E-Standards – Why They Matter

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Quick History of the FTA E-Standards Group

- 1988 – FTA's first Standards success with ACH TXP Addenda
  - Also became an Electronic Data Interchange (EDI) standard with ASC X12
- 1990 – Formed the Tax Information Interchange Task Group under ANSI Accredited Standards Committee X12
  - Successful EDI development for Motor Fuel, Severance, Sales, and IFTA
- 1994 – Recognized need to provide guidance for implementation as well as standards development – birth of "TIGERS"
- 2000 – began migration from EDI to XML
- 2003 – began work with IRS and Industry on Modernized eFile
- Gradually parted ways with X12 over technical approach

Important Legacy from X12

- We are inclusive – States, IRS, and Industry
  - Best possible product for all parties to utilize
  - Buy-in for Industry to support state programs
- X12 Consensus Process
  - All standards developed or modified require a vote
  - Consensus – majority approve AND the rest can agree to support
- Implementation Guidance
  - Go beyond the letter of the standard
  - Support Uniformity while recognizing differences among states
  - Provide education, guidance, and support

E-Standards Today – MeF and Summit

- Addition of Authentication fields to the MeF schemas
  - Front line of fraud detection!
  - Generally align with IRS
  - Take the lead in some areas, e.g. Drivers License and Ultimate Bank Account
- State Issues – Taxes Paid to Other States – now in pilot
- Education
  - Why Authentication fields matter
  - Business Tax Fraud
  - Schema 101 classes – addressing state agency staff turnover

Employment Taxes

- No Fed/State programs!
- Lot of activity states need to be aware of
- Active participation from Payroll Industry
- FSET
  - Original XML program
  - Fair adoption, though cumbersome
  - Includes newer Enrollment schema
- Employer Annual filings
  - W2/W2C, 1098/1099/W2G, and combined
  - New – just approved
  - Under implementation by several states
  - Adding Authentication fields to combat W2 phishing attacks

More Employment Related Projects

- E-Levy
  - Now under development by E-Standards
  - Also under development by Wisconsin working with ADP
  - Goal – complete Levy life cycle
  - Leverage the ACH TPP Addenda record – another FTA standard
- E-POA
  - Electronic Power of Attorney
  - Requested by Payroll Industry
  - No state sponsor yet

Excise Taxes – Working with FTA Uniformity

- Motor Fuel, Cigarette, Tobacco, and possibly Alcohol
- Work of Form and Data Uniformity comes first
  - Led by FTA's Cindy Anders-Robb
  - States agree to utilize the Uniform reporting
- E-Standards standardizes and packages the XML Schema set
- Uniformity committee reviews a state's forms, instructions, and schemas for content
- E-Standards performs technical review

Sales and Use Tax XML – Our Best Kept Secret

- Originally tried for uniform return such as in excise taxes
  - What is reported as "Sales" varies by state!
  - Streamlined Sales Tax provides uniformity for its members
    - And by the way, we developed their schemas as well
- Moved to a forms-based concept similar to Modernized eFile
  - Built on the E-Standards XML framework and components
  - Each state codes its own forms, schedules, and worksheets
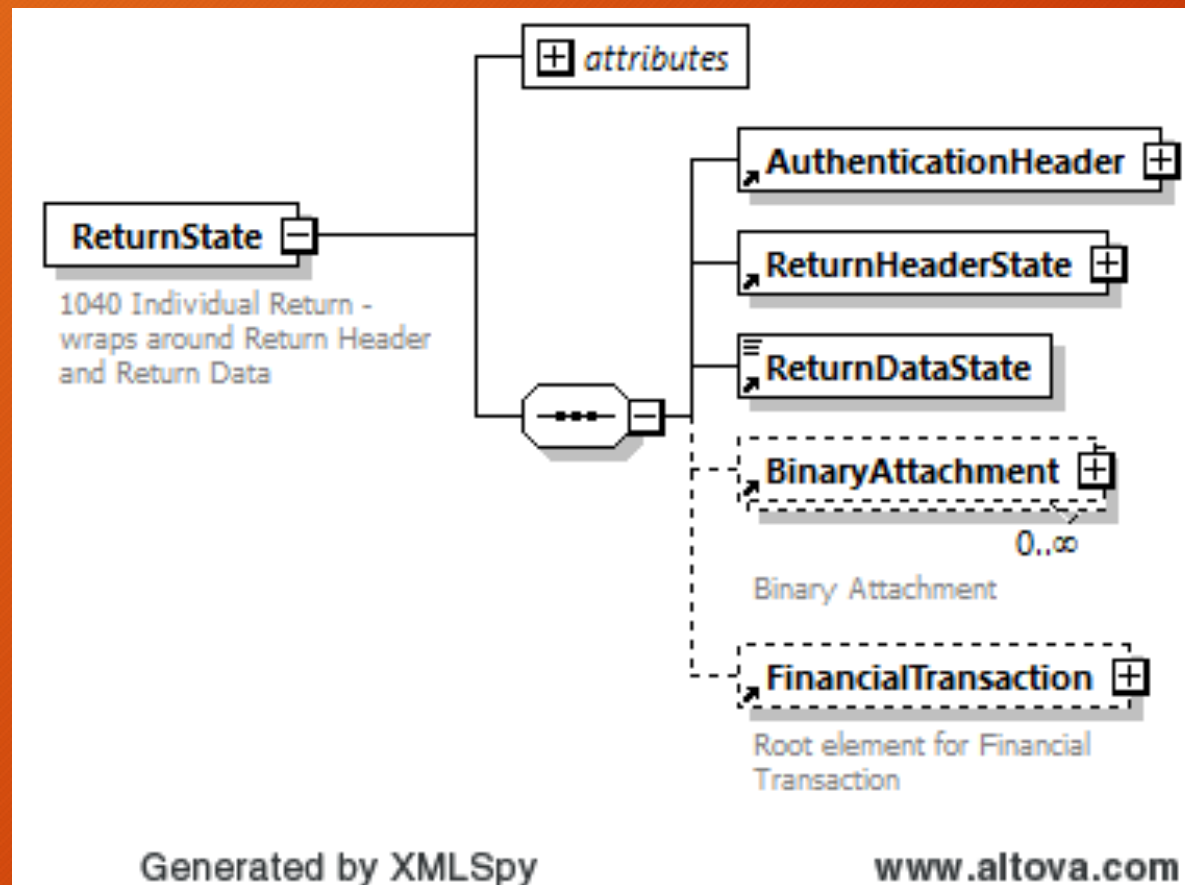- Supported by large Industry Partners such as Avalera

Review of State Schema Sets

- Across all tax types
- New or significantly modified schema sets
- Review team includes FTA contractor, states, and Industry
- Review for:
  - Compliance with technical standards
  - "Did you really mean to do that?"
- Aim for two-week turnaround
- No enforcement capability – Industry is our enforcer

What are the E-Standards?

- An XML framework structure
- A set of "building block" components
  - Some adopted from IRS
  - Some developed by the states
- A set of rules for putting them together
- A collection of tax programs built from these XML structures
- A forum for furthering the E-Standards in collaboration with IRS and the Tax Software Industry

E-Standards Framework Quick View

What can E-Standards do for you?

- Have a voice in E-Standards development
- Participate in e-Standards programs
  - Maximize buy-in from Industry and multi-state taxpayers
  - Work collegially with other states
- Find out about new programs!
- Guidance to make your programs successful
- Two face meetings per year
  - Associated with Efile Symosium and FTA Technology Conference
  - Webinars as needed