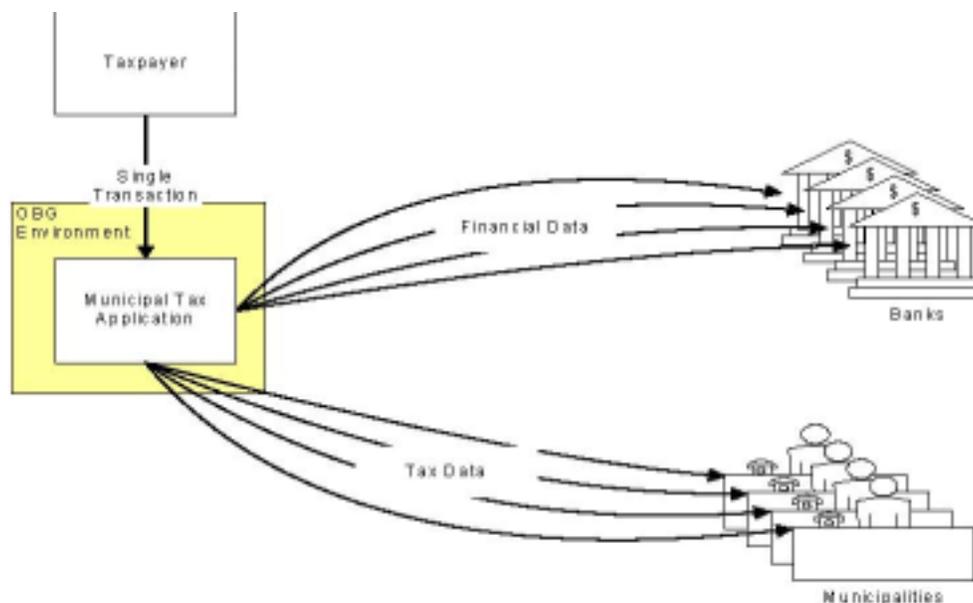




Municipal Tax Electronic Filing Funds Transfer Process Overview

Starting in January 2005, the Ohio Business Gateway's (OBG) Municipal Tax Electronic Filing Application will allow businesses to file extension requests and make estimated tax payments. This document provides an overview of the high level process by which the OBG will collect payment instructions from the businesses and make those payment instructions available for processing by the municipalities' banking partners (or the banking partners of the municipalities' third party administrators). This process overview is not intended to be a detailed specification. For more information on the entire filing process from a tax administrators' perspective, please see the document *Overall Process Overview for Tax Administrators*.

High Level Diagram



1. **Municipalities provide OBG with basic information in order to establish a municipality profile on OBG.**

The information provided to the OBG by the municipalities or their third party administrator (such as CCA or RITA) includes basic municipality information as well as information about its banking partner (including bank contact information and the routing number to uniquely identify the bank). This profile information is necessary to ensure that the OBG can identify all the different banking partners used by municipalities. Naturally, some municipalities will have the same banking partner as others.

OBG needs to work with the partner banks to insure that ACH debit payment instructions received by OBG are correctly formatted for later processing by the partner banks. Because requirements for

formatting ACH debit payment instructions are generally not unique to a specific municipality-bank relationship, OBG will work with each bank at a macro level to insure that ACH debit payment instructions received by OBG for *any* municipality partnering with that bank will be correctly formatted for successful processing by the bank. In the ACH terminology, this means OBG will work with each bank to insure it can produce a correctly formatted NACHA file for that bank.

2. Municipalities verify or implement the ability to receive ACH debit payments as part of their account relationship with their banking partner.

In the design of the OBG Municipal Tax Application, municipalities retain sole ownership of their bank accounts and the OBG acts as a facilitator of ACH debit payment instructions. While OBG is working with the banks at the macro level on technical issues such as NACHA file creation, the municipalities (as account owners and customers of their bank) must work with their partner banks to establish or extend their account services to include ACH payments. This includes negotiating the terms and conditions of the ACH payment services, as well as any associated costs. Because municipalities remain the sole account owners, OBG can not negotiate any of the terms, conditions, and costs of the bank's services. This *Funds Transfer Process Overview* document should assist municipalities with any discussions with their banking partners. (Note that some municipalities may already have ACH payment services included with their current bank account relationship.)

While ACH payments are generally inexpensive relative to other payment methods and offer very short settlement periods, OBG can not make any specific commitments with respect to a particular bank's service offering. When assessing the full impact and potential for cost savings, municipalities will need to consider the overall effect of the ACH payment services and the OBG Municipal Tax Application on their existing payment processes.

In some instances, the municipality's current partner bank will be unable to originate ACH debit transactions. In these cases, the partner bank may choose to leverage the services of a correspondent bank in order to offer ACH debit services to the municipality. In the absence of an established banking relationship that supports ACH debit payments, the municipality will be unable to participate in the OBG Municipal Tax Application.

3. The municipality becomes OBG-enabled.

A municipality essentially becomes OBG enabled when items 1 and 2 above are completed. At this point, OBG will have necessary municipality profile information on file in the Municipal Tax Application and OBG must have verified with the municipality's bank that it can produce a correctly formatted NACHA file for that bank. See step 5 below for more information regarding the delivery of the payment data files to the bank.

As part of the final process of enabling the municipality on OBG, OBG will need to supplement the municipality profile information already on file from step 1. OBG will need some type of unique identifier for the municipality's account at the bank so that the bank will be able to associate the NACHA files and payment instructions with the correct municipality account. This identifier will be assigned by the bank, e.g. it could be the municipality's bank account number.

4. The business files a report on OBG and makes a payment for any taxes due.

See the document *Overall Process Overview for Tax Administrators* for more information.

5. OBG makes bank NACHA files available to the municipality and/or its partner bank.

OBG will make the NACHA files containing the ACH payment instructions available to municipalities and/or their partner banks via a process that is similar to the process for delivering taxpayer data to the

municipalities. The files will be provided through the use of Internet Electronic Mailboxes and basic access is available using a standard secure internet web browser. IT-enabled tax administration systems (those municipalities with resources to implement fully-automated data retrieval) may want to directly dial into the mailbox server over standard telephone lines. Municipalities may retrieve the NACHA files and present them to their partner banks based on a frequency of their choosing that coincides with other internal business processes. If a municipality's profile indicates a TPA is used, OBG will use this information to ensure payment instructions are available to the appropriate TPA and/or banking partner of the TPA.

In some cases, the OBG may be able to offer daily (business day) delivery of the NACHA files directly to the partner banks. This will be possible in situations where the partner banks have the technical capability to receive an electronic file transfer from OBG and where the number of municipal accounts serviced by that bank is sufficiently large. Municipalities who are presented with and accept this option should truly desire a daily frequency and be prepared to retrieve their corresponding taxpayer data files on a similar frequency.

The banks will typically ask that a confirmation accompany the delivery of the NACHA file before the payment instructions are processed. The account owner (the municipality) usually provides this confirmation to the bank. The partner bank can provide more information about the confirmation process.

6. Funds are transferred according to the rules of the ACH network.

Once payment instructions are presented to the municipality's bank, funds will be transferred from the taxpayer to the municipality according to the rules of the ACH network. The OBG does not take ownership or hold taxpayer funds at any time during the payment process.

This process is similar to the way that paper checks are processed. Settlement, the date on which funds are made available in the municipality's bank account, is usually within 1 business day after the day that the payment instruction is presented to the bank for processing.

Any payment returns, rejects, or resulting adjustments will be reported by the bank to the municipality as part of the account services provided by the bank. This may occur if, for example, the taxpayer does not have sufficient funds in the account to cover the debit. As the overall owner for municipal tax administration, the municipality will be able to pursue collection from the taxpayer via their own processes. OBG will neither administer the tax nor attempt to maintain any records of municipal taxpayer account status.

Municipalities can obtain more information about the ACH process (including the availability of funds and returns, rejects, and adjustments) directly from their partner banks.