



<b>SERVICE NAME:</b>	<b>Bizfile &amp; VTPay</b>
<b>AGENCY/DEPARTMENT:</b>	Department of Taxes
<b>FUNDING:</b>	<b>3% of the transaction amount for credit card users</b>

**Service Overview:**

The VTPay and Bizfile applications for the Department of Taxes were built by VIC in 2004 and 2005 respectively, with a comprehensive redesign of Bizfile occurring in 2008 and annual development upgrades performed regularly on both. The Department of Taxes currently pays a \$1 per transaction portal fee to cover only development and on-going maintenance & support handled by VIC, but a different fee structure is in place to handle payment processing. It is this latter fee structure that we are proposing to change with this proposal.

Both applications accept credit cards and, with recent upgrades, now accept ACH payments. There is no charge to the Department of Taxes or the taxpayer if they opt to pay by ACH transaction. Under the current structure, taxpayers are able to use credit cards without paying a fee only if they pay a tax amount under \$200; the Department of Taxes consequently pays to VIC what amounts to a pass-through COS rate of 1.743% tax amount plus \$.20/transaction. For taxpayers who want to pay over \$200, a flat 2% fee is added on top to attempt to cover the COS, which goes to VIC. With this credit card fee structure we have encountered situations where the taxpayer will submit several \$199 transactions to avoid being charged a fee.

The current credit card fee structure, imposed to cover the merchant fees and administrative costs to VIC to handle credit cards, is extremely complex and inconvenient for all stakeholders involved. At the end of each month, a comprehensive analysis of transactions and a calculation is done to bill back the Department for the balance of merchant fees inevitably not covered due to this fee structure. It is a complex exercise and equation that can require upwards to 3 hours of VIC resources and potentially result in errors, with reconciliation efforts to follow by both the Department of Taxes and VIC.

**Future Process:**

The Department of Taxes and VIC submit that the fee structure for VTPay and Bizfile credit card users needs to change in order to streamline the application funding and the fee structure for taxpayers. After contemplating several fee options, coupled with the implementation of accepting ACH payments in VTPay, the Department and VIC are proposing to change the fee structure to a flat rate of 3% for all credit card users for the next two years, at which point the fee will again need to be reviewed and approved by the Web Portal Board. This proposal will have no impact on the continued free option of paying by ACH transaction.

We believe this fee is reasonable and keeping with the intention of the Portal to normalize credit card fees at 3% for the State, similar to the request for the Payport application. Since both Bizfile and VTPay applications also offer the option to pay by ACH at no cost to the taxpayer, we think the 3% fee will not incur objection among taxpayers. Recent evidence on other VIC applications suggest that 3% is reasonable, and even favorable compared to ATM fees and other hidden charges sometimes levied unknowingly against citizens or taxpayers.



## **Service Financial Expectations:**

### Revenue

Historically, the lion's share of transactions on these services have been paid via ACH, and we expect that will not change. Of the roughly 120,000 transactions through both services in 2012, approximately 20,000 were done by credit card – and this was before we began offering ACH on the VTPay application in 2013, so we expect credit card transactions on that application will decline. We have no accurate way to project what additional gross revenues might follow, but will submit quarterly reports to the Board as necessary.

### Expenses

Limited expenses would be required to make this change, merely a few textual changes to the application and some retraining of VIC and Tax personnel.