



STATE OF IOWA

State Government E-Commerce Study

Encouraging the Use of Electronic Financial Transactions
With the Citizens of Iowa

January 20, 2006



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With the Citizens of Iowa



Department of Administrative Services (DAS)
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State Government E-Commerce Study

Encouraging the Use of Electronic Payments

Contents

	<u>Page</u>
Acknowledgements.....	2
Foreword by John Gillispie.....	3
Executive Summary.....	4
Summary of Recommendations.....	7
An Explanation of Credit Card Transaction Fees.....	10
Credit Card Acceptance Using a Third Party Payment Aggregator (Iowa Department of Revenue).....	14
Alternatives for Promoting the Acceptance of Credit Card Payments.....	17
Appendix 1. Cost Savings from the Use of Electronic Forms.....	18
Appendix 2. Electronic Payments Glossary.....	19
Appendix 3 – Fiscal Year 2005 Fees and Transactions for the State of Iowa’s Credit Card Merchant Account.....	21
Appendix 4 – Department of Revenue Credit Card Transaction Data (2003 to 2005) Using the Services of Official Payments Corporation.....	23

Index of Figures and Tables

	<u>Page</u>
Figure 1. The Growth of Electronic Transactions.....	5
Figure 2. Considerations in the Acceptance of Credit Cards for Government Transactions.....	6
Figure 3. Disincentives Introduced by the Payment of Credit Card Fees.....	7
Figure 4. The State Agency Acting as a Merchant.....	9
Figure 5. State Agency Contracting With a Third Party Payment Aggregator.....	10
Figure 6. Invoicing and Payment of Credit Card Fees By the State Treasurer’s Office.....	12
Figure 7. Distribution of the Discount Fee.....	13
Figure 8. The Processing of Credit Card Transaction Using the State of Iowa’s Merchant Account.....	13
Figure 9. Department of Revenue Collection of Tax Payments Using a Third Party Payment Aggregator.....	14



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Foreword by John Gillispie



John Gillispie,
State of Iowa
Enterprise Chief
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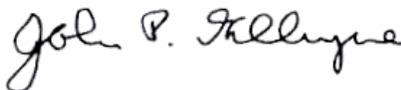
The technological advances of the last decade have changed the way we live and work. The World Wide Web is a perfect illustration. The Web offers people and organizations new ways to interact and communicate. Companies sell their products and services online. Universities offer distance learning classes and degrees through the Internet. Virtual banks provide teller-less savings and investment services. And government has leveraged the Internet to communicate with the public, with businesses, and with one another. The anytime, anywhere character of the Web allows government information and services to be more available to more people at greater convenience and, if done well, with increased satisfaction.

Implementing e-government applications using best practices in technology in the public sector improves the economic development potential of most jurisdictions. It does this in several ways. E-government applications can reduce the business costs of complying with government regulation. It can also improve the efficiency of conducting business with the public, saving public resources for more productive uses.

As you will see in this report, state government accepts electronic payments using a mix of payment options that have a variety of fee structures. Charging constituents for those fees, over and above the transaction amount, provides a disincentive for the adoption of electronic payments, and requiring agencies to pay the fees from already constrained operating budgets acts as a disincentive for agencies to offer electronic payment options.

In encouraging the use of electronic payments by the citizens of Iowa, state government must define clear goals for e-Government and create flexible internal administrative policies and procedures and responsive budgeting practices to remove the disincentives to e-Government. We must support e-Government by ensuring that within the State of Iowa's operational environment, a budget strategy is developed that reconciles the overall e-Government goals with the specific goals of the Legislature and the state agencies.

Signed,



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Executive Summary

This report was produced in compliance the 2005 Iowa Acts, Chapter 52 passed by the Eighty-First General Assembly, Session One (2005), requiring that it be submitted to the General Assembly by January 20, 2006. The legislative language mandating the report reads as follows:

“It is the intent of the general assembly to encourage the use of electronic transactions with regard to the state's dealings with the citizens of Iowa and other persons. The department of administrative services shall develop recommendations, including proposed legislation, to encourage the use of electronic commerce, including the acceptance of credit card payments, with regard to transactions involving the state. The department shall consult with the state treasurer, state entities currently accepting credit card payments, and any other state entities identified as considering the acceptance of credit card payments when developing the recommendations. The department shall deliver a report to the general assembly by January 20, 2006, including any recommendations, proposed legislation, and other related information, including cost information associated with credit card payments.”

Our constituents expect state government to offer services comparable to those provided by the most efficient commercial organizations. With the increased adoption of new media technologies, businesses are changing the ways they interact with their customers, and individuals are changing the ways they interact with each other. This adoption of new techniques and procedures throughout our society is changing people's expectations concerning how and when they transact business on both on a professional and personal level. State government must use its' limited resources to address these expectations. Today's e-Government is about much more than merely making government information available on a web site. It requires the transformation of business processes and service delivery models to provide convenient, cost-effective service through multiple delivery channels.

This report includes:

- The methods used by state agencies to accept credit cards.
- An explanation of credit card transactions and fees to provide some background on how credit cards work and the costs associated with an electronic credit card transaction.
- Recommendations from the Iowa Department of Administrative Services, with input from the State Treasurer's Office and state agencies, to remove the current disincentives and promote the acceptance and use of credit card payments in the conduct of state business.
- Proposed Legislation to implement the recommendations.

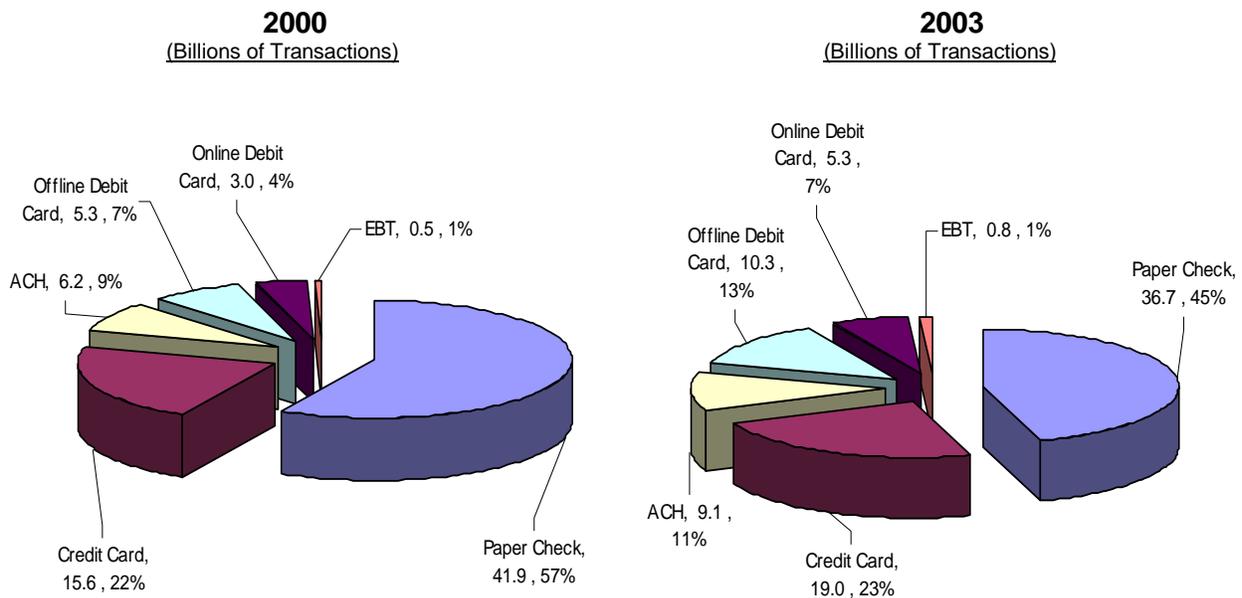
Editorial Note

Throughout this report, the term “credit card” is used for the sake of clarity. It should be noted that electronic payments can be made using credit cards, charge cards, and debit cards. The principles in this report apply equally to all of these types of payment cards.

The Acceptance of Credit Cards

In the past twenty-five years credit card acceptance as a payment method via nationally recognized credit cards has become virtually universal within the private sector. Such cards are accepted at a point of sale (POS) for even the smallest transaction. The convenience of electronic payments has spurred the growth and acceptance of such payments. The Automated Clearing House (ACH) is a secure, private electronic payment transfer system that connects all U.S. financial institutions. Direct paycheck deposits are an example of electronic fund transfers that use this network. (See Figure 1)

Figure 1. The Growth of Electronic Transactions



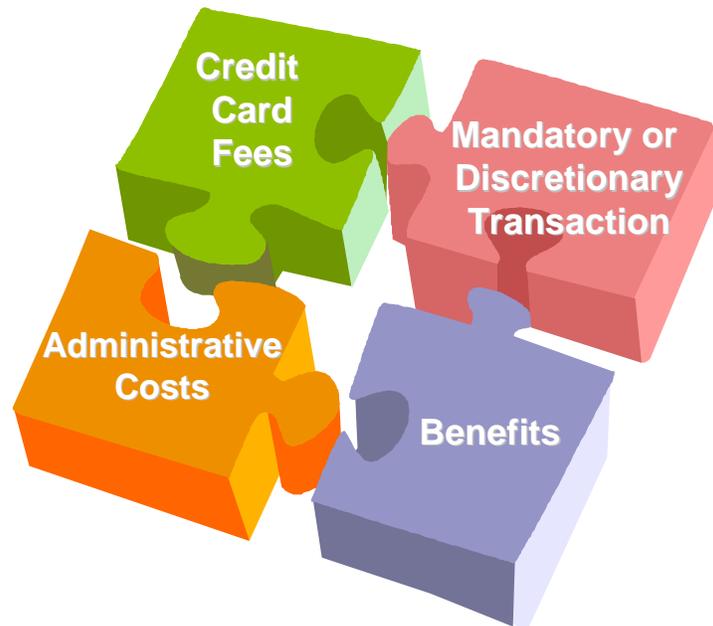
Source: Association for Financial Professionals

ACH also supports electronic payments through the use of e-Checks. The State of Iowa's cost of receiving credit card payments over the Internet averages approximately 1.96% of the total transaction cost. ACH fees range from 2.5 to 25 cents per transaction.

There are advantages and disadvantages to accepting electronic payments which, as a matter of public policy, governmental entities need to evaluate. Subject to state law and regulation, governmental entities must determine whether acceptance of credit cards as a payment option is reasonable and appropriate for the type of charge or fee being paid and the customer service level desired.

Electronic Benefits Transfer (EBT) is the distribution of certain government benefits using a plastic card similar to debit or credit cards. Information held on the card's magnetic strip used in conjunction with Personal Identification Number ensures the convenient, rapid, and secure transfer of benefits each month.

Figure 2. Considerations in the Acceptance of Credit Cards for Government Transactions.



In evaluating the acceptance of credit cards, state government must consider the following:

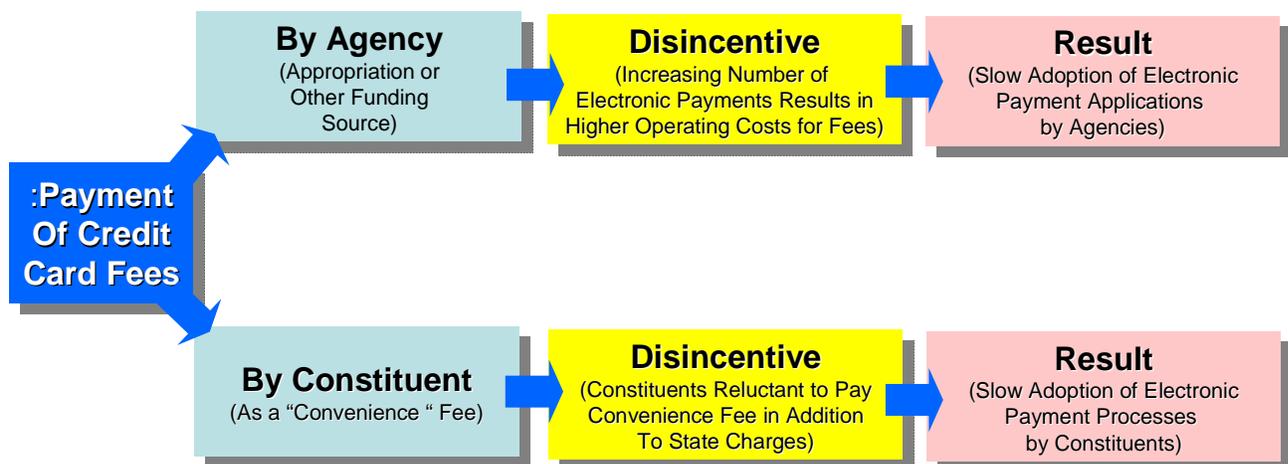
- Merchant discount and other fees. The costs charged by the credit card issuer per transaction typically vary between one and three percent of the value of the transaction. The State Treasurer's Office issues a competitive request for proposals periodically in an effort to obtain the lowest possible fee to minimize the financial impact to state government and to constituents, whichever party ultimately pays the fee. When negotiating fees, the Treasurer's Office has endeavored to consolidate all potential users to get the best price. The Iowa Department of Revenue has opted to use a third party to process tax payments and recover the discount fees associated with the electronic transactions. Using this method, the constituent is assessed the cost of processing the electronic transaction.
- Type of Transaction. State government policy makers should consider whether they want to accept credit cards for mandatory charges for which citizens must pay (such as taxes), or for discretionary charges which citizens elect to pay (such as recreation or admissions fees). This distinction is important because of the potential affect on revenues. Acceptance of credit cards as a method of payment for mandatory charges may not significantly increase the amount of revenue received by the government, and may actually reduce net expected revenues as a result of paying the credit card fees. Acceptance of credit cards as a method of payment for discretionary charges and the absorption of the related credit card fees may offer such a convenience that the volume of Internet transactions and the resultant revenues would increase with the acceptance of credit cards.

- Administrative costs. The costs of equipment, website services, and the associated personnel necessary to process credit card transactions.
- Benefits to government. These include:
 - Increased certainty of collection.
 - Reduced return check processing costs.
 - Accelerated payments and the availability of funds.
 - Improved audit trail.
 - Reduced cashiering costs.
 - Goodwill for government due to the improved constituent convenience.
 - Reduced forms processing costs (See Appendix 1)

Summary of Recommendations

Consistent with the intent of the General Assembly to encourage the use of electronic transactions, it is necessary to eliminate disincentives to: a) the development of electronic payment options by governmental entities, and b) the adoption of electronic payments by government’s constituents. The most significant disincentive appears to be the fees associated with the use of credit cards. (See Figure 3)

Figure 3. Disincentives Introduced by the Payment of Credit Card Fees



To address the issue of credit card fees, the Department of Administrative Services proposes the adoption of one of the following alternatives:

Alternative 1: Make an appropriation to the State Treasurer’s Office for the estimated amount sufficient to cover the annual cost of executive branch credit card fees (estimated to be \$3.4 million annually) if all eligible payments were made electronically. In exchange for this



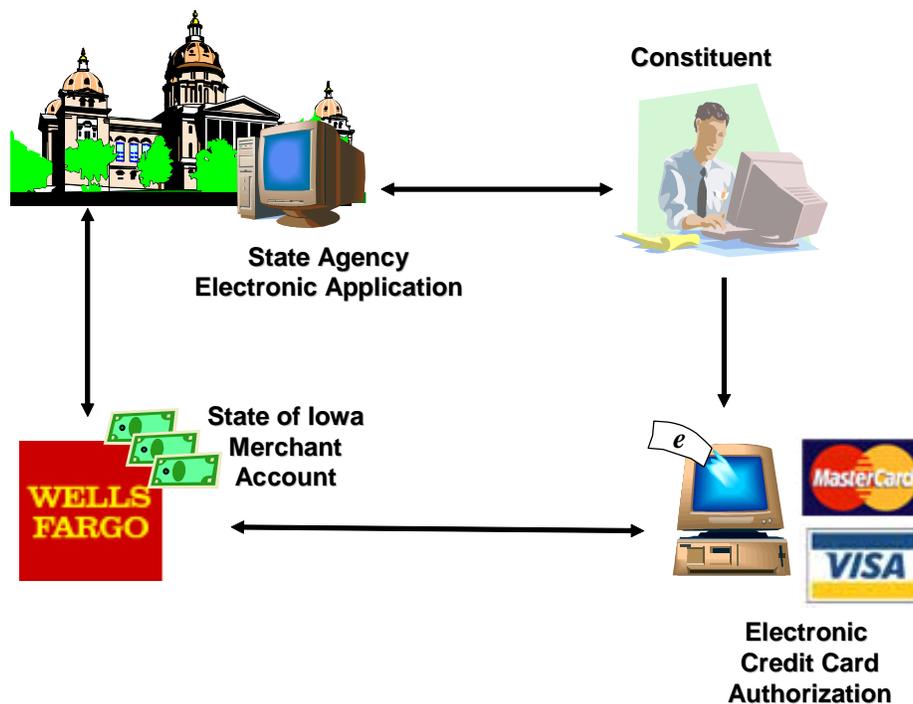
appropriation, all executive branch “convenience” fees currently being charged to constituents to defray credit card fees would be eliminated. This arrangement would exclude the Department of Revenue, the Board of Regents and Regents institutions, and the Judicial Branch.

Alternative 2: Include the credit card fees as a cost of doing business and authorize the State Treasurer pay the credit card fees from the appropriable receipts collected through credit card payments deposited into the State of Iowa’s merchant account. Agencies would receive the “net amount” (i.e. the total transaction amount minus the credit card fees) and deposit the revenue in the appropriate fund (i.e. general fund or specified revolving or other funds). This arrangement would exclude the Department of Revenue, the Board of Regents and Regents institutions, and the Judicial Branch. No appropriation would be required for this option.

Two Models Used by Executive Branch Agencies for Accepting Electronic Payments

There are currently two models used by state agencies for accepting electronic payments – state agencies conducting transactions directly with constituents using special merchant accounts established in a bank that processes electronic transactions under a master agreement set up by the State Treasurer (see Figure 4); or maintaining a contract with a Third Party Payment Aggregator.

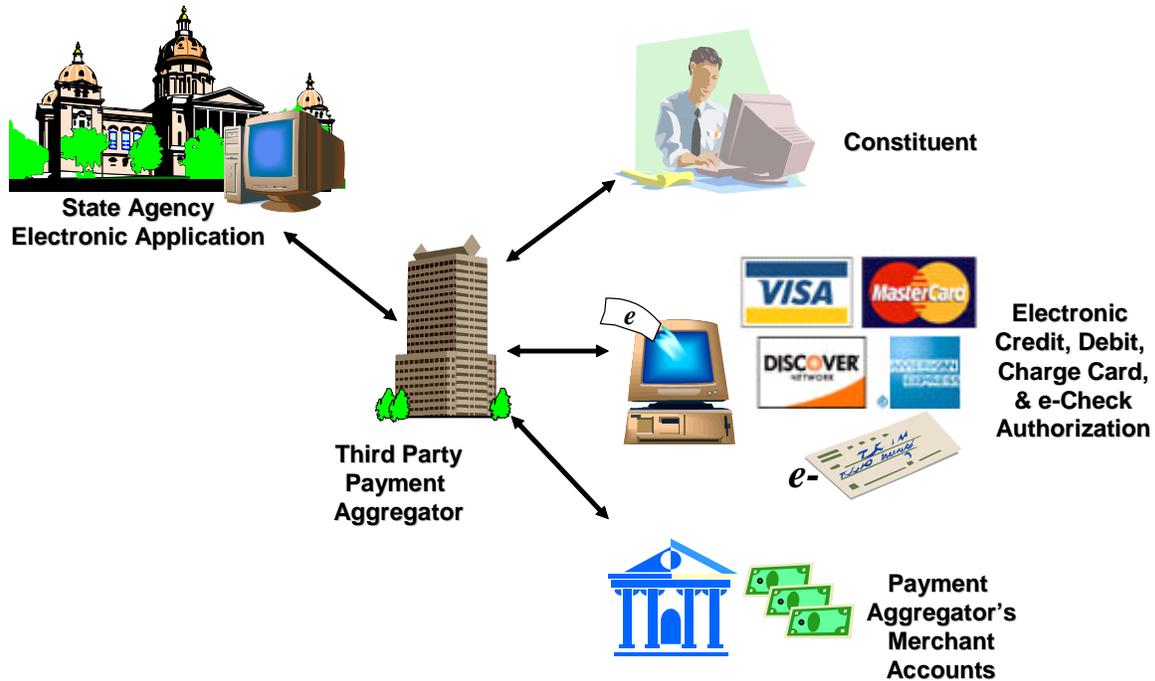
Figure 4. The State Agency Acting as a Merchant



In the scenario in Figure 4, the state agency must decide if it can pay the credit card fees from available funding sources or if it should seek permission to charge the constituent a “convenience” fee to recover any unfunded agency expenses associated with the acceptance of electronic payments.

Another method of collecting payments electronically is to use a Third Party Payment Aggregator. Using this method, a state agency contracts with a third-party to offer a wide range of payment options (e.g. credit cards, debit cards, charge cards, electronic checks) for specified types of payments. Prior to authorizing the electronic payment, a service fee to cover all of the costs associated with the transaction is calculated and the total payment amount, including the service fees is presented to the constituent for authorization. (See Figure 5)

Figure 5. State Agency Contracting With a Third Party Payment Aggregator



Currently, most fee-based online services are geared toward business and individual users willing to pay for the added convenience of obtaining information or conducting certain business transactions online. While our experience shows that some constituents are willing to pay a fee for electronic access to information and services, the fees tend to limit the adoption of such services.

An Explanation of Credit Card Transaction Fees

Credit Card Merchant Accounts

To accept credit card payments, state agencies must have a merchant account. To understand merchant accounts and the flow of information and money involved in a credit card transaction, you must understand the functions of an acquiring institution and an Issuing Bank.

Acquiring Bank - A Bank that contracts with merchants or governmental entities to financially settle electronic transactions.

Issuing Bank - This is the bank that issued the customer's credit card and, upon approval of the transaction, makes funds available to settle the transaction with the acquiring institution. The issuing bank will then bill their customer for the debit on their card.

Merchant accounts are established with an Acquiring Bank. When a credit card transaction is initiated by a constituent, the transaction information (i.e. credit card number; name and billing



address; and transaction amount) is sent to an electronic authorization service (Authorize.net is used for most state government transactions) who then forwards it to the issuing bank.

The acquiring institution ensures the funds are deposited into the State of Iowa's merchant account. Authorize.net acts as the channel for moving the credit card transaction from the State's web site to the issuer's processing network, receives the results, and posts them back to the State's web application.

Credit Card Acceptance Using the Acquiring Bank Master Agreement Through the State Treasurer's Office

State agencies set up merchant accounts with the State of Iowa's acquiring bank through the State Treasurer's Office. The master agreement for the merchant accounts prohibits state agencies from discriminating as to rates, services, or other conditions with respect to any transaction in which a credit card is used. The master agreement requires agencies to ensure that costs associated with accepting credit cards are built into the general rate structure and allocated uniformly to all customers or clients.

Fees Charged to the State Under the Master Agreement - The charges related to credit card usage are multi-layered and somewhat complex. Discount fees from credit card companies are passed to the State by the bank and are based on manner of transaction and type of credit card used (consumer, corporate, reward cards, etc.). Below, in very general terms, are costs associated with credit card payments under the State of Iowa's current contract:

Average Discount Fees (based on type of card):

<u>Card Type</u>	<u>Fee Charged</u>
Consumer credit cards	0.80% + 25 cents to 2.70% + 10 cents per transaction
Corporate/purchasing credit cards	1.70% + 10 cents to 2.70% + 10 cents per transaction
"Reward" ¹ credit cards.....	1.65% + 10 cents to 2.90% + 10 cents per transaction

Authorization Fees:

Authorize.net..... \$199.00 setup charge plus \$25.00 monthly fee

Other Charges:

Bank processing fee	0.25% of transaction amount
MasterCard assessment fee	0.0950% of transaction amount
VISA assessment fee.....	0.0925% of transaction amount
Chargeback Fee	\$ 15.00 per transaction (to reverse disputed charges)

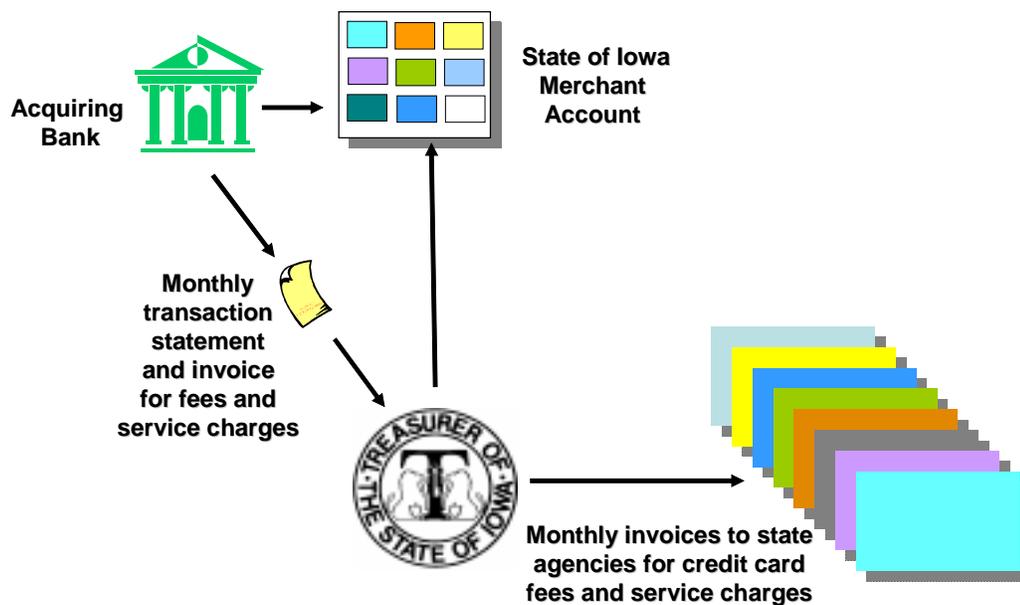
An Explanation of the "Discount Fee" - The discount fee is the fee charged for processing the credit card transaction. In a private sector retail transaction, the total transaction amount is

¹ (Reward cards offer airline miles, rebates or other incentives for each dollar spent)

“discounted” by the amount of the fee. In other words, the retailer ultimately receives less for the goods than the selling price (i.e. the selling price minus the credit card fees). For government transactions, state agencies lack the authority to “discount” goods or services purchased by constituents, so they often charge a convenience fee to recover these costs.

On a monthly basis, the State Treasurer’s Office receives a transaction statement and an invoice of credit card fees and service charges. They pay the invoiced amount to the acquiring bank and issue invoices to state agencies for the fees associated with their transactions. (See Figure 6)

Figure 6. Invoicing and Payment of Credit Card Fees By the State Treasurer’s Office



The majority of this fee goes to the issuing bank; however, portions of the fee go to the processing network, the card brand (Visa, MasterCard, etc.) as an assessment fee, and to the acquiring bank.

Example: \$100 Visa or Master Card transaction with a discount fee of 2.5%

The total discount fee = \$2.50

Distribution of the Discount Fee

Interchange Fee: \$2.15½ (Paid to the Issuing Bank)

Assessment fee: \$.09½ (Paid to Master Card or Visa)

Acquiring Bank Processing Fee \$.25 cents

Figure 7 shows the total distribution of the “discount fee” and Figure 8 shows the processing of a typical government transaction using a credit card for electronic payment.

Figure 7. Distribution of the Discount Fee

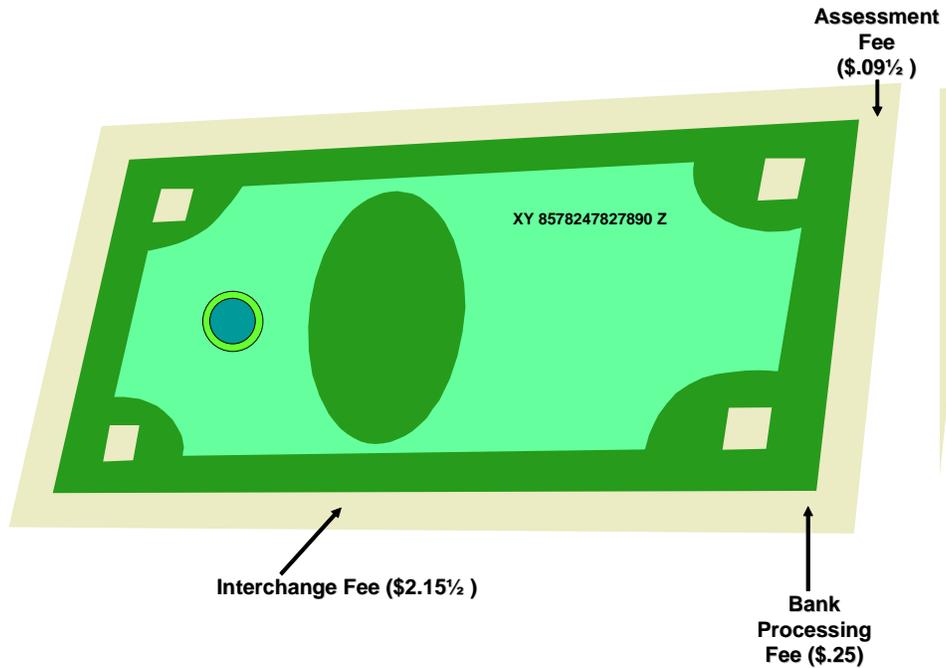
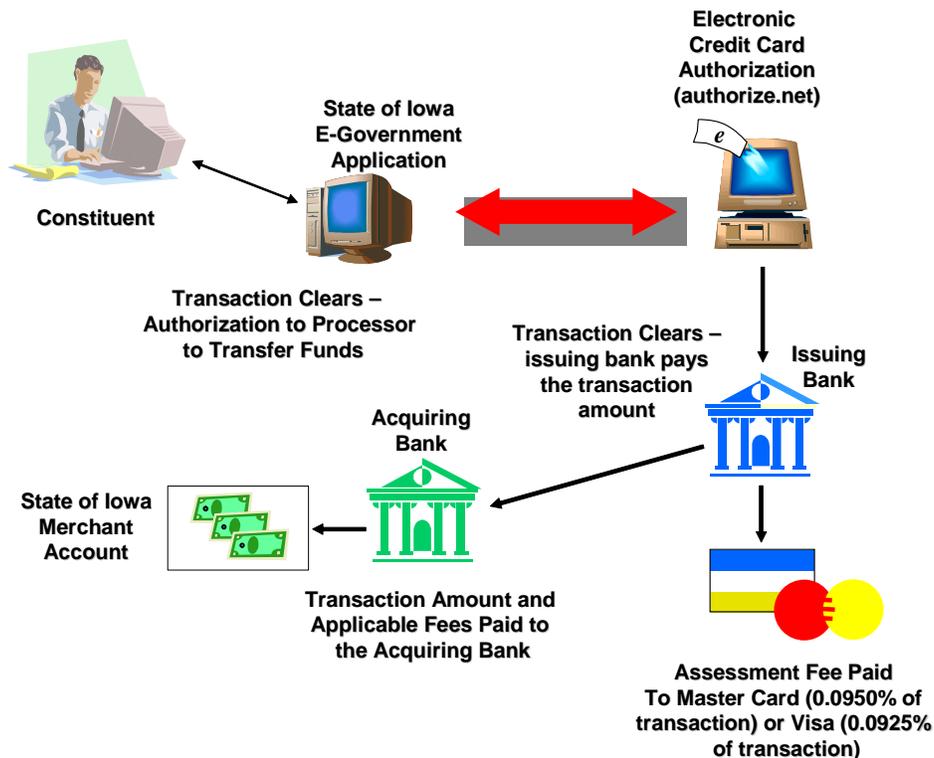


Figure 8. The Processing of Credit Card Transaction Using the State of Iowa’s Merchant Account

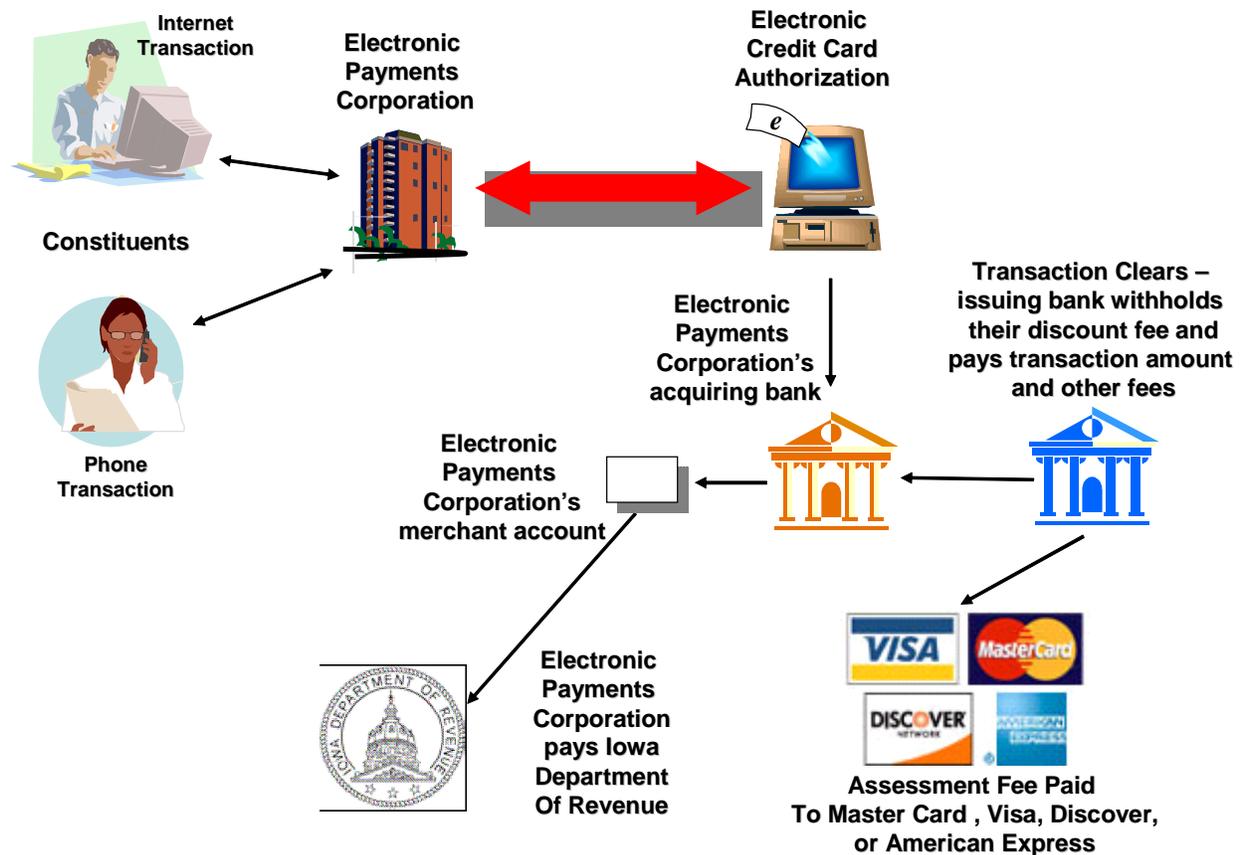


The State Treasurer’s Office receives a monthly invoice of credit fees for each merchant account. They pay the invoiced amount to the acquiring bank and issue invoices to state agencies for the fees associated with their merchant account(s).

Credit Card Acceptance Using a Third Party Payment Aggregator (Iowa Department of Revenue)

The Iowa Department of Revenue uses a leading provider of reliable and secure electronic payment options, Official Payments Corporation, to electronically collect payments from constituents. Official Payments Corporation provides electronic payment services for the Internal Revenue Service, 26 states, the District of Columbia and 2,000 local government clients nationwide. Official Payments’ principal business is processing electronic payments on behalf of government entities via its Web site, www.officialpayments.com, and its toll-free telephone number, 1-800-2PAY-TAX. Official Payments charges citizens a convenience fee for the service. (See Figure 9)

Figure 9. Department of Revenue Collection of Tax Payments Using a Third Party Payment Aggregator





When making a payment using this service, constituents are asked to enter information such as:

- The type of tax.
- A bill or invoice number (if paying a billed amount).
- Credit card information.
- The amount of the tax payment.
- Social security number or tax identification number.

The electronic payment service will:

- Tell the constituent the total of the payment including the appropriate fee.
- Obtain approval of the charge from the issuing bank.
- Issue an onscreen confirmation number and a printable digital receipt. A Confirmation is e-mailed to constituents who request it. Two charges will appear on the constituent's credit card statement: the tax amount on one line, the convenience fee amount on a separate line.
- Ensure constituents have a private and secure payment option.

Official Payments Corporation uses the best encryption technology available. Credit card information is not passed to any of their government clients, and payment data is passed using hardware encryption. Transactions are processed using a leased line connection to the credit card issuers. Official Payments Corporation partners with VeriSign to ensure the highest level of privacy and security.

The advantages for constituents include:

Rewards - Charging taxes and fees is a simple way to maximize card rewards for constituents with cards that provides points, miles, or money back for dollar charged.

Flexibility – Constituents who charge taxes are able to settle government obligations over time.

Convenience - Paying taxes and fees online or over the telephone is fast and easy. The service works whether constituents opt for the convenience of electronic tax filing or choose to file on paper.

Security - Official Payments uses safe and proven technology, with more than four years experience successfully processing payments for the Internal Revenue Service, 26 states and the District of Columbia, and 2,000 local government clients.

The Iowa Department of Revenue uses Official Payments Corporation to collect the following payments:

Billed Delinquent Payments

- Delinquent Court Debt
- Delinquent Income Tax Debt
- Delinquent Sales/Use Tax Debt
- Delinquent Withholding Tax Debt

Current Tax Due

- Income Estimated payments
- Individual Income Tax
- Sales and Use Tax
- Withholding Tax

Constituents choosing to make payments electronically to the Iowa Department of Revenue using a credit or debit card pay a convenience fee equal to 2.5% of the amount of the billed delinquent payment or tax due. This convenience fee pays all of the credit card fees and compensates Official Payments Corporation for their services. Official Payments Corporation (<https://www.officialpayments.com/>) accepts VISA, Master Card, Discover, and American Express for payments.



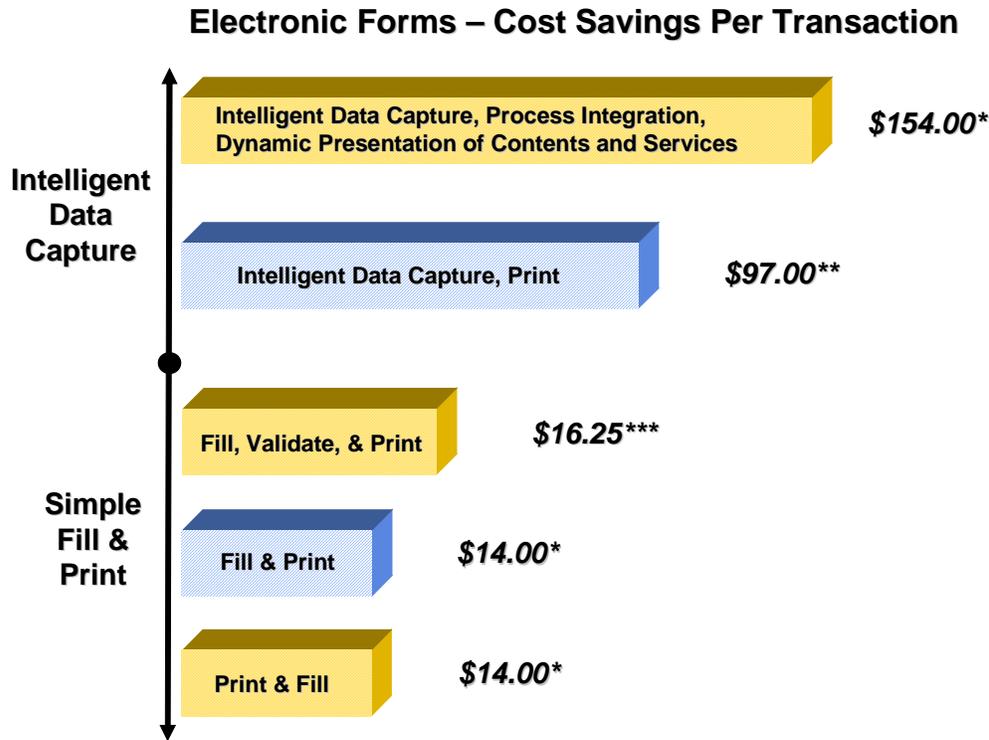
Alternatives for Promoting the Acceptance of Credit Card Payments

Alternative 1: Make an appropriation to the State Treasurer's Office for the estimated amount sufficient to cover the annual cost of executive branch credit card fees (estimated to be \$3.4 million annually) if all eligible payments were made electronically. As shown in Appendix 2, the FY05 credit card fees for merchant accounts setup through the Treasurer's Office totaled \$170,653.56. This is estimated to be approximately 5% of the payments eligible to be remitted by credit card. In exchange for this appropriation, all executive branch "convenience" fees currently being charged to constituents to defray credit card fees would be eliminated. The Department of Revenue, Board of Regents and its' institutions, and the Judicial Branch would be exempted from this arrangement. In requesting this appropriation, it must be understood that: a) the amount requested is an estimate, based on historical data and projections of future credit card use; b) an increase in the use of credit cards for payments to the State of Iowa results in a corresponding increase in the amount of the credit card fees (approximating 1.96% of total revenues collected by credit card).

Alternative 2: Accept the credit card fees as a cost of doing business and authorize the State Treasurer pay the credit card fees from the appropriable receipts collected through credit card payments deposited into the State of Iowa's merchant account. Agencies would receive the "net amount" (i.e. the total transaction amount minus the credit card fees) and deposit the revenue in the appropriate fund (i.e. general fund or specified revolving or other funds). This arrangement would exclude the Department of Revenue, the Board of Regents and Regents institutions, and the Judicial Branch. No appropriation would be required for this option.

Appendix 1. Cost Savings from the Use of Electronic Forms

Studies indicate that secure *e*-forms *can* result in cost savings of greater than 90% over manual processing if they are implemented correctly.



Sources:

* Bill Gates, Business @ the Speed of Thought

** Gartner Group

*** Large Government Agency in Australia

Relative Cost of Paper Forms and *e*-Forms²

	Paper Form	e-Form	Savings
Printing & Storage	\$15	\$1	\$14
Filling, Processing, & Keying	\$145	\$5	\$140
Cost Per Completed Form	\$160	\$6	\$154

Source: Bill Gates, Business at the Speed of Thought

² This comparison includes operational costs – it does not include the development cost of electronic forms and applications.



Appendix 2. Electronic Payments Glossary

ACH - Automated Clearing House – Funds transfer system governed by National Automated Clearinghouse Association (NACHA) Operating Rules, which provides for interbank clearing of electronic entries for participating financial institutions.

Aggregators - Service bureaus that provide bill presentment and/or payment consolidation services.

Authentication - A reliable process that determines the identity of a party.

Authorization – An agreement between a Receiver and Originator that allows the Originator to initiate debits and/or credits to a Receivers account.

Bill/Invoice - An electronic or paper document sent to a customer associated with a payment due.

Check - A paper negotiable instrument payable upon demand to transfer funds from the payer to the payee.

Clearing – The process of collecting paper or electronic items from the drawee bank after a deposit by a consumer.

Clearing House – An association of depository institutions that facilitates the clearing and settlement of checks or electronic items through the direct exchange of funds between members.

Corporate Card – A payment mechanism used by authorized employee/cardholders for supplies, travel, and entertainment expenses incurred during the course of business for a company.

Credit Card - A payment mechanism used to provide credit to the buyer.

Credit Card Processor - A financial institution or third party that process credit card transactions.

Charge Card - A card used for making payments. Similar to a credit card except that the balance must be paid in full when the statement is received. No credit is provided.

Debit – An entry to request transfer or removal of funds from an account.

Debit Card – A card that allows a constituent to make purchases using a card that debits directly from a bank account.

Debit Transaction - A payment transaction originated by a Biller, which as been authorized by the Customer, to withdraw funds from the Customer's account.

EBPP - Electronic Bill Presentment and Payment – The electronic presentation of statements, bills, invoices and related information sent by a company to its consumer customers, and corresponding payment for goods or services.



EFT - Electronic funds transfer - Electronic payment such as ACH or wire transfer.

Electronic Payment - Any non paper-based type of payment.

NACHA – The Electronic Payments Association - The National Automated Clearing House Association a national association of payments associations, that develops operating rules and business practices for the Automated Clearing House (ACH) Network and for electronic payments in the areas of Internet Commerce, electronic bill and invoice presentment and payments (EBPP, EIPP), e-checks, financial electronic data interchange (EDI), international payments, and electronic benefit transfer (EBT). NACHA also provides information and education to members.

Payment - A vehicle to affect the transfer of value.

Purchasing Card – A payment mechanism used by employee/cardholders to obtain goods and services needed by the company.

Reversals – An ACH entry or file sent with required deadlines to "correct" or reverse a previously originated duplicate or erroneous entry or file.

Settlement - The process by which buyer and sellers or issuers and acquirers exchange financial data and value resulting from sales transactions.

**Appendix 3 – Fiscal Year 2005 Fees and Transactions for the State of Iowa's Credit Card Merchant Account**

Merchant Account Holder	Application Type (e-Gov or Point of Sale)	Fees as a % of Sales	Total FY05 Sales	Total Fees	Total Transactions	Average Sale
Board Of Medical Examiners	e-Gov	1.95%	\$1,298,095.50	\$25,362.06	4,157	\$312.27
Board Of Nursing	e-Gov	1.78%	\$1,255,344.00	\$22,285.08	11,836	\$106.06
Commerce	e-Gov	2.55%	\$376,455.00	\$9,603.71	4,799	\$78.44
Commerce – Professional Licensing	e-Gov	1.98%	\$332,542.00	\$6,593.14	2,897	\$114.79
Commerce – Professional Licensing - Accountants	e-Gov	2.04%	\$81,855.00	\$1,670.12	1,013	\$80.80
Commerce – Professional Licensing - Architects	e-Gov	2.05%	\$77,200.00	\$1,578.82	403	\$191.56
Commerce – Professional Licensing – Engineers	e-Gov	1.98%	\$108,872.00	2,155.54	1,153	\$94.35
Commerce – Professional Licensing – Real Estate	e-Gov	1.86%	\$137,140.00	\$2,552.40	764	\$179.50
Cultural Affairs	POS	2.54%	\$6,173.83	\$157.05	180	\$34.30
Cultural Affairs – Internet	e-Gov	6.57%	\$2,285.35	\$150.07	35	\$65.30
Department For The Blind	POS	2.02%	\$24,961.94	\$504.56	464	\$53.80
Department Natural Resources – Cedar Rock	POS	37.54%	\$1,553.56	\$583.16	33	\$47.08
Department Natural Resources – Geo Survey	POS	2.68%	\$5,088.84	\$136.34	185	\$27.51
Department Natural Resources – Nature Store	POS	7.13%	\$6,208.00	\$442.86	356	\$17.44
Department Natural Resources – Reception	POS	2.12%	\$82,364.87	\$1,746.38	755	\$109.09
Department Natural Resources – State Forest Nursery	POS	1.93%	\$202,477.80	\$3,899.02	768	\$263.64
Department Natural Resources – Subs 2	POS	2.37%	\$9,506.00	\$225.64	496	\$19.17
Educational Examiners Board - Gary Borlaug	e-Gov	1.95%	\$1,298,095.50	\$25,362.06	4,157	\$312.27
Iowa Communications Network	e-Gov	4.51%	\$13,340.42	\$601.58	24	\$555.85



Merchant Account Holder	Application Type (e-Gov or Point of Sale)	Fees as a % of Sales	Total FY05 Sales	Total Fees	Total Transactions	Average Sale
Inspections And Appeals	e-Gov	2.08%	\$343,525.00	\$7,130.74	289	\$1,188.67
Iowa Veteran's Commission / Coin Sales	POS	2.68%	\$58,048.00	\$1,555.51	1,185	\$48.99
Judicial Branch	e-Gov	2.11%	\$245,434.73	\$5,180.93	4,894	\$50.15
Judicial Branch – Iowa Court Online System	e-Gov	1.67%	\$2,573,606.16	\$43,027.53	28,409	\$90.59
National Guard	POS	2.11%	\$180,895.70	\$3,808.23	3,985	\$45.39
Public Safety – Division Of Criminal Investigation	e-Gov	2.34%	\$809,074.00	\$18,966.70	23,182	\$34.90
Secretary Of State	e-Gov	2.27%	\$118,199.00	\$2,687.46	4,141	\$28.54
Secretary Of State - Internet	e-Gov	2.22%	\$94,170.00	\$2,085.95	3,139	\$30.00
State Fair Blue Ribbon	POS	2.12%	\$270,322.96	\$5,743.48	3,596	\$75.17

Total FY 2005 Sales \$8,721,018.66

Total FY 2005 Credit Card Fees \$ 170,653.56

Fees as a percent of sales 1.96% (average)

Total FY05 Merchant Account Transactions (set up through the State Treasurer's Office Master Agreement)

FY05 Master Card Total..... \$3,337,343.02 40,586 Transactions

FY05 VISA Total \$5,383,776.64 62,690 Transactions

\$8,721,018.66 103,276 Transactions

Editor's Note: Fees in the 3% to 7% range typically indicate a lower volume of small transactions. Fees above 7% are indicative of point-of-sale equipment and other expenses being financed for a limited period of time.

**Appendix 4 – Department of Revenue Credit Card Transaction Data (2003 to 2005) Using the Services of Official Payments Corporation**

Credit Card Transactions by Method				
Filing Method	2003	2004	2005	Growth: 2003 - 2005
Interactive Voice Response	2,127	2,681	3,653	1,526
Web	1,612	1,443	4,707	3,095
Total	3,739	4,124	8,360	4,621

Credit Card Transactions by Tax Type				
Description	2003	2004	2005	Growth: 2003 - 2005
Consumer Use	-	2	13	13
Corporation	-	10	8	8
Court	634	780	940	306
Drug Stamp	-	1	-	-
Income	2,833	2,845	4,470	1,637
Income Estimate	161	281	303	142
Income: Processing	9	19	5	(4)
Motor Vehicle Use	3	3	10	7
Retail Use	-	-	82	82
Sales	75	129	1,835	1,760
Withholding	24	54	694	670
Total	3,739	4,124	8,360	4,621



Credit Card Transactions by Credit Card Type				
Description	2003	2004	2005	Growth: 2003 - 2005
American Express	149	161	417	268
Discover	270	191	339	69
Master Card	1,288	1,307	2,595	1,307
Visa	2,032	2,465	5,009	2,977
Total	3,739	4,124	8,360	4,621

Credit Card Amounts by Tax Type				
Description	2003	2004	2005	Growth: 2003 - 2005
Consumer Use	\$0.00	\$1,313.15	\$14,266.73	\$14,266.73
Corporation	\$0.00	\$6,692.13	\$5,427.83	\$5,427.83
Court	\$87,300.63	\$106,454.59	\$138,482.98	\$51,182.35
Drug Stamp	\$0.00	\$4,528.56	\$0.00	\$0.00
Income	\$1,050,222.02	\$1,148,858.89	\$1,697,665.85	\$647,443.83
Income Estimate	\$195,753.81	\$266,782.10	\$281,364.31	\$85,610.50
Income: Processing	\$4,573.43	\$3,036.87	\$1,539.75	(\$3,033.68)
Motor Vehicle Use	\$177.98	\$1,875.61	\$2,679.03	\$2,501.05
Retail Use	\$0.00	\$0.00	\$43,386.33	\$43,386.33
Sales	\$80,750.58	\$92,745.32	\$781,152.29	\$700,401.71
Withholding	\$8,200.05	\$28,403.84	\$328,431.87	\$320,231.82
Total	\$1,426,978.50	\$1,660,691.06	\$3,294,396.97	\$1,867,418.47



EFT Transactions by Method				
Description	2003	2004	2005	Growth: 2003 - 2005
CREDIT (ACH)	96,572	98,049	95,293	(1,279)
CREDIT CARD PAYMENTS	4,430	4,086	7,727	3,297
DEBIT (IPS)	139,189	159,183	244,775	105,586
FED WIRE	192	74	100	(92)
WEB FILE	1,110	1,551	1,697	587
Total	241,493	262,943	349,592	108,099
Credit Cards as % of Total	1.83%	1.55%	2.21%	

EFT Amounts by Payment Method				
Description	2003	2004	2005	Growth: 2003 - 2005
CREDIT (ACH)	\$1,725,512,402.57	\$1,808,350,558.25	\$1,713,698,050.09	-\$11,814,352.48
CREDIT CARD PAYMENTS	\$1,451,852.72	\$1,645,967.74	\$5,770,102.58	\$4,318,249.86
DEBIT (IPS)	\$2,125,710,387.73	\$2,260,217,156.09	\$2,212,104,627.12	\$86,394,239.39
FED WIRE	\$8,953,636.26	\$19,068,420.57	\$29,599,517.95	\$20,645,881.69
WEB FILE	\$540,557.56	\$849,614.32	\$1,657,968.94	\$1,117,411.38
Total	\$3,862,168,836.84	\$4,090,131,716.97	\$3,962,830,266.68	\$100,661,429.84
Credit Cards as % of Total	0.04%	0.04%	0.15%	