2016 FTA Technology Conference and Exhibition

New York's Approach to Electronic Tax Collections and the Millennials

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Goals and Objectives

- A taxpayer-friendly, electronic payment solution with a single contractor accessible on multiple devices

- Support ACH Debit, ACH Credit, Fed Wire, and Credit Card Payments

- 22 tax programs, including five high-value PrompTax programs

- Support 10.4 million annual electronic payments totaling $84.6 billion in annual revenue
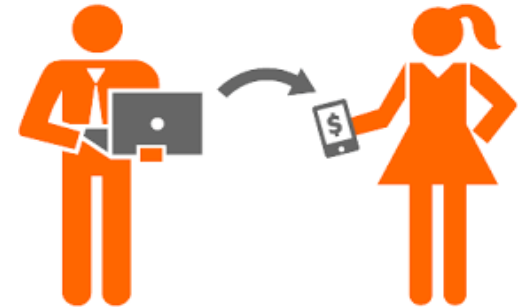
Goals and Objectives

- All electronic payment processing and taxpayer services (e.g., help desk, interactive voice response, taxpayer view, and payment cancellation) and data transmission

- Integration with the Tax Department's secure Online Services and legacy systems

- Real time and batch processes

- Future expansion to additional tax programs and customers

Project Timeline

Overlapping implementation approach because multiple tax programs were affected:

- accommodated various tax programs and payment methods; and
- allowed for design, coding, and testing to occur simultaneously for different tax applications.

Dates	Activity
January 2014 – August 2014	Joint design sessions to gather requirements and make design decisions
February 2014 – November 2015	Design documentation and coding
December 2014 – December 2015	Customer acceptance testing
June 2015 – January 2016	Phased production implementation

Project Timeline

Joint design sessions
January 2014 to August 2014

Design documentation and coding
February 2014 to November 2015

Customer acceptance testing
December 2014 to December 2015

Implementation
June 2015 to January 2016

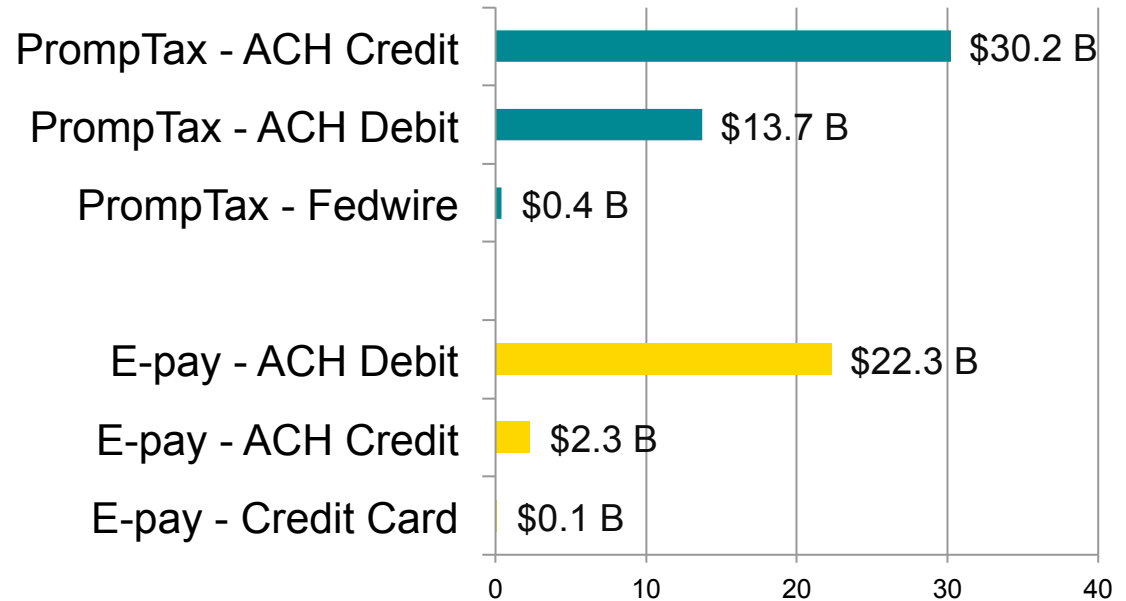January 2014 ——————— January 2015 ——————— January 2016

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Electronic Payments

Payments from implementation through June 2016 ($69 billion total)

PrompTax payments
$44.3 billion
(from October 2015)

E-pay payments
$24.7 billion
(Phased in from June 2015 through January 2016)

PrompTax - ACH Credit	$30.2 B
PrompTax - ACH Debit	$13.7 B
PrompTax - Fedwire	$0.4 B
E-pay - ACH Debit	$22.3 B
E-pay - ACH Credit	$2.3 B
E-pay - Credit Card	$0.1 B

0   10   20   30   40

NEW YORK STATE | Department of Taxation and Finance

Taxpayer Experience

- Responsive to all devices

- Single sign on with authentication through the Tax Department's secure Online Services

- Seamless navigation to the vendor site created by evoking a web service leveraging Security Assertion Markup Language (SAML) technology to transmit taxpayer-specific information to complete the payment transaction

- Consistent design that mirrors the Tax Department's website

- Ease of use, secure, and 100% electronic, debit or credit payment

New York's Experience

- Positioned for the millennials immersed in the mobile e-world

- More than 100 data exchanges using one common record layout

- Consolidated services decreased contractor dependency by:

  - streamlining credit card process (from 4 contractors to 1)

  - storing all credit card information on one contractor's site

  - making contractor subject to Payment Card Industry (PCI) compliance and data security regulations; and

  - insourcing enrollment application.

- Ability to expand credit cards to additional tax programs

Communication Efforts

- Targeted taxpayer outreach – ACH Credit / Debit Changes
  - 1.5 million taxpayer notices (one million electronic and 500,000 paper)
  - Manual outreach to taxpayers and payroll service providers after implementation on 65,000 misdirected payments
- Form instructions and publications
- 30 public web pages
- Online informational messages
- Staff training tutorials
- 43 staff e-News messages

Post-Implementation Experience

- January – June 2016 successfully processed:

  - 6.3 million transactions; and

  - $46.4 billion in revenue

- Transitioned from a large project staff to now a small number of subject matter experts for systems monitoring and issue resolution

- Minimal number of help desk tickets

- Weekly and monthly meetings

Electronic Payment Tax Programs

PromptTax Programs	
Withholding	Metropolitan Commuter Transportation Mobility Tax (MCTMT)
Sales Tax	
Prepaid Sales Tax for Motor Fuel	Petroleum Business Tax
Batch Tax Programs	
Assessments Receivable	Highway Use Truck Mileage Tax
Corporation Tax	Highway Use Registrations and Renewals
Cigarette Tax	MCTMT
Beverage Container Tax	Unemployment Insurance
Tax Preparer Registration Fee	Withholding
Personal Income Tax	International Fuel Tax Agreement Fuel Tax
Waste Tire	International Fuel Tax Agreement Renewal
Taxicab	Petroleum Business Tax
Sales Tax	

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NYS Tax on Social Media

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NYSTaxDepartment

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The Millennials are coming?

1981 - 2005

80 million

34

2020

46%
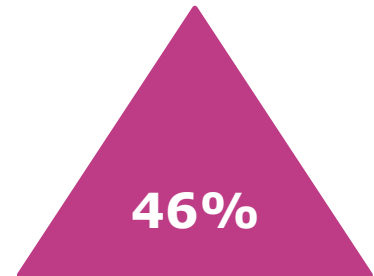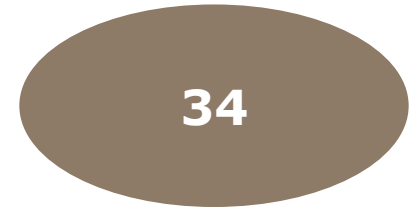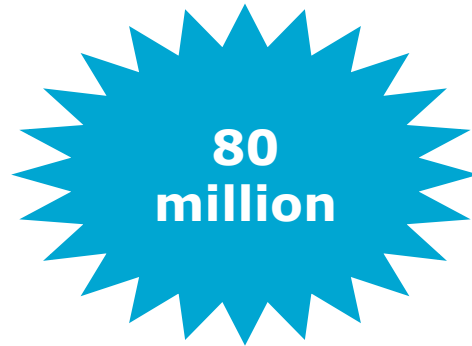
Source: First Data Corporation, There's No Slowing Down Millennials, A First Data White Paper (2015)

Emerging no more...

U.S. Labor Force by Generation, 1995-2015

In Millions
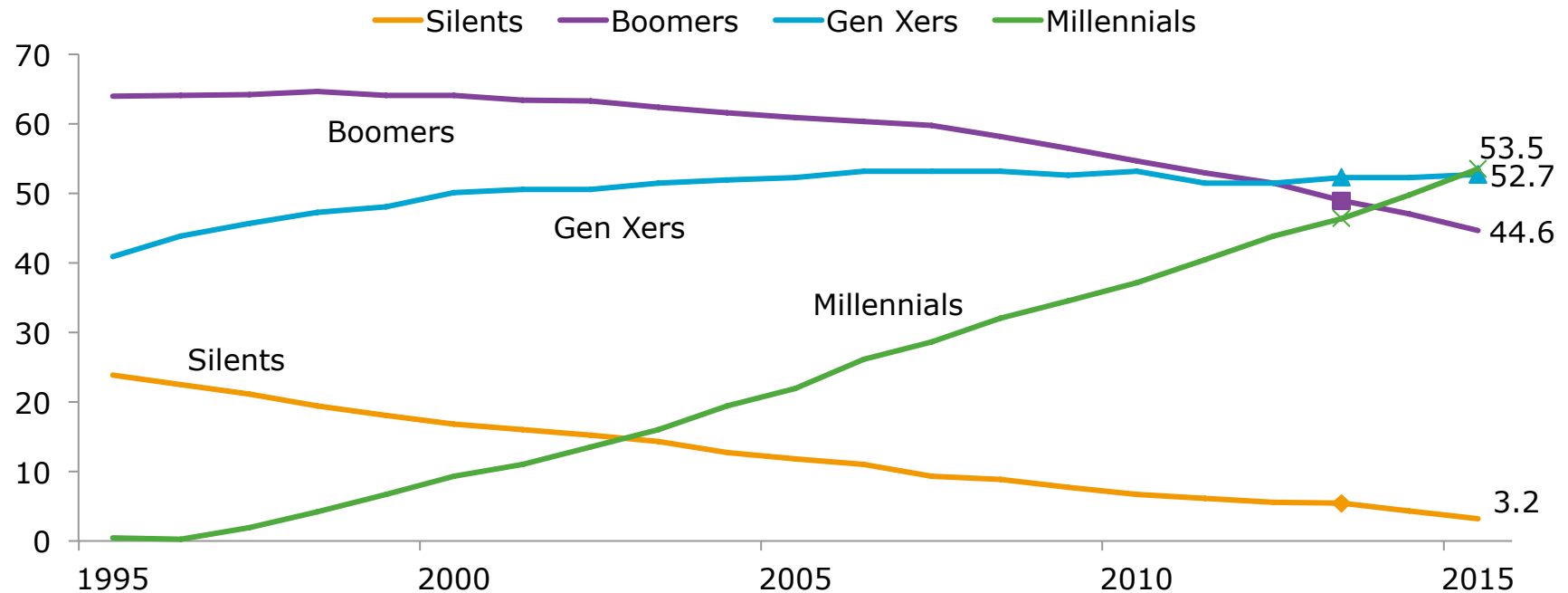
Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent Generation is overestimated from 2008-2015.

Source: Pew Research Center

Millennial Payment Practices

21% have never written a check to pay a bill[1]

91% have at least one debit card[2]

62% are comfortable connecting payment info to a retailer or service app they use often[3]

1. "There's no slowing down millennials, A First Data White Paper," First Data Corporation, 2015.
2. Steven Anderson, "Are Millennials Not Interested in Mobile Payments?" Payment Week, July 15, 2015.
3. "The Future of Payments and Currency," JWT, October 2014.

Millennials and Mobile

Smartphones are Millennials' money

55% of mobile payments are made by Millennials[4]

41% have made purchases with a smartphone[5]

44% would rather use a smartphone than cash to pay for small items[6]

23% use smartphones to pay at a merchant location at least weekly[7]
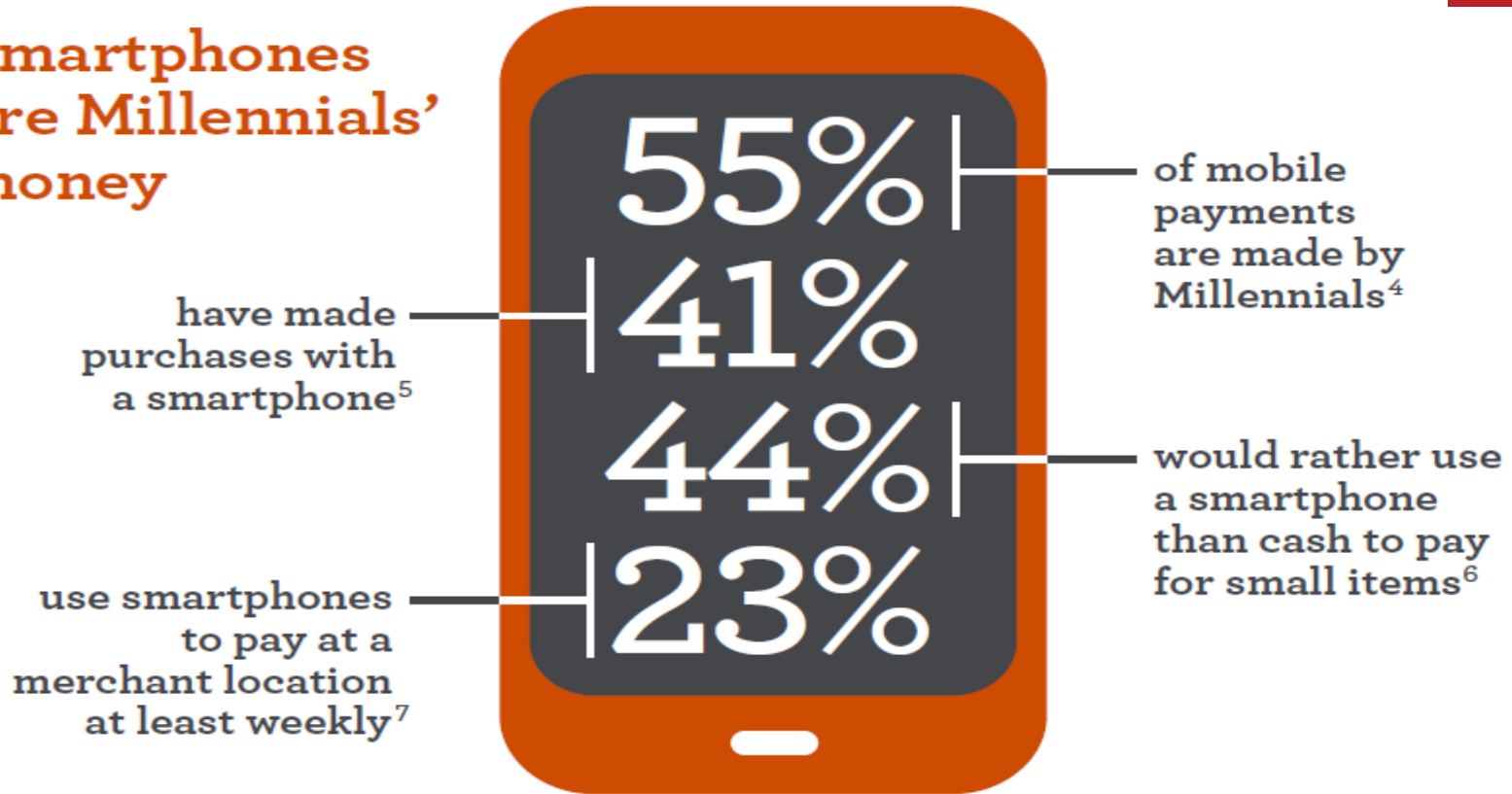
4. "The Modern Wallet: Mobile Payments Are Making Life Easier,"Nielsen's Mobile Wallet Report, July 10, 2014.
5. Cleveland Brown Payscout, "Millennials Lead The Charge On Mobile Payment Adoption," Payments Journal, April 5, 2016.
6. "The Future of Payments and Currency," JWT, October 2014.
7. "2015 North America Consumer Digital Payments Survey," Accenture

Mobile is Setting the Stage for App Usage - significant room for mobile uptake & adoption

The global mobile subscriber base increased by ~5% in 2014

Unique mobile subscribers globally [1]

Penetration now at HALFWAY point[1]

By 2020, around three-fifths of the global population will have a mobile subscription
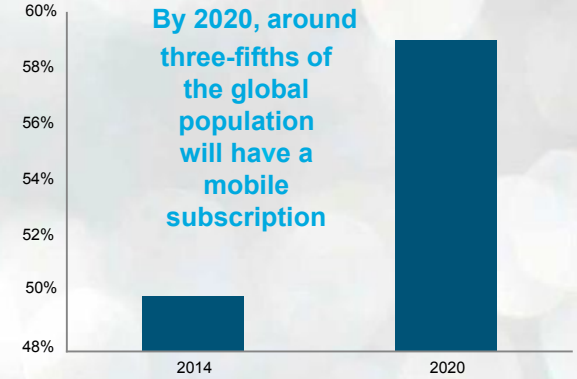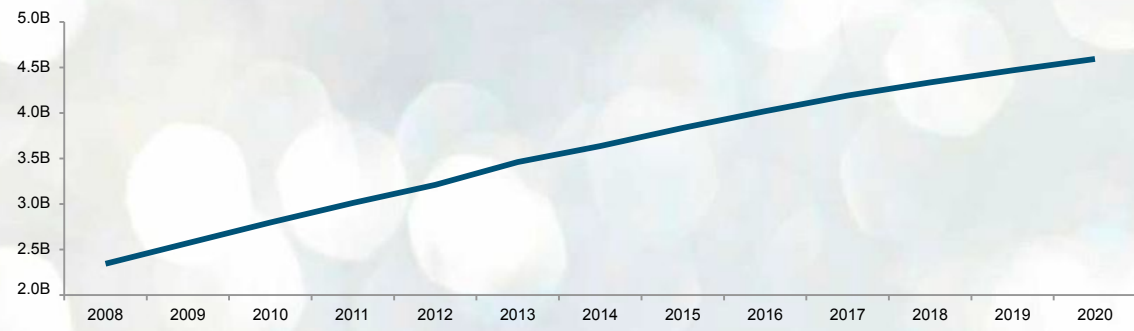
Mobile devices leading the way to spend time online

Hours per day per adult user with digital media, USA [2]

12% of total

51% of total

■ Other connected devices ■ Desktop/Laptop ■ Mobile
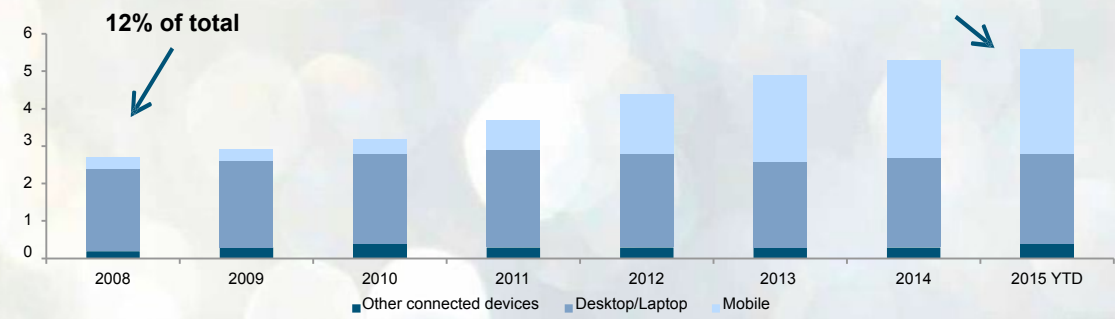
Mobile data traffic will explode

Petabytes per month [1]

Data traffic is forecasted to grow at a 57% CAGR to 2019

Source: 1) The Mobile Economy, GSMA, March 2015,   2) "Internet Trends 2015 – Code Conference", KPCB, May 27, 2015.

First Data.
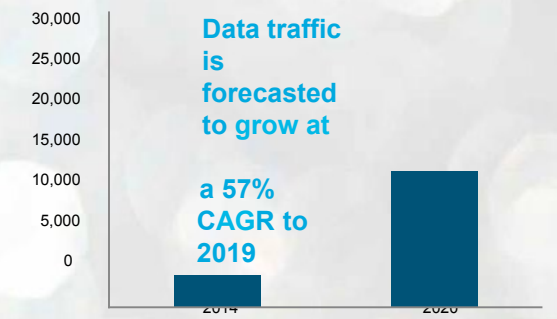
Mobile (continued)
Ample potential as mobile remains a small slice of the commerce pie
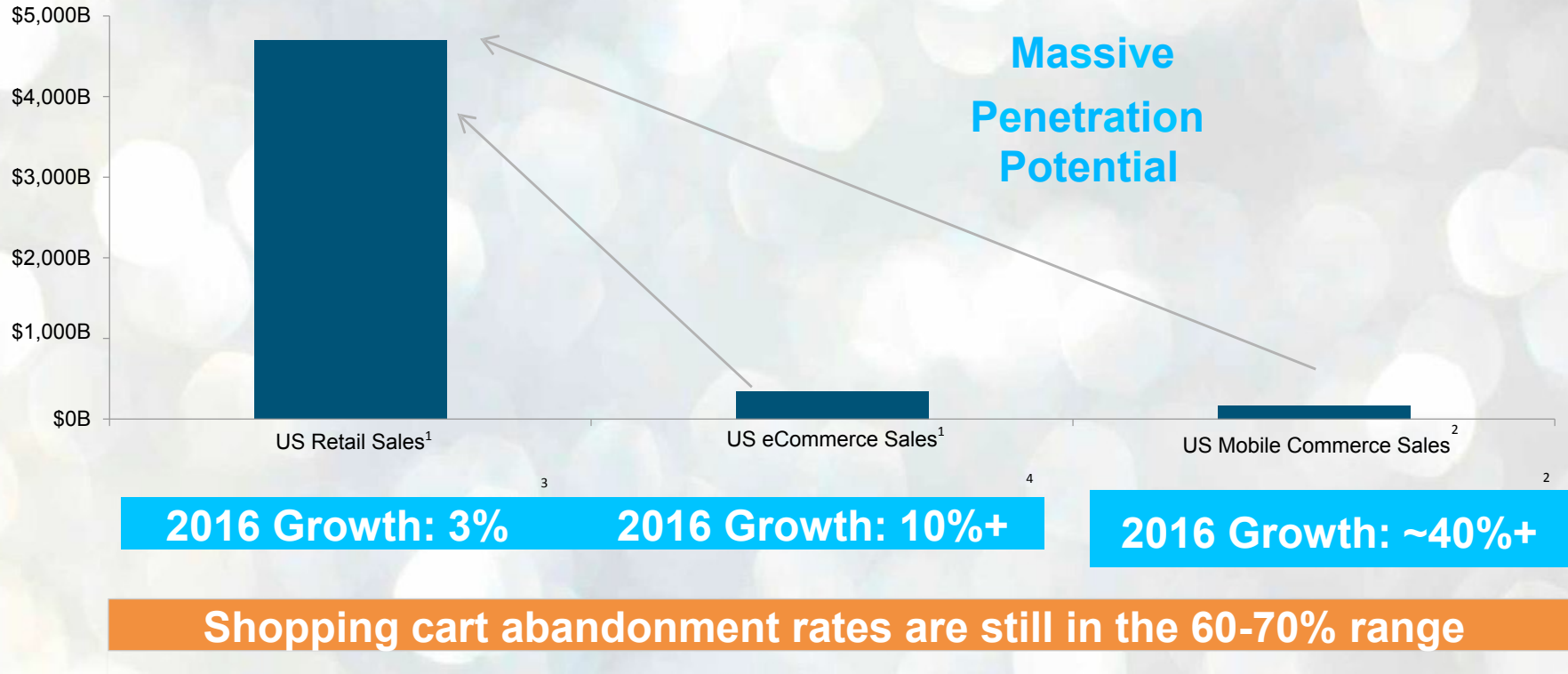
Bar chart with y-axis from $0B to $5,000B:
- US Retail Sales[1] — ~$4,700B
- US eCommerce Sales[1] — ~$350B
- US Mobile Commerce Sales[2] — ~$200B

Massive Penetration Potential

2016 Growth: 3% [3]

2016 Growth: 10%+ [4]

2016 Growth: ~40%+ [2]

Shopping cart abandonment rates are still in the 60-70% range

First Data.

Mobile and the On-Demand Economy …Driving a shift from cash and plastic to mobile payments

Sector	Sample On-Demand Players	Payments Implications
Transportation	UBER, lyft, Gett	• **Growth in mobile and in-app payments**, as on-demand players offer an integrated and **seamless payments** experience
Hospitality	airbnb, breather	
Food & Beverage	Instacart, freshdirect	
Financial Services	LendingClub, PROSPER	• Rise of **developer-friendly payments API**
Home & Personal Services	Thumbtack, handy, TaskRabbit	
Logistics	shyp, POSTMATES	• **Card issuers** will continue seeking **integration in mobile wallets** to capitalize on shift to mobile payments
Events	Eventbrite, WILLCALL	
Healthcare Professional	ZocDoc, pager	
Services	HourlyNerd consulting. on your terms., upwork	
Other (e.g., Massage, Dog Sitting, Tutoring, Therapy)	zeel Massage On Demand, DogVacay, sesh, talkspace	

First Data.

eCommerce Access and Payment Methods Are Expanding

eCommerce over a Broader Array of Connected Devices

Computers

via web browsers
- Desktops
- Laptops
- Notebooks

Mobile

via web browsers or apps
- Smartphones
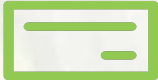- Tablets

Internet of Things (IOT)

Diverse range of devices (e.g., cars, wearables, gaming consoles, vending machines) that use embedded technology to communicate and interact with the external environment via the Internet

Methods of Payments Are Evolving

Traditional Payment Cards

- Credentials key-entered at checkout
- Credentials stored as "card on file"

Alternative Payments

Non card and non bank payment methods

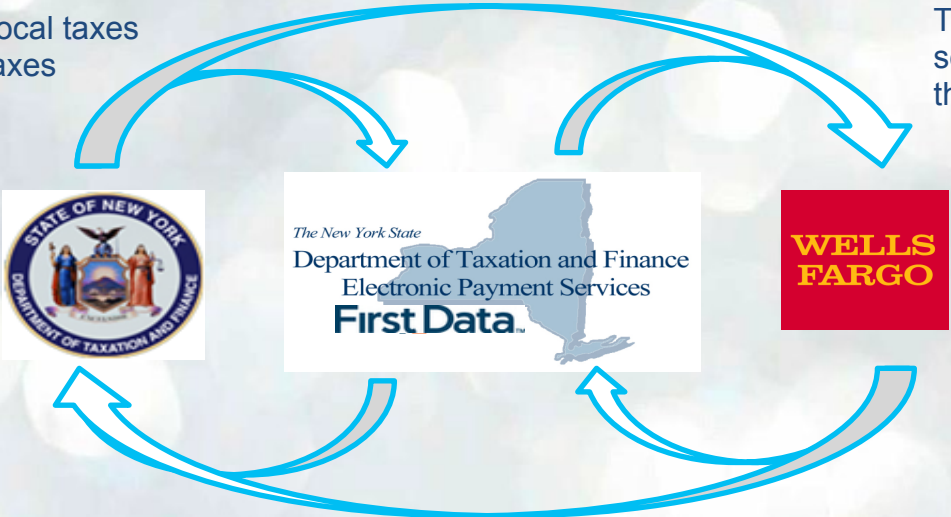|		
eWALLETS	Consumer selects funding method from preregistered account	PayPal Pay Google Wallet
CARRIER BILLING	Charges added to wireless bill, typically small amounts	ZONG boku
DEFERRED BILLING	Short-term transactional credit financing	PayPal CREDIT Affirm
VIRTUAL CURRENCY	Consumer tenders virtual crypto-currency at checkout	bitcoin coinbase
CASH	Consumer remits cash payment at local c-store to complete order	PayNearMe

First Data

Where are you?

- Your constituents are changing, are you?

- How will you meet the Millennials focus on technology and client experience?

- Where is your organization placing it's spending bets?

- How are you monitoring your user experience?
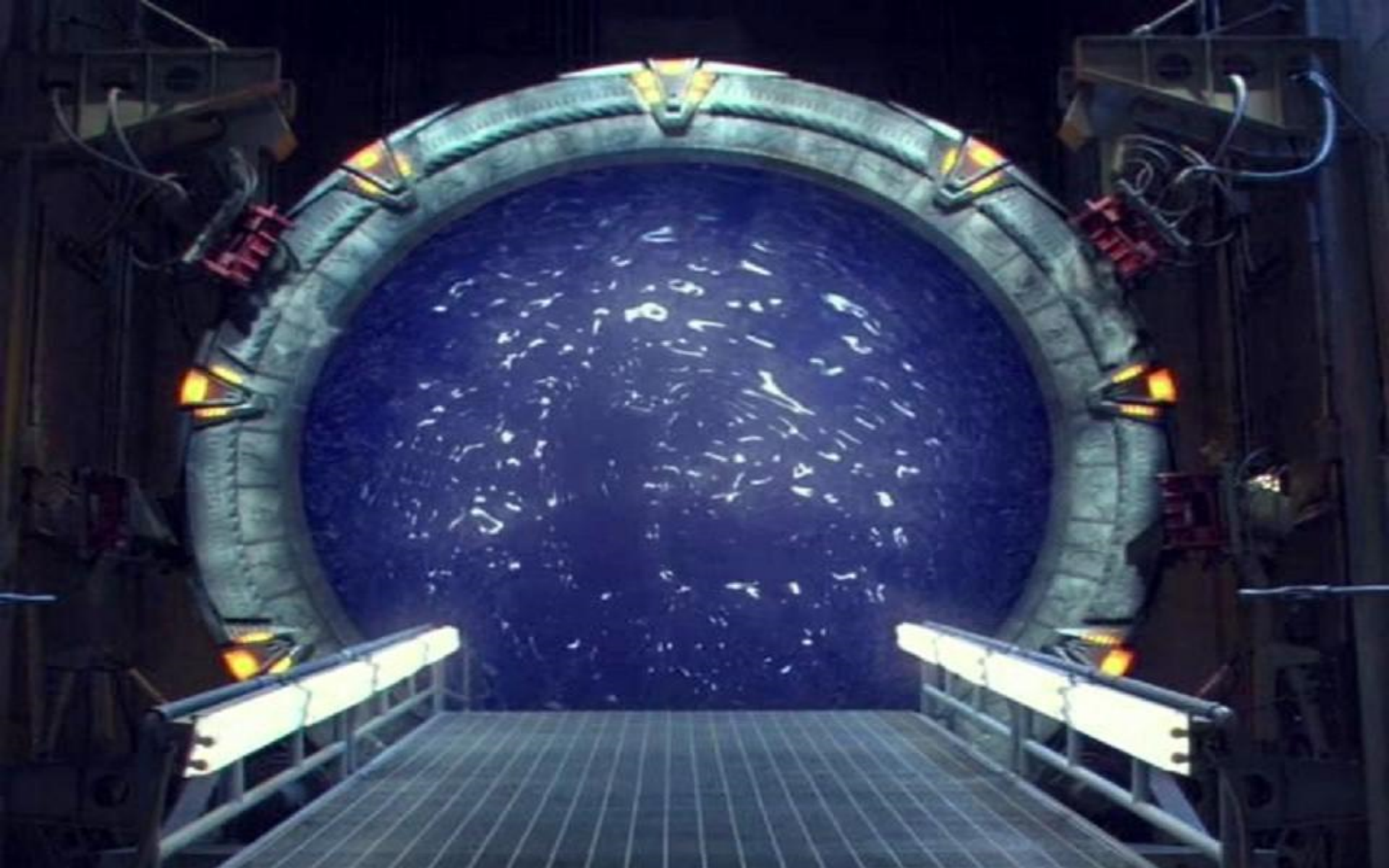
New York Department of Tax and Finance (DTF) Example

Administer 37 state and 9 local taxes
Collecting ~69.1 billion in taxes

The growing Millennial population segment, to conduct virtually all of their tax business online

STATE OF NEW YORK — DEPARTMENT OF TAXATION AND FINANCE

The New York State
Department of Taxation and Finance
Electronic Payment Services
First Data.

WELLS FARGO

Business Flow

- Fed Wire and ACH Credit Transmissions received by Wells Fargo
- ACH Debit and Credit Card Transactions received by First Data
- NACHA file created and submitted to Wells Fargo
- Fed Wire and ACH Credit transactions imported into First Data
- Reporting, research, and administration available to NY DTF
- Payment history and registration info available for taxpayers
- *Deposit of funds to NY DTF

*Same day ACH funding project in 2016

Project Information and Technology Used

- Users can save their payment data for ACH Debit
- Users can view their payment history via Online Services Application
- Users can cancel a payment

- 4 Electronic Payment Options
- Project took 18 Months
- SAML – single sign on standards
- Responsive HTML Design
- Web Services

Mobile/Secure/Available/Easy

First Data.

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