



11951 Freedom Drive, Suite 1001, Reston, Virginia 20190
703- 561-1100 ♦ <http://www.nacha.org>

**STATE TAX REFUND RETURN
OPT-IN PROGRAM
ODFI AGREEMENT AND OPERATING RULES**

March 22, 2017

This State Tax Refund Return Opt-In Program ODFI Agreement (“Agreement”) is entered into as of the date last executed below (the “Effective Date”), by and between NACHA - The Electronic Payments Association (“NACHA”) and _____ (the “Participating ODFI”).

BACKGROUND

In an effort to reduce tax refund payment fraud, the State of _____ Department of _____ **ex.: Treasury, Revenue, etc** (the “Participating State”) would like to make it easier for RDFIs who have agreed to participate in this program (“Participating RDFIs”) to return tax refund credits in cases of suspected error or fraud. Accordingly, the State Tax Refund Return Opt-In Program (the “Program”) has been developed whereby Participating RDFIs can submit Return Entries to the State under operating rules adopted specifically for the Program (“Program Rules”).

The Program Rules permit a Participating RDFI to return a tax refund credit that is questionable using the R17 Return Reason Code for 60 days from the Settlement Date of the original Entry. The Program Rules allow such a return by a Participating RDFI (i) in the case of a name mismatch between the credit Entry and the name associated with the account, (ii) for situations where the taxpayer’s identity has been stolen, or (iii) for a refund where there are indications that the credit Entry is questionable, invalid, erroneous, or obtained through fraudulent filings. A Participating RDFI is not required to perform name matching or to screen tax refund credits for name matches before posting. Because the Program Rules permit these R17 returns, RDFIs would not be required to either notify or obtain permission from the State or Program ODFI regarding each such return. The Participating ODFI receiving Program Returns must make the returns available to the Participating State in the same time and manner it makes other, non- Program Returns available to the Participating State.

NACHA and the Participating ODFI therefore agree as follows:

AGREEMENT

1. Definitions. Capitalized terms not otherwise defined in this Agreement, including the preamble and Background provisions, shall have the meanings given to such terms in the NACHA Operating Rules, as amended from time to time (the “NACHA Rules”).

2. Incorporation by Reference. This Agreement, together with the NACHA Rules and the Program Rules (Exhibit A) which are hereby incorporated by reference into this Agreement, constitutes the entire understanding of the parties, and supersedes any prior understandings, with respect to the subject matter of this Agreement. In the event of a conflict among this Agreement, the Program Rules and the NACHA Rules, the following order of precedence shall apply: first, this Agreement, then the Program Rules, then the NACHA Rules. Silence shall not constitute a conflict.

3. Agreement to Participate under the Program Rules. Participating ODFI hereby agrees to receive R17 Return Entries on behalf of the Participating State set forth above and be bound by and comply with the Program Rules, as amended by NACHA from time to time in its sole discretion upon prior written notice to Participating ODFI, provided that the Participating RDFI has determined in its sole discretion whether to submit Return Entries to the Participating State under the Program. The Parties agree that Participating ODFI is otherwise permitted to dishonor R17 Return Entries in accordance with Subsection 2.12.5 of the NACHA Rules.

4. Sharing of Information. The parties agree that the Participating ODFI, Participating RDFIs, NACHA, and the Participating State may share information regarding the performance of the Program, including transaction volumes, for purposes of operating and improving the Program and general risk management.

5. Term. This Agreement shall commence as of the Effective Date and shall continue in effect until terminated by one party providing at least thirty (30) days prior written notice to the other party.

6. Counterparts. This Agreement may be executed in multiple counterparts, which taken together shall constitute one instrument and each of which shall be considered an original for all purposes. In the event that any signature is delivered by facsimile transmission or email delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original thereof.

* * *

IN WITNESS OF THE FOREGOING, the Participating ODFI has caused this Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

Name of Participating ODFI: _____

By (please print person's name): _____

Signature: _____ Title: _____

Street Address, City, State, Zip

Telephone number (voice): _____ Fax: _____

Email address: _____

Date: _____

This agreement has been accepted by Nacha:

By (please print): _____

Signature: _____

Title: _____

Telephone number (voice): _____

Email address: _____

Date: _____

EXHIBIT A
STATE TAX REFUND RETURN OPT-IN PROGRAM
OPERATING RULES

March 22, 2017

The following Operating Rules of the State Refund Return Opt-In Program shall supersede conflicting provisions of the NACHA Rules.

- A. Participating RDFIs may return credit PPD Entries received from each Participating State using the R17 Return Reason Code and a specific “subcode” in the Addenda Information field to specify the nature of the return. The subcodes and reasons (collectively the “Subcodes”) are as follows:
1. **Subcode 17: *Name Mismatch*** between the Participating RDFI’s record of the name associated with account number contained in the Entry and the Receiver’s name contained in the Entry, or for other conditions acceptable to each Participating State, including a Social Security Number mismatch;
 2. **Subcode 18: *ID Theft***, where the Participating RDFI has been notified or believes as a result of internal fraud investigation that a PPD credit Entry is related to a case where a taxpayer’s identity has been stolen; or
 3. **Subcode 19: *Questionable Refund***, whereby account characteristics, account history, investigation and/or other key markers identified through filters or other means implemented by the Participating RDFI indicate that a forward PPD credit Entry deposited to an account(s) may be questionable, invalid, erroneous, or obtained through fraudulent filings.

Each such Return Entry is referred to below as a “Program Return” and will be transmitted from the Participating ODFI to the respective Participating State in accordance with the Origination Agreement between the Participating ODFI and the respective Participating State.

- B. A Program Return may be Transmitted by a Participating RDFI for up to 60 days following the Settlement Date of the original Entry. The Parties agree that Participating ODFI is otherwise permitted to dishonor R17 Return Entries in accordance with Subsection 2.12.5 of the NACHA Rules, provided that a Program Return Transmitted by a Participating RDFI up to 60 days following the Settlement Date of the original Entry shall not be considered untimely. If a Participating RDFI wishes to Transmit a Program Return after 60 days from the Settlement Date of the original Entry, the Participating RDFI must contact the Participating ODFI to obtain permission for a late Program Return and ODFI shall accept or deny the late Program Return request at its sole discretion.
- C. Participating RDFIs make no representation or warranty: (i) that they will Transmit any Program Returns; or (ii) that any Program Return is the result of breach of ODFI warranty, error, fraud or other unlawful activity. The Participating ODFI(s) and Participating RDFIs shall have no liability for the Transmission or acceptance or rejection of any Program Return in accordance with the NACHA Rules, as modified by these Program Rules.