation suggestions for payments made by a third-party to a state and Federal taxing agency on behalf of a consumer taxpayer. In order for state taxing authorities to properly post and account for these payments, there is a need to identify both the third-party payer as well as the taxpayer on whose behalf the payment is being made. Examples of third-party tax payments are: 1) employee tax withholdings remitted by payroll service providers on behalf of employers, and 2) payments from employers in response to tax agency orders to garnish employee wages for tax liability.

The Federation of Tax Administrators (FTA), on behalf of their members, has asked that NACHA implement a banking convention that would allow third parties (e.g., payroll companies, financial institutions, employers) to standardize ACH payment remittance information to state revenue authorities on behalf of consumers who are subject to wage garnishment due to state tax delinquency.

Applications for the TPP include:

- payroll service providers making quarterly employment tax payments on behalf of employees;
- income withholding payments made by pass-through entities on behalf of nonresident partners;
- consumer taxpayer wage garnishments; and
- other consumer taxpayer levies.

II. Background

State revenue authorities are required to diligently pursue delinquent tax payers. The increasing volume of garnishment actions from delinquent tax payers is creating an increased volume of check payments to state revenue authorities. Processing of the paper checks is creating a paperwork burden as the garnishments currently cannot be collected electronically and require manual processing and deposit.

The current tax payment banking convention – TXP – is designed for businesses making tax payments to state taxing authorities and does not adequately identify both the third-party payer as well as the consumer taxpayer. The revenue authorities need this information to accurately apply credits to taxpayer accounts and research any payment errors or posting problems. The TXP convention was developed for other specific purposes (namely, business tax payments), and was not necessarily intended to support third-party tax payments for garnished employee wages or other types of tax payments made by an entity other than the consumer taxpayer. NACHA developed the TPP to address these needs through a standardized transaction.

Lacking an industry standard for carrying necessary remittance information in an ACH credit payment, employers and other third party payers have resorted to writing checks to state taxing authorities, or to developing one-off electronic implementations where the remittance flows outside the ACH Network which requires the re-association of the payment and remittance. Without a standard, solutions developed and implemented by states individually would lead to payers having to track and use such solutions on a state-by-state basis. A standardized ACH process across all payers and all states will help employers and states reduce costs by replacing costly manual check payments, with electronic ACH payments and remittance information.

III. NACHA RECORD FORMATS

The *NACHA Operating Rules and Guidelines* govern the formats, specifications and exchange of ACH entries. NACHA is also responsible for developing and maintaining NACHA endorsed banking conventions. With respect to the data that are contained in the Addenda Records of ACH formats, the *NACHA Operating Rules* stipulate the type of data that may be exchanged as well as which standards and formats are permitted, but the structure of the data contents is managed outside of the *NACHA Rules*.

For example, the *NACHA Operating Rules* permit the exchange of NACHA-endorsed banking conventions within the Addenda Record of the CCD+ format. Also, the Rules permit the exchange of certain EDI messages or transaction sets (e.g., 820 Payment Order/Remittance Advice) within the Addenda Records of the CTX format and X12 syntax-based data segments within the Addenda Records of the CCD and PPD formats, but those standards are developed and maintained by other standards development organizations, such as ASC X12 and UN/EDIFACT.

The following record formats are used to convey entries through the ACH Network:

- File Header Record
- Company/Batch Header Record
- Entry Detail Record
- Addenda Record
- Company/Batch Control Record
- File Control Record

An ACH file is enveloped by one File Header Record and one File Control Record, which serve to facilitate transmission, identification and balancing of the file. A file may be comprised of one or more batches, which are denoted by the Company/Batch Header Record and Company/Batch Control Record. These records carry information specific to all of the Entry Detail Records contained within that batch. A batch may contain one or more Entry Detail Records that share certain aspects as explained in the *NACHA Operating Rules*. The Entry Detail Record is the record that constitutes the payment order and is used within the banking system to execute EFT and settlement. An Addenda Record is used to supply additional information related to the payment issued in the Entry Detail Record. Each Addenda Record includes an 80 position Payment Related Information Field within which this remittance detail is transmitted.

The CCD and CTX payment formats are used within the ACH Network to conduct the transfer of funds between business or government entities. To transmit data with payments, Addenda Records are used

in conjunction with the payment formats. Under the *NACHA Operating Rules*, a CCD format may be accompanied by only one Addenda Record, which may carry X12 data segments or elements or NACHA-endorsed banking conventions. A CCD entry accompanied by an Addenda Record is commonly referred to as a CCD+. The CTX format allows for the provision of 9,999 Addenda Records, which may be used to carry certain X12 transaction sets or UN/EDIFACT messages in their entirety.

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

File Header Record

 Company/Batch Header Record

 Entry Detail Record

 Addenda Record (1 addenda with 80 byte Payment Related Information Field)

 Entry Detail Record

 Addenda Record (1 addenda with 80 byte Payment Related Information Field)

 Entry Detail Record

 Addenda Record (1 addenda with 80 byte Payment Related Information Field)

 Entry Detail Record

 Addenda Record (1 addenda with 80 byte Payment Related Information Field)

 Company/Batch Control Record

File Control Record

Following are the layouts for the NACHA Entry Detail and Addenda Records used with the CCD format. To obtain a full explanation of the rules, specifications and formats for the ACH Network, refer to the *NACHA Operating Rules*.

CCD ENTRY DETAIL RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME	RECORD TYPE CODE	TRANSACTION CODE	RECEIVING DFI IDENTIFICATION	CHECK DIGIT	DFI ACCOUNT NUMBER	AMOUNT	IDENTIFICATION NUMBER	RECEIVING COMPANY NAME	DISCRETIONARY DATA	ADDENDA RECORD INDICATOR	TRACE NUMBER
<i>Field Inclusion Requirement</i>	M	M	M	M	R	M	O	R	O	M	M
<i>Contents</i>	'6'	Numeric	TTTTAAA	Numeric	Alphameric	\$\$\$\$\$\$c¢	Alphameric	Alphameric	Alphameric	Numeric	Numeric
<i>Length</i>	1	2	8	1	17	10	15	22	2	1	15
<i>Position</i>	01-01	02-03	04-11	12-12	13-29	30-39	40-54	55-76	77-78	79-79	80-94

CCD ADDENDA RECORD

FIELD	1	2	3	4	5
DATA ELEMENT NAME	RECORD TYPE CODE	ADDENDA TYPE CODE	PAYMENT RELATED INFORMATION	ADDENDA SEQUENCE NUMBER	ENTRY DETAIL SEQUENCE NUMBER
<i>Field Inclusion Requirement</i>	M	M	O	M	M
<i>Contents</i>	'7'	'05'	Alphameric	Numeric	Numeric
<i>Length</i>	1	2	80	4	7
<i>Position</i>	01-01	02-03	04-83	84-87	88-94

III. Third-Party Tax Payments (TPP) Banking Convention Specifications

Data formatted in compliance with the Third-Party Payment (TPP) Banking Convention is conveyed in the 80 position Payment Related Information Field of the single Addenda Records comprising the CCD format. This convention is referred to as the Third-Party Tax Payments (TPP) Data Segment under ASC X12 syntax and is composed of the following fields or data elements:

- Segment Identifier
- Tax Payment Type Code
- Reference ID
- Date
- Amount
- Reference ID
- Name
- Reference ID

Each of these fields is referred to as a data element, which is the smallest named item in a record. In some cases, a data element is referred to by two names. One may be its official, generic name assigned

under X12 standards and the second may be a commonly used reference given by practitioners for implementation purposes. A data element can represent a qualifier, a value, or text. A data element has three primary attributes—length, field requirement, and type.

Each data element is identified by an element identifier used for reference (e.g., TPP01 – Tax Payment Type Code, TPP02 – Reference ID, etc.) and each element has a specific position within the record (segment). In constructing the convention or segment, each data element (except for the first) is preceded by the separator character and the last data element is immediately followed by a terminator to indicate the end of the data segment. In the ACH Network, banking conventions employ an asterisk (*) as the data element separator and a backslash (\) as the terminator. A data segment or convention always begins with the Segment Identifier (e.g., TPP).

NOTE: Effective September 20, 2013, the tilde (“~”) will be added as a valid data segment terminator, in addition to the backslash (“\”), for all NACHA endorsed banking conventions.

The following examples are provided to illustrate the implementation of the Third Party Payment (TPP) Banking Convention. Refer to the Federation of Tax Administrators and Internal Revenue Service for tax code values for state and Federal tax payments, respectively.

1. State Implementation Using All Data Elements for a Garnishment Payment

TPP*208*123456789*20121130*10000*1122*SMITH JOHN*AB123456

- Tax Payment Type Code 208 (Garnishment Payment Tax Type Assigned by State)
- Third Party Payer Identification Number 123456789 (Employer FEIN)
- (Payroll Date) Date November 30, 2012
- Payment Amount \$1000.00
- Taxpayer Identification Number 1122 (Last 4 Digits of SSN)
- Taxpayer Name SMITH JOHN
- Delinquency Case Number AB123456

2. State Implementation Using One Reference ID For A Wage Withholding Payment

TPP*011*1234567891*20121231*10000*98765432*ABC INC

- Tax Payment Type Code 011 (Wage Withholding Tax)
- Third Party Payer Identification Number 1234567891 (Tax Preparer State Registration Number)
- (Tax Period End) Date December 31, 2012
- Tax Amount \$1000.00
- Taxpayer Identification Number 98765432 (State Account Number)
- Taxpayer Name ABC INC

Following are the Third-Party Tax Payment (TPP) Banking Convention implementation specifications for state tax payments using the CCD SEC code. As indicated previously, the CCD conveys a single Addenda Record consisting of an 80 position field within which payment related information is mapped.

According to EDI standards, a data element has a minimum and maximum length, within which boundaries the data must comply. Certain data elements may have a logical size from which the data content cannot deviate. Users of the standards (e.g., taxing authorities) adopt them in accordance with the syntax rules, but have the ability to implement them to meet their business needs (e.g., tax payment processing). The data element minimum and maximum lengths as published herein reflect the size as implemented by these taxing authorities, which comply within the ranges as established by ASC X12 standards.

TPP FORMAT

Data Element Reference Designator	Name	Content	Attributes		
			1	2	3
	Segment Identifier	TPP	M	ID	3/3
TPP01	Tax Payment Type Code	3-5 digit Tax Type	M	AN	3/5
TPP02	Reference ID	Third Party Payer	M	AN	1/10
TPP03	Date	YYYYMMDD	M	DT	8/8
TPP04	Amount	\$\$\$\$\$\$CC	M	N2	1/10
TPP05	Reference ID	Taxpayer SSN, last 4 of SSN or other state ID	M	AN	1/9
TPP06	Name	Taxpayer Name	M	AN	1/13
TPP07	Reference ID	Secondary ID	O	AN	1/14

The column headings used on the charts are as follows:

Data Element Reference Designator & Name - identifies the data element

Content - defines the data element

Attributes - are defined as follows:

- Field Requirement - The first column of the attributes is the field requirement for that data element. An **'M'** denotes a mandatory element, an **'O'** denotes an optional element, and a **'C'** denotes a conditional element – one for which the use is dependent on the presence of another immediately preceding element.
- Data Type - The second column of the attributes specifies the field data type.
- **'AN'** denotes a string type data element. Contents of string data elements are a sequence of letters, digits, spaces and/or special characters (with the exception of the asterisk and backslash). The contents must be left-justified. Trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.
- **'DT'** denotes a date type data element. Format for the date is YYYYMMDD. YYYY is the digits of the year, MM is the numeric value of the month (1-12), and DD is the numeric value of the day (1-31).
- **'ID'** denotes an identifier data element from a pre-defined list of values (i.e, TPP).
- **'N2'** denotes a numeric type data element with two decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. For example, the amount \$5000.00 would appear as *500000*. It is intended that this number will always be positive for the Third Party Tax Payment (TPP) Banking Convention when used in conjunction with an ACH credit.

- Length - The third column of the attributes signifies the minimum/maximum use of an element. This specifies the minimum and maximum length of a particular field. For example, 1/6 indicates that this data element must be at least one character, but not more than six.

DATA ELEMENT CONTENT DEFINITIONS

TPP01	Tax Payment Type Code	State assigned tax type, recommended using the same code as the state use for TXP payments. The FTA has drafted a master code table to facilitate consistency and sharing among the states.
TPP02	Reference ID	Identifies the third party that originated the payment. The third party's identification or registration number as assigned by the state taxing authority.
TPP03	Date	Date applicable to this payment, may be a payroll date (for wage garnishments) an account debit date (for financial institution garnishments) or a tax period end date.
TPP04	Amount	Amount of payment, should match the ACH Detail Record (6 record) amount. The amount field must always contain cents (cc). Decimal points are not included. The last two digits will be read as the "cents".
TPP05	Reference ID	Identification number of the taxpayer on whose behalf payment is being made. Recommended using the last 4 of the SSN or the FEIN.
TPP06	Name	First 13 characters of the taxpayer's name on whose behalf payment is being made. This is for visual reference, recommended using the first 13 characters of the last name then first name or the first 13 characters of an organization's name.
TPP07	Reference ID	Optional second identification number of the taxpayer on whose behalf payment is being made, such as a state assigned account number or a case reference number. This number, along with TPP05, provides two separate reference numbers to positively identify the entity receiving credit for the payment.

IV. Resources

The following are links to organizations that can provide additional information on Third-Party Tax Payments:

NACHA, The Electronic Payments Association, www.nacha.org
 Data Interchange Standards Association, Inc. (DISA), www.disa.org
 Federation of Tax Administrators (FTA), <http://www.taxadmin.org/>