EDD Employment
Development
Department
State of California

ELECTRONIC FUNDS
TRANSFER PROGRAM

This guide contains information that will help you decide which payment method and reporting system is best for you. In addition, you will learn other valuable information that every electronic funds transfer (EFT) filer should know and where reporting agents and payroll services can get Bulk Filer information.

For Assistance

If you have questions regarding the Electronic Funds Transfer (EFT) program, visit the Employment Development Department (EDD) website at **www.edd.ca.gov.**

Please direct all general tax filing questions to the EDD Taxpayer Assistance Center toll-free at **888-745-3886**.

Please direct collections questions (levy, liens, and installment payments) to the EDD Tax Collections toll-free at **888-435-4990**.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 888-745-3886 (voice), or TTY 800-547-9565.

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I. ELECTRONIC FUNDS TRANSFER (EFT) PROGRAM PARTICIPATION

E-file and E-pay Mandate (Assembly Bill 1245) – Effective January 1, 2017

A new state law mandates electronic submission of tax returns, wage reports, and payroll tax deposits for all employers. To allow ample time for transition, this mandate is phased-in over two years as follows:

- Effective January 1, 2017, employers with 10 or more employees are required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD.

- Effective January 1, 2018, all remaining employers are subject to this requirement.

Any employer required under existing law to electronically submit wage reports and/or electronic funds transfer to the Employment Development Department (EDD), remain subject to those requirements.

For more information on the e-file and e-pay mandate, visit **www.edd.ca.gov/EFileMandate**.

Mandatory EFT Requirement

Senate Bill 467 set specific criteria that mandate some taxpayers to use EFT when making their tax deposits. At the EDD, an employer is mandated to remit taxes by EFT if their State Disability Insurance (SDI) and Personal Income Tax (PIT) deposits **averaged** $20,000 or more during the prior state fiscal year (July 1 to June 30). Employers who meet this requirement must remit all SDI and PIT deposits by EFT for the next calendar year, **regardless of the dollar amount**. Failure to comply results in a noncompliance penalty of 15 percent (10 percent for periods prior to third quarter 2014) plus interest on SDI and PIT deposits remitted by any payment method other than EFT (e.g., check, cash, credit card, etc.). The Unemployment Insurance (UI) and Employment Training Tax (ETT) payments are not subject to the noncompliance penalty.

Employer accounts are reviewed annually to identify which employers will be mandated EFT filers in the next calendar year. In October, mandatory employers are notified by letter that they will be required to make SDI and PIT deposits by EFT beginning January 1 of the next calendar year.

Employers who use a tax preparer (payroll agent, payroll service, certified public accountant [CPA], or other representative) to make their *Payroll Tax Deposit,* DE 88, are responsible for informing them of the requirement to remit SDI and PIT deposits by EFT.

I. EFT PROGRAM PARTICIPATION (CONTINUED)

Voluntary EFT Participation

The EDD encourages employers who do not meet the mandatory EFT deposit requirement to voluntarily use EFT to make their DE 88 deposits and pay other payroll tax liabilities. The following are some of the overall advantages of making EFT payments:

- Fast, easy, and secure way to make your payroll tax payments.

- No checks, payment documents, or mailing costs.

- Available 24 hours a day, 7 days a week.

- Ability to report and store (warehouse) payment data up to 90 days before the settlement date.

- Immediate confirmation of successful payment transactions.

Note: Employers who do not meet the mandatory EFT deposit requirement are encouraged to use EFT on a voluntary basis. Voluntary EFT participants are not subject to the noncompliance penalty if they make a payment by check with a DE 88 deposit coupon or by any other acceptable payment method.

II. PAYMENT REPORTING METHODS

There are two payment methods and two reporting systems for use when initiating EFT payments. In this section we discuss the two payment methods. The two reporting systems will be discussed in Section III, Automated Clearing House (ACH) Debit Reporting Systems.

ACH Debit Method

Employers who use the ACH Debit method authorize the State of California to electronically debit their bank account for the amount(s) reported and credit the state's bank account. The EDD does not charge a fee for using the ACH Debit method.

There are two reporting systems an ACH Debit filer can choose from: the e-Services for Business system and the state data collector EFT system.

- Employers using the e-Services for Business system report their payments to the EDD.

- Employers using the state data collector EFT system report their payments to the state's data collector, First Data.

The two systems are completely separate from each other and <u>do not</u> share information.

ACH Credit Method

The ACH Credit method allows employers to transfer funds by instructing their bank to debit their bank account and transfer those funds to the state's bank account. Employers pay all costs charged by their bank for initiating ACH Credit transactions.

- **When to Report Your Payment**
  ACH Credit filers **may** need more than one additional processing day to ensure their payments are credited to the state's bank account timely. Check with your bank for information regarding their cutoff times for initiating payments.

- **Canceling an ACH Credit Transaction**
  Credit filers need to contact their bank to cancel, correct, or inquire about an ACH Credit transaction.

- **Record Format Requirements**
  To transmit an ACH Credit payment to the EDD, the taxpayer's bank must initiate the payment using the Cash Concentration or Disbursement Plus Tax Payment Addenda (CCD+/TXP) format. This standard format was adopted for tax payments by the National Automated Clearing House Association (NACHA). Employers need to provide their bank with the form *Information for Your Bank,* **DE 532**. The DE 532 provides the bank with instructions on how to transmit ACH Credit transactions in the NACHA-approved CCD+/TXP record format.

  Note: A payment in any format other than CCD+/TXP will be rejected and must include valid eight-digit EDD employer payroll tax account number.

III. ACH DEBIT REPORTING SYSTEMS

e-Services for Business

The EDD developed e-Services for Business, a payment and reporting system. This system allows employers, reporting agents, and payroll services organizations a fast, easy, and secure way to manage their employer payroll tax accounts online. No special equipment or additional software is required to use this method. You simply need a computer with Internet access.

The following are features of e-Services for Business:

- Simple one-time online enrollment process to establish a username and password.

- Store and update your bank account information online.

- View your payroll tax rates and payment history regardless of the payment method.

- Make *Payroll Tax Deposit,* **DE 88**, and all other account payments using the EDD EFT program (ACH Debit Method).

- File your *Quarterly Contribution Return and Report of Wages,* **DE 9**, and *Quarterly Contribution Return and Report of Wages (Continuation),* **DE 9C**.

- Submit bulk file payments by using either the eXtensible Markup Language (XML) or Comma Separated Value (CSV) file format for the "Attach a Bulk Payment File" option.

- And much more.

Employers, reporting agents, and payroll services using this system can set themselves up for EFT by storing one bank account number or multiple bank account numbers that can be selected from for debiting. If the employer, reporting agent, or payroll service organization has an ACH debit block on their bank account, give the bank the EDD's company identification number 2282533055 to avoid a rejected payment.

Payment transactions submitted through e-Services for Business must be completed before 3 p.m., Pacific Time (PT), for the funds to settle on the next business day. This system also allows payers to cancel their payments. Payments that have not settled can be canceled before 3 p.m., Pacific Time (PT), the business day before the payment settlement date.

Reporting agents and payroll services organizations establish their own username and password and enroll as an *Agent/Employer Representative* when completing the e-Services for Business authorization process. After they have completed the e-Services for Business authorization process, they may add immediate access to their client's account by answering security questions about the employer.

To enroll in e-Services for Business, visit **www.edd.ca.gov/e-Services_for_Business**. View the e-Services for Business authorization process step-by-step instructions under "Getting Started." The EDD offers numerous tutorials to help guide you through e-Services for Business. The tutorials are available 24 hours a day, 7 days a week on the EDD website.

III. ACH DEBIT REPORTING SYSTEMS (CONTINUED)

The State Data Collector System

The EDD also offers another EFT system for making DE 88 deposits **only**. This system is maintained by the state's data collector. An *Electronic Funds Transfer (EFT) State Data Collector Program – Vendor (Third Party) New Enrollment Request Form,* **DE 26**, must be completed and submitted to the EDD in order to use the system. Mail or fax the completed form. After you are registered, a confirmation letter with enrollment instructions will be mailed to the address of record.

Note: Employers who wish to register more than one bank account number per employer account number cannot use the state data collector EFT system but can use the e-Services for Business or the One-Time Pay option.

The state's data collector offers an option called One-Time Pay that all employers with a valid employer account number can use without a registration requirement. You can access this option at **www.govone.com/PAYCAL**.

- **Canceling a State Data Collector Payment Transaction**
  Payments can be cancelled online before 3 p.m., PT, the day before the payment settles. A confirmation number is issued as proof of a successful payment cancellation.

- Phone or One-Time Pay payers must contact the data collector at 800-554-7500 to cancel their payment. Have your confirmation number with you when making your call.

- **Bulk Filers**
  Reporting agents and payroll services who wish to use the state data collector EFT system to send a file of multiple payments can register as a bulk filer. For bulk filer registration and set up instructions, refer to the *Electronic Funds Transfer – Bulk Filer Setup Guide*, DE 154.

IV. GENERAL INFORMATION

Due Dates for EFT Payments

The deposit requirements, due dates, and last timely settlement dates are listed in the current tax year's *California Employer's Guide,* **DE 44**, in the Required Forms Section under *Payroll Tax Deposit,* **DE 88**. Tax payment due dates are determined by your deposit schedule (Next-Day, Semiweekly, Monthly, or Quarterly reporting). For EFT payments, timeliness is determined by the settlement date (the date your payment is credited to the state's bank account).

Reporting Cut-Off Times

- ACH Debit Filers – The cut-off time is 3 p.m., PT. Debit filers can initiate their payment on the due date as long as the transaction is completed before 3 p.m., PT, and the payment settles into the state's bank account the next business day.

- ACH Credit Filers – Not all banks have the same cut-off time, so it is important for credit filers to contact their bank for instructions on when to report their payment for a timely settlement date.

Holidays

- If a due date falls on a Saturday, Sunday, or legal holiday, the due date and settlement date are extended to the next business day.

- If a holiday falls on Saturday, the preceding Friday is considered a bank holiday.

- If a holiday falls on Sunday, the following Monday is considered a bank holiday.

- For a listing of holidays, visit **www.edd.ca.gov/payroll_taxes/legal_holidays.htm**.

IV. GENERAL INFORMATION (CONTINUED)

Other - Payment Options

- **e-Services for Business** – If you are not enrolled in e-Services for Business, you must first register for a username and password. The earliest a payment can settle through this system is the next business day as long as the transaction is completed before 3 p.m., PT, the day you report the payment. You can access e-Services for Business from multiple platforms and operating systems, including tablets and smart phones, at **www.edd.ca.gov/e-Services_for_Business**.

- **One-Time Pay** – This is an option that all employers with a valid EDD employer payroll tax account number can use with no registration required. The earliest a payment can settle through this system is the next business day as long as the transaction is completed before 3 p.m., PT, the day you report the payment. You can access this option at **www.govone.com/PAYCAL/edd**.

- **Fedwire** – This is an emergency payment option. Employers who are unable to make a timely payment by any EFT method may be authorized by the e-Pay Unit to make the payment by Fedwire. Contact the e-Pay Unit at 916-654-9130 before initiating a Fedwire payment. The e-Pay Unit will fax you a Wire Transfer Payment Request form to initiate a Fedwire through your bank. You are responsible for any fees associated with your Fedwire. Employers must submit their Fedwire request to their bank prior to their bank's Fedwire cut-off time to ensure a **same day** settlement date.

Warehousing Payments

- ACH Debit – Warehousing allows a debit filer to report a payment (DE 88 only) up to 90 days in advance of the settlement date.

- ACH Credit – Credit filers need to contact their bank to see if they can warehouse their payments.

Proof of Payment

Proof of payment for an EFT transaction is your bank statement showing the transfer of funds from your bank account into the state's bank account. The reference or confirmation number does **not** constitute proof of payment; it only assists in locating data transmission. If proof of payment is required, it is the taxpayer's responsibility to work with their bank to obtain verification that funds were transferred from their bank account to the state's bank account.

Penalty and Interest

- If an EFT transaction does not settle timely, a penalty of 15 percent (10 percent for periods prior to third quarter 2014) plus interest is charged on late payroll tax payments.

- If you are submitting an untimely payment, you may include self-assessed penalty and interest with your payment.

Notice of Change (NOC)

An employer's bank notifies the EDD through the ACH network that there is a change in the employer bank account information. For example, if a taxpayer's bank merges with another bank, the EDD receives an NOC indicating there is a change to the routing transit number and/or bank account number and what the new bank numbers should be.

The EDD notifies the employer by letter to correct the bank information before submitting their next payment. It is in the employer's best interest to correct the bank information quickly as some banks eventually turn NOCs into returned items.

Note: Anyone using payroll software to store bank information and to report payments must make their own corrections within the software before submitting their next payment.

Return Payments

A taxpayer's bank notifies the EDD through the ACH network that a debit transaction was not processed successfully resulting in a non-payment transaction. The EDD notifies employers by letter informing them the payment has been rejected and needs to be re-initiated. Payments can be returned for many reasons. Read your letter carefully for the reason code and make your corrections accordingly. To help you avoid re-initiating payments, listed below are some common reasons payments are rejected:

- Bank accounts were not open and/or funded.

- Invalid bank account(s).

- Routing and bank account numbers were not entered correctly.

- EDD debits were blocked. Remove a block for EDD debits by giving your bank both of the company identification numbers shown below:

  a) For the state data collector option, use: 1282533055
  b) For e-Services for Business option, use: 2282533055

Refunds

To claim a refund for an EFT overpayment, contact the EDD Taxpayer Assistance Center toll-free at 888-745-3886.

Collection Payments

Employers can use EFT to make installment, levy, and lien payments through the e-Services for Business option. For information, contact the EDD Tax Collection Section toll-free at 888-435-4990.

EFT Setup and Reporting Instructions

This section contains setup instructions for the e-Services for Business system and the state data collector system, plus instructions for making a payment.

V. E-SERVICES FOR BUSINESS SYSTEM

Setup Instructions

e-Services for Business allows you to manage payroll tax accounts, file reports, make tax payments, make current and prior quarter DE 88 deposits, and more. No formal registration is required; however, you must establish your username and password before you can begin using this system.

Create a Username and Password

Follow these steps to create your login information:

- Visit the EDD website at **www.edd.ca.gov**.

- Select the e-Services for Business link under "Employer Services."

- Select "Enroll."

- Enter all of the required information. Select "Continue."

- Choose your security questions and answers, and then select "Continue."

- Print your enrollment summary, and then select "Enroll."

- After you successfully enroll, the EDD will send an email with a link to verify your email address. Select the link to complete the enrollment process. **The link expires in 24 hours.** If you do not select the link within 24 hours you will need to restart the enrollment process.

- Once you select the link, you will be taken to the "Enrollment Verification" page with a link to the "Employer Services Online" page.

- Select the "Employer Services Online" link. Then select e-Services for Business and enter your new username and password to login.

First Time Login (Employer Services Online)

Follow these steps when logging into e-Services for Business for the first time.

- Visit the EDD website at **www.edd.ca.gov**.

- Select the e-Services for Business link under "Employer Services."

- Select "Log In." Enter your new username and password, and select "Login."

V. E-SERVICES FOR BUSINESS SYSTEM (CONTINUED)

- Select one of the following options:

  - "Existing Customer"

    - An employer who already has an employer payroll tax account number.

    - An employer representative/payroll agent.

    - An individual/business who is reporting independent contractor(s).

  - "New Customer"

    - An employer who needs to register for an employer payroll tax account number.

    - Do not select "New Customer" if you are an employer representative or payroll agent.

- Complete the one-time authorization screen by selecting the "Enrollment Type" link.

- Select one of the following options:

  - "Employer" if you are an owner, officer, partner, executor, receiver, or trustee with an employer payroll tax account number.

  - "Employer Representative/Agent" if you are:

    - An employer representative, internal representative (e.g. employee), agent, payroll agent, third-party representative, bookkeeper, accounts payable clerk, or an accountant that represents one or more employers.

    - Only submitting the *Report of Independent Contractor(s),* **DE 542**.

- If you selected the "Employer" option, answer all of the questions on the "Type of Account" screen. Then select "Submit."

- If you selected "Employer Representative/Agent," enter your own information and not your client's on the "Agent Information" screen. Then select "Submit."

- For either "Employer" or "Employer Representative/Agent," select "Yes" when asked "Are you sure you want to submit this request?"

- Now you are ready to start using e-Services for Business to manage your account(s).

V. E-SERVICES FOR BUSINESS SYSTEM (CONTINUED)

Storing Bank Account Information

Before you make your first payment, decide if you want to enter your routing transit number and bank account number each time you make a payment or if you want the system to automatically enter the bank information for you by default.

If you use the same bank account number for debiting each time you make a payment, it is advisable to set it as default to avoid a rejected payment due to a keying error.

You can also store multiple bank account numbers if you want to debit a different bank account occasionally. From the "View Profile" screen, you can set up, save, and change bank information for multiple bank accounts.

Setting a Bank Account Default (Single Account)

- Begin by logging into e-Services for Business.

- On the "My Accounts" screen, select the "View Profile" hyperlink under "I Want To…"

- Select the "Setup" hyperlink below "Payment Source."

- On the "Payment Source" screen:

    1. Enter source name. (What you want to call this bank account. For example: Payroll Account.)

    2. Enter bank account type. (Select "Checking" or "Savings.")

    3. Enter routing transit number.

    4. Enter bank account number.

    5. Verify the bank account number by rekeying the number.

    6. Select "Save."

- The system will now automatically populate each payment with your bank account information.

V. E-SERVICES FOR BUSINESS SYSTEM (CONTINUED)

Storing Multiple Bank Accounts for Debiting

- Begin by logging in to e-Services for Business.

- On the "My Accounts" screen, select the "View Profile" hyperlink under "I Want To..." From here you can setup, save, and change bank information for multiple bank accounts.

- Select the "Other Accounts" sub-tab.

- Under "Payment Source," select the "Setup" hyperlink.

- On the "Payment Source" screen's simulated check, enter the required bank account information for the first bank account you are setting up. Then select "Save."

- Select "Other Payment Options" to set the next bank account you want to add.

- Select the "Add New" hyperlink, which will take you back to the "Payment Source" screen.

- Enter the required bank account information for the new bank account in the simulated check, then select "Save."

- The screen shows an "Add New" hyperlink again. Select the hyperlink if you have another bank account to setup.

When you are on the "Make a Payment" screen, note the bank information in the simulated check. If this is not the bank account you wish to use for debiting, scroll down to "Choose Payment Source" and select the bank account you want to use.

Deleting a Bank Account Number

- Begin by logging in to e-Services for Business.

- On the "My Accounts" screen, select the "View Profile" hyperlink under "I Want To…"

- Select the "My Accounts" or "Other Accounts" tab.

- Select the "Account Payment Sources" sub-tab.

- Select the bank account number hyperlink located under the "Payment Source" column you want to delete.

- Select "Cease" at the top right of the "Payment Source" screen's simulated check.

- Select "Confirm."

V. E-SERVICES FOR BUSINESS SYSTEM (CONTINUED)

Making a DE 88 Payment

- Enter your username and password on the e-Services for Business login screen.

- At the "My Account" screen, select the "Employment Tax" hyperlink.

- Under "I Want To…," select "Make a Payment."

- Select "ACH Debit (EFT)."

- Select a payment period.

- On the "Make a DE 88 Payment" screen inside the simulated check, do the following:

  1. Change the bank debit date if you want your payment to settle on a date other than the default date shown.

  2. Type in the total payment amount you will be paying.

  3. If you don't have your bank account information set as a default, enter your bank information.

- Scroll down to the payment grids then do the following:

  1. Select your "Pay Date" using the drop-down calendar.

  2. Select your "Deposit Schedule" from the drop-down list.

  3. Enter your fund amounts in the appropriate grids under "Deposit Amounts."

  4. The system will total your payment next to "Payment Total." The system total and the total you entered inside the simulated check must match. If they do not, make the correction.

  5. Select "Submit."

  6. Select "OK" for your electronic signature.

  7. Select "OK" or "Print."

Note: If you have an ACH debit block on your bank account, give your bank the EDD company identification number 2282533055 to avoid a rejected payment.

V. E-SERVICES FOR BUSINESS SYSTEM (CONTINUED)

Making a Period Payment

- Enter your username and password on the e-Services for Business login screen.

- At the "My Account" screen, select the "Employment Tax" hyperlink.

- Select "Pay" in the period that has a balance due amount.

- Select "ACH Debit (EFT)."

- Select "Period Payment."

- On the "Make a Period Payment" screen inside the simulated check, do the following:

  1. Change the total payment amount if you want to pay a different amount other than the default amount shown.

  2. If you don't have your bank account information set as a default, enter your bank information.

- Select "Submit."

- Select "OK" for your electronic signature.

- Select "OK" or "Print."

Bulk Filers

Reporting agents and payroll services who wish to use the e-Services for Business option to send a file of multiple payments, refer to the *Electronic Funds Transfer - Bulk Filer Setup Guide,* DE 154.

VI. STATE DATA COLLECTOR SYSTEM

Setup Instructions

The state data collector system is for making current DE 88 deposits **only**. You register for this system by completing an *Electronic Funds Transfer (EFT) State Data Collector Program – Vendor (Third Party) New Enrollment Request Form,* **DE 26**. To enroll, complete the information shown below. If your registration is incomplete, it will be returned to you unprocessed.

- Complete all of the information in Sections I and II.

- Fax your DE 26 EFT enrollment to 916-654-7441 or mail to the address below:

  Employment Development Department
  e-Pay Unit, MIC 15A
  PO Box 826880
  Sacramento, CA 94280-0001

- After you are registered, a confirmation letter with enrollment instructions will be mailed to the address of record.

Employers who wish to register more than one bank account number per employer account number cannot use the state data collector system but can use e-Services for Business or the One-Time Pay option.

Bulk Filers

Reporting agents and payroll services who wish to use the state data collector system to send a file of multiple payments can register as a bulk filer. For bulk filer registration and setup instructions, refer to the *Electronic Funds Transfer - Bulk Filer Setup Guide,* DE 154.

VI. STATE DATA COLLECTOR SYSTEM (CONTINUED)

Create a Username and Password

- The state data collector, First Data, provides a secure website which uses a username and password for initiating payments. You can access the website at **www.govone.com/PAYCAL**.

- **Web Payer** – If you are reporting your first payment online, create a profile by selecting "Register" under "First Time User." Then follow the instructions on your EFT registration confirmation letter to create a Web Payer username and password.

- **Phone Payer** – Once you have created a profile and added a bank account, call the state data collector, First Pay, at 800-554-7500 and follow the prompts to submit your first payment.

Making a DE 88 Payment (Web)

- Visit **www.govone.com/PAYCAL**.

- At the "Sign-In for Registered EFT Users" screen, select "Register" if this is your first payment after registering for EFT. Follow the instructions for Web Payer in your EFT registration confirmation letter and then start your payment.

  o If you have already registered and have a username and password, login under "Returning User" and select "Make Payment" screen.

  Note: Before you submit the payment, your bank information must be entered in your online profile.

- Repeat the steps above for each tax type.

- Select "Continue" after you finish entering your payment information.

- Verify if your payment information is correct.

  o If it is correct, select "Submit Payment."

  o If it is incorrect, select "Edit Payment," then make your corrections and select "Continue." Then select "Submit Payment."

- Print the "Payment Confirmation" screen showing your confirmation number for your records.

- If you wish to make another payment, select "New Payment."

VI. STATE DATA COLLECTOR SYSTEM (CONTINUED)

Making a DE 88 Payment (Phone)

Before you make a payment by phone, you must be registered for the state data collector system, have your security code set, and your bank information added to your online profile. Call 800-554-7500 and follow the prompts. Select your language, and then select "2" for the EDD so your payment will be sent to the correct state agency.

Making a DE 88 Payment (One-Time Pay)

One-Time Pay – This option does not require you to be enrolled in the state data collector program. To use this payment option, you will need an active EDD employer payroll tax account number and your bank account information (routing transit and bank account number) with you when you report your payment.

- Visit the state data collector website at **www.govone.com/PAYCAL** and select EDD from the California State Agency EFT Menu.

- On the top of the screen, select "Access to the One-Time Pay Option."

- Enter all of the information you are prompted for, and then submit your payment. A confirmation number is provided when the One-Time Pay payment is successfully submitted. There is no payment history for One-Time Pay transactions, so it is advisable to print a copy of the payment screen showing your confirmation number. To view your payment history, you will have to complete a DE 26 and fax it to the EDD e-Pay Unit at 916-654-7441.