

DO YOU HANDLE FEDERAL TAX DEPOSITS?

Why is proper processing important?

Proper processing of the Advice of Credit (AOC) and Federal Tax Deposit (FTD) coupons is important to your institution because it reduces adjustments and expedites the posting of your customers' tax deposits by the Internal Revenue Service. Correct processing assists in account reconciliation, reduces interest or late payments to the Treasury, and helps prevent customer complaints.



Prepared by the Federal Reserve System
as fiscal agent of the U.S. Treasury

Check out these tips to quickly and correctly process Federal Tax Deposit coupons and the Advice of Credit through Treasury Tax and Loan (TT&L).

The IRS provides financial institutions with Advice of Credits (Form 2284). An AOC is a header or summary form for FTD coupons. The header represents tax payments processed for the current business day. The AOC is reported electronically to the Federal Reserve and mailed along with the corresponding FTD coupons to the IRS.

FTD coupons are pre-inscribed, machine-readable forms that accompany deposits of federal taxes and are supplied to a taxpayer by the IRS. These coupons are submitted by the taxpayer to financial institutions along with tax payment in the form of cash, a postal money order drawn to the order of the depository, or a check drawn on and to the order of the depository.

Federal Reserve Recommendations

Your institution should make every effort to ensure that the AOC is reflected correctly in your account by verifying that the total of your FTD coupons adds up to the amount on your AOC. Your financial institution should ensure that the dates on both items are correct and legible. It also is important to enter the information correctly into Treasury Tax and Loan (TT&L) Plus® on the web.

Each financial institution must maintain an adequate record of all deposits of federal taxes for reconstruction purposes. Therefore, you should microfilm or copy the AOC form and FTD coupons before you mail them to

the IRS. Make sure that the copies are clear and legible. You should retain records of tax deposits for 36 months, after which time they may be destroyed.

Keep a supply of AOCs available. When your supply reaches a 60-workday level, request additional AOC forms from the IRS. Remember that it takes about six weeks to receive AOC forms. If your supply becomes depleted, call the TT&L Treasury Support Center. Upon receipt of new AOC forms, verify that your institution's name and ABA number are correct.

Common Errors

One of the most common causes for adjustments is an error in addition. It is essential that your financial institution reconcile tax deposits collected each day with your statements. If you discover an error, follow the appropriate guidelines:

Error: The AOC information was overstated or understated when reported.

Solution: No action is required by your financial institution. The IRS will notice the error during processing. The IRS allows 20 business days to process an adjustment, and you will see it on your daily TIP Activity Statement.

Error: Your FTD is encoded incorrectly or you forget to include an FTD(s) in your daily mailings to the IRS.

Solution: An adjustment is needed. Send a copy of the AOC and FTD with a letter stating why an adjustment is needed to the TT&L Treasury Support Center.

NOTE: If you forgot to send your FTD coupon and you still have the coupon, you can create another AOC specifically for the dollar amount and date of that coupon. Then, follow normal submittal procedures.

Error: A customer requests a partial or total refund of its tax dollars due to overpayment or payment made in error.

Solution: Instruct the taxpayer to contact the IRS at 1-800-829-4933.

Under no circumstances should you attempt to correct a processing error yourself. If an adjustment is required, monitor your daily statements to verify the adjustment has been processed. If the adjustment has not been processed within 20 business days, contact the TT&L Treasury Support Center.

Adjustment Processing Tips and Reminders

Adjustments cost your financial institution money. Be sure to follow these guidelines to avoid or limit your adjustments:

- The IRS requires that you submit no more than 100 FTD coupons per AOC form.
- AOC and FTD forms should not be folded, stapled, taped or crumpled. Do not staple the FTD forms to your AOC.
- When completing the AOC form, use a ball-point pen and print clearly so that all copies of the AOC are legible.
- There is no need to include adding machine tape with your AOC form. If you choose to include it, do not tape or staple the adding machine tape to your AOC form.
- Double-check your FTD coupon totals.
- Verify that the date on all the FTD coupons

and the corresponding AOC form are the same. The date must be stamped legibly on the coupons completely within the appropriate box. The IRS will mark unreadable dates as “undated.”

- Microfilm or copy the FTD coupons and AOC form before you mail information to the IRS. Make sure that the copies are clear and legible as they may be needed for reconstruction purposes.
- Mail the FTDs and AOCs to the IRS upon completion of the AOC. When mailing, place the FTD coupons after the appropriate AOC and secure them with a paper clip or rubber band. (Do not staple.)
- After transmitting your AOC information to the Federal Reserve, write the acknowledgment or batch number on the AOC before copying.
- Do not attempt to correct AOC processing errors. Contact the TT&L Treasury Support Center.
- Do not use copies of the AOC coupon if your supply runs out. Contact the TT&L Treasury Support Center.
- Use a stamp with either your institution’s full name or your Routing Transit Number (RTN). The IRS does not recognize abbreviated names.
- If your financial institution is open on Saturday but uses the following business day (usually Monday) as the accounting date, you may date the FTD coupons and the AOC with Saturday’s date. Otherwise, the depository dates the FTD coupons as of its next business day (usually Monday) and includes them in that business day’s AOC.
- Late AOCs may result in interest fees. Electronically transmit your AOCs at least one to two hours before the processing deadline in case you need to retransmit.
- Do not attempt to correct AOC processing errors yourself. You cannot adjust a mistake on one AOC by processing another.
- The IRS will not make an adjustment for under \$20 unless it affects the taxpayer’s account.
- If there are any inadvertent errors in addi-

tion, you do not have to request an adjustment. The IRS will find the errors and issue an adjustment automatically.

- If other adjustments are needed, contact the TT&L Treasury Support Center (TSC) at 1-888-568-7343 or via e-mail at ttl_plus@stls.frb.org from 8 a.m. ET to 6 p.m. ET every Federal Reserve business day.
- In most cases you will be asked to provide the TSC with:
 - a copy of the front and back of the customer’s check,
 - a copy of the AOC and FTD coupon, and
 - a letter explaining the error on institution letterhead with a contact name and phone number.
- The IRS has up to 20 business days to return an adjustment.

Uncollectible Payments

Your institution is expected to make a reasonable effort to contact a taxpayer to obtain restitution for an uncollectible check. If restitution attempts are unsuccessful, submit a request for a reversal to the TT&L Treasury Support Center. Please send the following information when requesting a reversal:

- a copy of the check, front and back, with the reason it failed to clear,
- a statement of collection efforts made,
- a copy of the AOC and
- a copy of the FTD.

Checklist for Tellers

- ✓ Your financial institution is required to accept tax payments in the form of cash, postal money order, check or draft on and to the order of the depository. You may accept other forms of payment, but your institution must accept any float involved.
- ✓ Do not accept photocopied FTD coupons. Instruct taxpayers with photocopied FTD coupons or no coupons at all to obtain and complete Form 8109-B from the local IRS office.
- ✓ Verify that the amount received from the customer matches the amount on the FTD coupon. Furnish a receipt to the taxpayer if requested.
- ✓ Legibly stamp the payment-received date in the designated box on the FTD coupon.
- ✓ Tax deposits received before your business day cutoff must be dated with the current date.
- ✓ If your customers have questions on their tax accounts, they can contact the IRS at 1-800-829-4933.

Why Does It Take So Long to Process My TT&L Adjustment?

Several factors may lengthen the time it takes for the IRS to process your TT&L adjustment. These include:

The age of the item

- The adjustment request may be received before the FTD coupon is processed at the IRS service center. The IRS cannot begin to work on the adjustment until the FTD coupon is processed.
- The IRS service center may have to retrieve an archived batch of FTD coupons if the AOC date is over one month old.

Incomplete documentation with request

- The IRS service center or the TT&L Treasury Support Center will often contact the requesting institution to get more information about an adjustment. If the IRS doesn't get a response within 3-5 business days, it will close the case.
- The bank office that made the request may have to request additional information from another branch location.

Service center backlog

- IRS service centers periodically experience heavy volumes, which may cause a delay in processing a request.
- Requesting institutions should take mail time into consideration. Mail delivery can add several days onto the process.

Additional Information

Please refer to Volume IV of the Treasury Financial Manual (TFM) for more information on processing AOCs and FTDs. You can obtain a copy of the TFM Volume IV by accessing the Treasury's web site at www.fms.treas.gov/tfm/ or by contacting the TT&L Treasury Support Center.

How to Reach Us

You can access the TT&L Treasury Support Center at 1-888-568-7343 or by e-mailing ttl_plus@stls.frb.org. The area's hours of availability are 8 a.m. ET to 6 p.m. ET every Federal Reserve business day.



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