



## Agency Priority Goal Action Plan

# Improving the Public's Experience Increasing Electronic Payments and Reducing Paper Checks

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# Overview

## Goal Statement:

Create a modern, seamless, and cost-effective Federal payment experience for the public by:

- Reducing the number of paper checks printed by Treasury's Bureau of the Fiscal Service to 49 million by the end of FY 2021, compared with 54 million in FY 2019; and
- Achieving a Treasury electronic payment rate of 96.1% by the end of FY 2021\*, compared with 95.6% in FY 2019, and an IRS electronic payment rate for individual taxpayer accounts of 79% by the end of FY 2021, compared with 77% in FY 2019.

*\* This would be a nearly 10% decline in the number of Treasury-printed checks in just two years.*

## Context:

- Paper checks result in additional costs to the public.
- When the Treasury Department issues a paper check – as opposed to using an electronic payment, such as direct deposit – it introduces more risk, longer wait times, and additional effort for people to receive their funds.
  - For example, paper checks are 16-times more likely to have an exception claim (i.e. lost, stolen or returned) and 30-times more likely to have a non-receipt claim compared to electronic payments.
- Paper checks fall short of expectations for modern, seamless, and secure interactions with the government.
- Although there are instances where people prefer a paper check, there are many more where the Federal government's forms, business processes, and systems default to an earlier time when paper checks were the norm, not the exception.
- Paper checks are also expensive for the *government*, but the focus of this effort is on the *public* and improving their interactions with the government.
  - For example, in FY 2019, the government spent \$12 million for postage, check stock, and envelopes related to paper tax refunds.

*We need to provide ways to enhance the public's experience and reduce or eliminate negative impacts on the public.*

# Overview

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## Past Efforts:

- The previous “All Electronic Treasury” initiative reduced paper checks for benefit payments from 143 million in FY 2008 to 15 million in FY 2019, with a corresponding increase in the electronic benefit payment rate from 82% to 98%.
- The electronic tax refund payment rate increased from 57% to 77% during the same period, but that rate has remained flat since FY 2016.

## Challenges:

- Some Federal government and industry forms, processes, and systems default to providing people with a paper check rather than an electronic payment (e-payment) option.
- Check recipients may:
  - lack information about how to sign up to receive Federal payments electronically;
  - lack information about the benefits of receiving payments electronically;
  - not have a bank account to which payments can be delivered electronically.
- The ability to influence taxpayers to choose to receive an electronic tax refund is limited because the tax refund is received only once a year.
- Budgetary and other resource constraints limit the ability of the IRS to make changes to tax forms and processes that limit refund options to paper check.

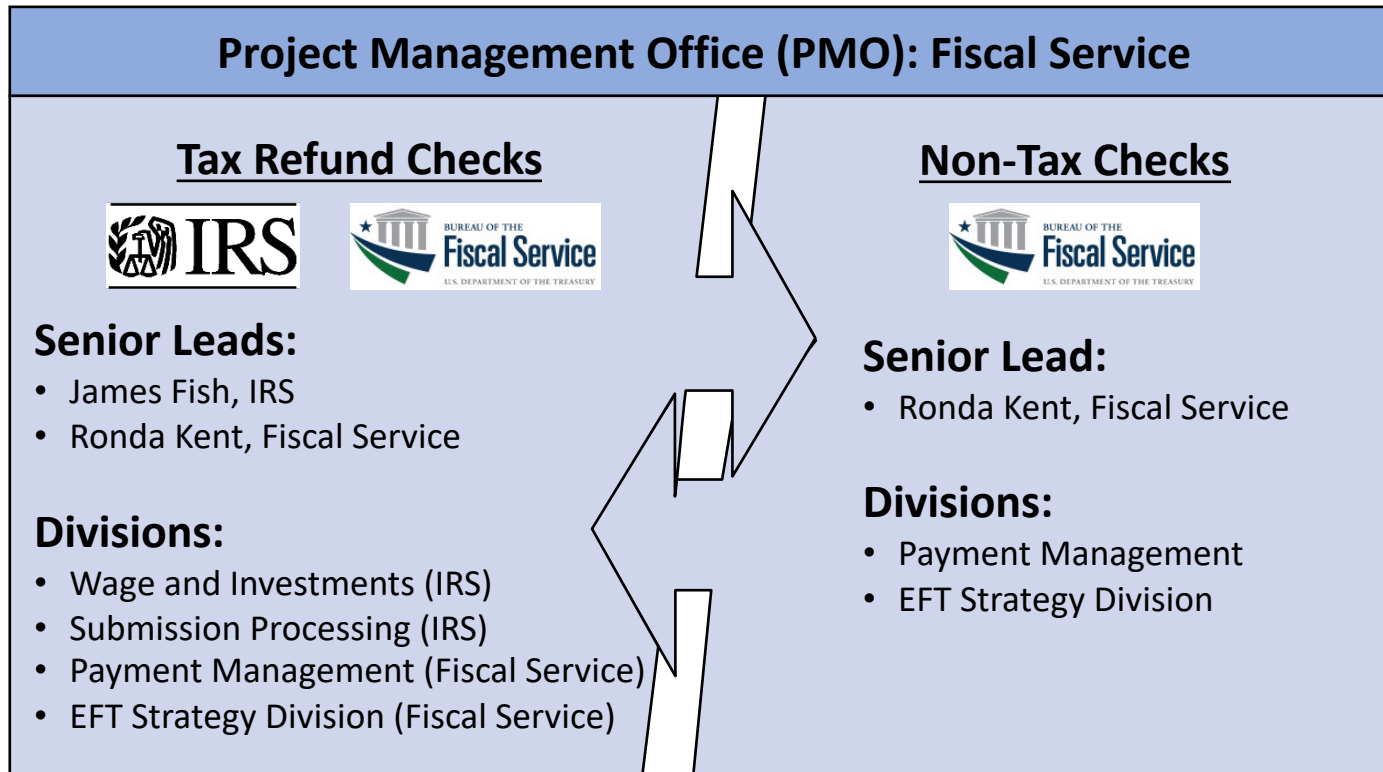
## Opportunities:

- New processes, tools, approaches, and technologies allow for a better understanding of why people choose paper checks and help encourage use of e-payments.
- More e-payment options are available to people who do not have traditional bank accounts.
- New communication channels are available for targeted messaging campaigns.

# Leadership & Implementation Team

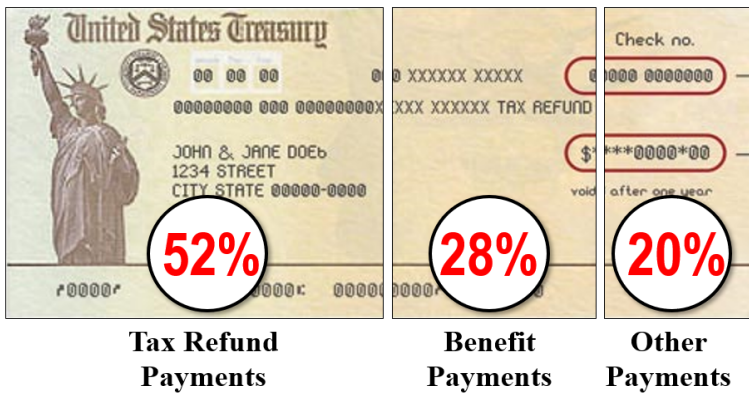
To achieve this goal:

- IRS, in collaboration with Fiscal Service, will focus on tax refund checks; and
- Fiscal Service, in collaboration with other Federal agencies, will focus on non-tax checks.



Treasury has a four-pronged strategy to reduce paper checks.

## Where are the paper checks?



Data Analytics

Evaluate data to understand how and why the public chooses payment methods and prioritize tactics accordingly.



Public Experience

Through a public-centric lens, (i) develop a roadmap to update forms, processes, and systems; and (ii) identify ways to make e-payments easier.



Industry Engagement

Collaborate with industry to develop and implement strategies to encourage the public to choose e-payments.



Targeted Messaging

Develop more effective messages to raise awareness about the advantages of e-payments and influence the public's decisions.

# CARES Act - Economic Impact Payments (EIPs)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. This economic relief package, worth more than \$2 trillion, provided fast and direct economic assistance for American workers, families, and small businesses, and preserves jobs for American industries.

The Department of the Treasury was instrumental in the implementation of several CARES Act programs. The Fiscal Service and IRS were critical to the rapid implementation of these programs, including providing relief to American workers and families through Economic Impact Payments (EIPs) in the wake of the coronavirus pandemic.

## The Benefit of Electronic Payments – Comparing 2008 and 2020:

- Treasury’s progress in using modern, seamless, and secure electronic payment methods has dramatically improved the speed and delivery of payments.
- In 2008, it took more than two months to issue the first 800,000 stimulus payments to the American public during the economic recession.
- In 2020, more than 159 million EIPs were issued within two months of the CARES Act being signed into law. This included all eligible Americans for whom the IRS had the necessary information to make a payment.

	2008	2020
Electronic Funds Transfer (EFT) Rate	≈ 36%	> 75% Through July 31
Payments issued in ≈ 1 months	0	120 million
Payments issued in ≈ 2 months	0	159 million

## EIP Impacts on the APG:

- Fiscal Service and IRS resources focused on this APG also helped implement EIPs for the CARES Act.
- These important payments needed to be made quickly and resulted in a large number of paper checks that were not factored into projections for FY2020.
- Therefore, any checks associated with EIPs are excluded from the APG performance targets and results.

## EIPs by the Numbers:

Through July 2020, more than 160 million EIPs have been issued to Americans.

**121 million EFT\***



**36 million checks**







**4 million debit cards**





*\*2.2 million EFT payments were made to Direct Express® cards*

# Summary of Progress – FY 2020 Q2 & Q3



	Actions	Results
 <b>Data Analytics</b>	<ul style="list-style-type: none"> <li>• IRS shared data for tax refunds issued from returns prepared through software providers to help industry better understand who receives tax refund checks.</li> <li>• IRS shared data for rejected direct deposit requests to better understand what processes requires paper checks when a taxpayer prefers direct deposit.</li> <li>• Fiscal Service created an Executive Snapshot report of top check-producing agencies to easily identify and track check volume progress.</li> </ul>	<ul style="list-style-type: none"> <li>• Plans to tailor messaging within tax software.</li> <li>• Routine meetings with agencies leading to solution implementation to overcome barriers.</li> </ul>
 <b>Public Experience</b>	<ul style="list-style-type: none"> <li>• IRS continued their effort to analyze data and evaluate policies and procedures that require the use of a paper check.</li> <li>• Fiscal Service created work group with Social Security Administration to assess current EFT customer experience and recommend improvements to reduce checks.</li> <li>• Fiscal Service published 31 CFR Part 208 to enhance use of electronic payment options such as the U.S. Debit Card.</li> </ul>	<ul style="list-style-type: none"> <li>• Identified a filing process, “prior-year returns,” as the top process without an e-payment option that the IRS is working to change.</li> <li>• SSA reviewing process for new enrollees.</li> </ul>
 <b>Industry Engagement</b>	<ul style="list-style-type: none"> <li>• Fiscal Service, IRS, and the Council for Electronic Revenue Communication Advancement (CERCA) task force continued to focus on reducing tax refund checks.</li> <li>• Partnered with other Federal agencies and industry to explore alternative electronic payment options.</li> <li>• Fiscal Service hosted bi-weekly webinar series for federal agencies to learn more about common barriers to converting checks to EFT and solutions Fiscal Service can offer.</li> </ul>	<ul style="list-style-type: none"> <li>• Utilized our partnership to identify the most efficient way to get EIPs by direct deposit to as many people as possible.</li> <li>• Improved agency contact list and relationships created.</li> </ul>
 <b>Targeted Messaging</b>	<ul style="list-style-type: none"> <li>• Fiscal Service and IRS received approval to present the benefits of using direct deposit at the Tax Forum in July.</li> <li>• Fiscal Service revised communications and messaging to promote EFT as safe option during COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>• Created inserts for USDA and VBA to encourage Direct Deposit during uncertain times.</li> </ul>

# Key Milestones

Milestone Summary					
Strategy Area	Milestone	Status	Due Date	Owner	Comments
Data Analytics 	Meet with Federal agencies and analyze tax refund check data for FY 2020 filing season	Completed	Q1 FY 20	Fiscal Service and IRS	
	Develop action plans and targeted messaging to reduce checks	Completed	Q2 FY 20	Fiscal Service and IRS	Communication plan developed and edited as data continues to be assessed for new actions.
	Refresh and analyze tax refund data for FY 2021 filing season		Q1 FY 21	IRS	Updated due date from Q3 FY20 to Q1 FY21 due to change in tax filing deadline related to COVID-19.
	Assess results of changes in check recipient data		Q4 FY 21	Fiscal Service	
Public Experience 	Identify tax forms and business processes and assess feasibility of adding e-payment option	Ongoing	Q3 FY 20	IRS	IRS created a list of processes and forms contributing to paper checks. IRS teams have been created to complete feasibility assessments.
	Update forms with e-payment option		Q3 FY 21	IRS	
	Assess results of tax form changes		Q4 FY 21	IRS	

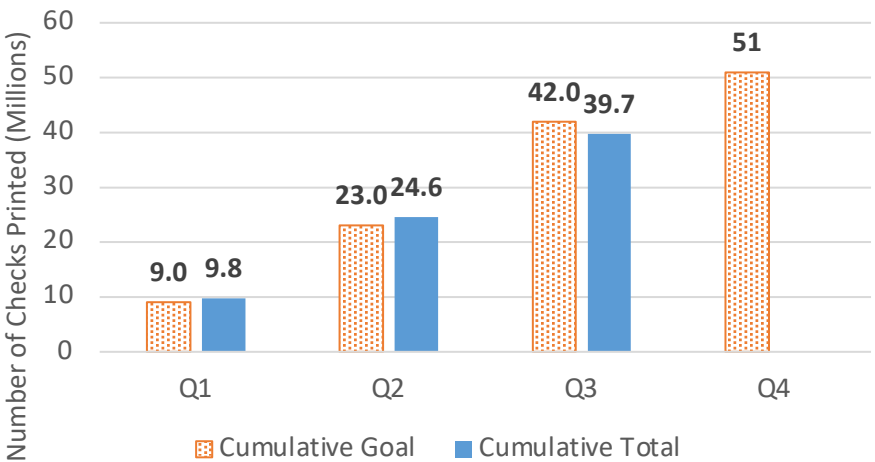


# Key Milestones

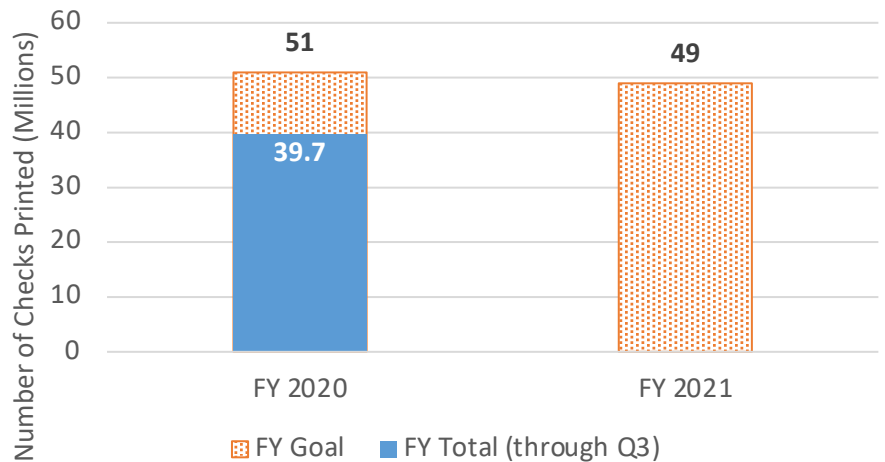
Milestone Summary					
Strategy Area	Milestone	Status	Due Date	Owner	Comments
Industry Engagement 	Open dialogue with CERCA to enhance tax industry support	Completed	Q1 FY 20	Fiscal Service and IRS	Fiscal Service/IRS/CERCA created a task force to further examine paper refund issue.
	Meet with tax industry to enlist help and develop action plans		Q1 FY 21	Fiscal Service and IRS	Conducting working sessions with software providers to promote direct deposit. Milestone due date changed from Q4 FY20 to Q1 FY21 due to COVID.
	Meet with financial industry to enlist help and develop action plans		Q1 FY 21	Fiscal Service and IRS	Milestone due date changed from Q4 FY20 to Q1 FY21 due to COVID-19.
	Assess results of industry methods		Q4 FY 21	Fiscal Service and IRS	
Targeted Messaging 	Leverage CERCA to develop targeted messages and communication campaign timeline	Completed	Q2 FY 20	Fiscal Service and IRS	Communication plan developed to increase and improve communication on direct deposit of refunds.
	Deploy communication campaign to encourage e-payments		Q1 FY 21	Fiscal Service and IRS	Milestone due date changed from Q4 FY20 to Q1 FY21 due to COVID-19.
	Include e-payment mailers with non-tax paper checks sent	Completed	Q1 FY 20	Fiscal Service	Paper check inserts continues to be an ongoing activity to promote EFT and Treasury compliance to check recipients
	Assess campaign's effectiveness		Q4 FY 21	Fiscal Service and IRS	

# Key Indicators

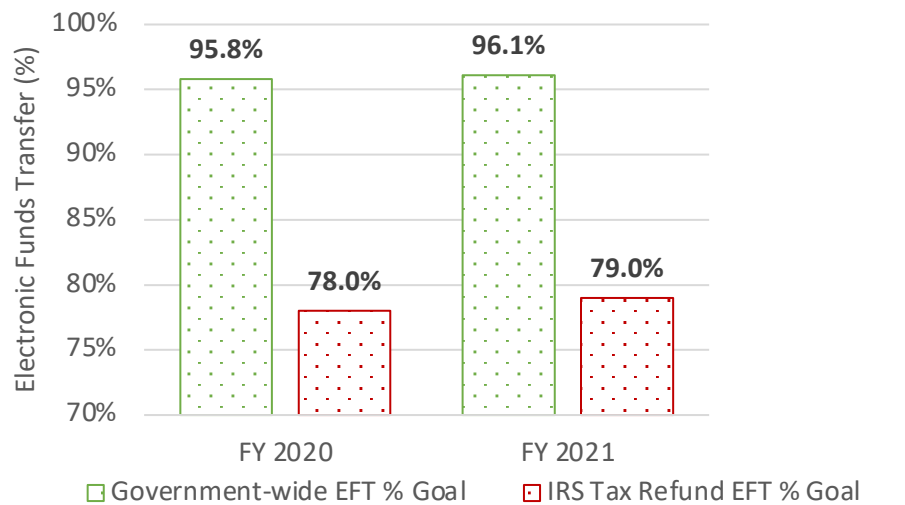
Paper Check Volume - FY 2020 by Quarter



Paper Check Volume (updated quarterly)



Electronic Payment Rate (updated annually)



*Note: This data excludes Economic Impact Payments (EIPs)*

# Data Accuracy & Reliability

<b>Measure:</b> Total number of paper checks printed by Treasury.								
<b>Definition</b>	The Bureau of the Fiscal Service disburses payments on behalf of 250 Federal entities. That payment volume represents 87% of all Federal disbursements and includes tax refunds, benefit payments, federal grants and a variety of other payments Americans rely on. This measurement is defined as the total number of paper checks printed by Treasury.							
<b>Type</b>	Performance Measure (Outcome)							
<b>Target: # of Checks (Cumulatively by Quarter)</b>	<i>FY 2020 Q1 (FYTD)</i>	<i>FY 2020 Q2 (FYTD)</i>	<i>FY 2020 Q3 (FYTD)</i>	<i>FY 2020 Q4 (FYTD)</i>	<i>FY 2021 Q1 (FYTD)</i>	<i>FY 2021 Q2 (FYTD)</i>	<i>FY 2021 Q3 (FYTD)</i>	<i>FY 2021 Q4 (FYTD)</i>
	≤ 9 million	≤ 23 million	≤ 42 million	≤ 51 million	≤ 9 million	≤ 22 million	≤ 40 million	≤ 49 million
<b>Desired Direction</b>	Decrease in the total number of paper checks printed by Treasury.							
<b>Unit of Measure</b>	The number of paper checks printed by Treasury.							
<b>Calculation Methodology</b>	The total number of paper checks printed by Treasury is tracked and reported by the Fiscal Service.							
<b>Data Source</b>	The data source is the number of paper checks printed by Treasury.							
<b>Quality</b>	The measure accurately represents the number of paper checks printed by Treasury.							
<b>Frequency</b>	The total number of paper checks printed by Treasury will be tracked and reported quarterly.							

# Data Accuracy & Reliability

<b>Measure:</b> EFT % for all payments disbursed by Treasury and for individual tax refund payments.		
<b>Definition</b>	The Bureau of the Fiscal Service disburses payments on behalf of 250 Federal entities. That payment volume represents 87% of all Federal disbursements and includes tax refunds, benefit payments, federal grants and a variety of other payments Americans rely on. This measurement is defined as the electronic funds transfer percentage (EFT %) for all payments disbursed by Treasury, and the EFT % for all individual tax refund payments.	
<b>Type</b>	Performance Measure (Outcome)	
<b>Target:</b>	<i>FY 2020</i>	<i>FY 2021</i>
<b>Treasury EFT % (Annually)</b>	95.8%	96.1%
<b>Target: Tax Refund EFT % (Annually)</b>	78.0%	79.0%
<b>Desired Direction</b>	An annual increase in EFT % for all payments disbursed by Treasury and an annual increase in EFT % for all individual tax refund payments.	
<b>Unit of Measure</b>	The annual percentage of EFT payments disbursed by Treasury, and the annual percentage of EFT payments for individual tax refunds.	
<b>Calculation Methodology</b>	EFT % is calculated by dividing the annual total number of electronic payments by the annual total number of payments disbursed by Treasury. For individual tax refund payments, EFT % is calculated by dividing the annual total number of electronic tax refund payments by the annual total number of tax refund payments.	
<b>Data Source</b>	The data source is the annual number of electronic payments and annual number of total payments disbursed by Treasury. For individual tax refund payments, the data source is the annual number of electronic tax refund payments and the annual total number of tax refund payments.	
<b>Quality</b>	The measure accurately represents electronic payments disbursed by Treasury and electronic tax refund payments.	
<b>Frequency</b>	The EFT % for all payments disbursed by Treasury and for individual tax refund payments will be tracked and reported annually at the end of each Fiscal Year.	

# Appendix – Check Inserts

Fiscal Service leveraged the opportunity to promote electronic payments during COVID by developing inserts to be mailed to check recipients to encourage them to sign up for Direct Deposit – which is safer, faster and more convenient than receiving a paper check.

- At top right is an insert designed for the U.S. Department of Agriculture’s Commodity Credit Corporation, which compensates farmers for the agricultural commodities they produce.
- At bottom right is an insert designed for the U.S. Department of Veterans Affairs, which provides benefit payments and medical reimbursement payments to Veterans

