

Welcome to the BANCTECH **Blast**, our Monthly newsletter that gives you, our Merchant, the latest news and information aimed at keeping you informed of the latest industry trends and news. We value your business and strive to make our relationship the most pleasant one you have. Feel free to give us a call or drop us an email (blast@banctech.net) if there is anything you would like to see included in **Blast**.

Draft Conversion Plus (DCP)

The cost of processing and collecting accounts receivable checks is high. Fortunately, changing rules within the banking industry have created tremendous opportunities for companies to reduce these costs by utilizing the Automated Clearing House (ACH) network, which is governed by the National Automated House Association (NACHA), to process checks electronically through the truncation or conversion of paper checks.

Draft Conversion Plus is a low-cost, high-quality solution for Accounts Receivable Conversion (ARC) that uses check image readers to capture check and remittance stub information. MICR line information is converted into ACH form for clearing, and remittance stub information is captured to facilitate accounts receivable updates. DCP doesn't stop here...

An image character recognition (ICR) program performs a second scan of the MICR line, as well as non-MICR information on checks and remittance stubs. Not only does the ICR software enable DCP to incorporate critical account information not printed on the MICR line, but it performs the scan simultaneously so the document passes through the scanner only once. DCP doesn't stop here...

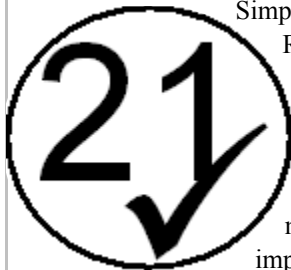
Before a file is transmitted, check information that does not meet system or user defined criteria is identified and brought to the operator's attention with the specific data field flagged. Check amounts not equal to remittance stub information are also highlighted to assist balancing efforts. These built-in functions are designed specifically to streamline this process and reduce operator time, as well as increase the speed and accuracy with which checks are processed. DCP doesn't stop here...

The export function utilizes a special command line which enables any account receivable program to import DCP records. No more worries about compatibility.

Now that you know what DCP is, log on to: www.banctech.net/arc.htm, to learn more or contact our sales department to prepare a customized Return on Investment (ROI) for your company.

Q: What is Check 21 and how will it change the way I accept checks?

A: Check 21 is the name given to a piece of legislation recently passed called the "Check Clearing for the 21st Century Act." The need for this legislation was discovered after the terrorist attacks on September 11th. Planes were grounded for days and paper checks could not be routed between banks.



Simply stated, Check 21 authorizes the use of substitute checks. A substitute check (also referred to as the Image Replacement Document or IRD) is a paper item that has the images of the front and back of the original check, the MICR code line from the original check, legal legends and endorsements. The bank creates a substitute check from the digital images of the original check received from the merchant. These substitute checks must be machine readable and compatible with current standards and check processing equipment.

As for how this will affect you, banks will continue to offer physical checks and receive paper checks, but a merchant will no longer be required to provide the bank with the original check. The desired outcome is to improve the nation's payment system by handling efficient electronic transactions while continuing to provide consumers the option of writing checks. It also means that your bank can run more efficiently and will be better prepared for emergencies.

Note that BancTech's Electronic Check Conversion that converts a paper check to an electronic transaction at the point of sale is a similar service that is covered under Check 21. If you want to know more, please see our website at www.banctech.net, click Services, and then link to ECC. Or, just call Sales at 877-823-8635.

IRS Warns of the "Dirty Dozen" Scams for 2004

In its annual consumer alert, the Internal Revenue Service (IRS) urged taxpayers to avoid falling victim to one of the "Dirty Dozen" tax scams and a variety of other schemes. Several new scams have reached the top of the consumer watch list, including abusive trusts and the "claim of right" doctrine.

The IRS urges people to avoid these common schemes:

- 1. Misuse of Trusts:** Promoters of abusive tax transactions are increasingly urging taxpayers to transfer assets into trusts. The promoters promise a variety of benefits, such as the reduction of income subject to tax, deductions for personal expenses paid by the trust and reduction of gift or estate taxes.
- 2. "Claim of Right" Doctrine:** In this emerging scheme, people file returns and attempt to take a deduction equal to the entire amount of their wages. The promoters advise them to label the deduction as "a necessary expense for the production of income" or "compensation for personal services actually rendered." The deduction is based on a complete misinterpretation of the Internal Revenue Code and has no basis in law.
- 3. Corporation Sole:** The idea is that the arrangement entitles the individual to exemption from federal income taxes as a non-profit, religious organization as described in tax laws. When used as intended, Corporation Sole statutes enable religious leaders to become incorporated as individuals as a way of separating themselves legally from the control and ownership of church assets. Would-be participants are mistakenly told that Corporation Sole laws provide a "legal" way to escape paying federal income taxes, child support and other personal debts.
- 4. Offshore Transactions:** Some people use offshore transactions to avoid paying U.S. taxes. Use of an offshore bank account, brokerage account, credit card, wire transfer, trust, offshore employee leasing or other arrangement to hide or underreport income or to claim false deductions on a federal tax return is illegal. A taxpayer involved in these schemes could be subject to payment of taxes, interest, penalties and potential criminal prosecution.
- 5. Employment Tax Evasion:** The IRS has seen a number of illegal schemes that instruct employers not to withhold federal income tax or other employment taxes from wages paid to their employees. These schemes are based on an incorrect interpretation of "Section 861" and other parts of the tax law and have been refuted in court. Recent court cases have resulted in criminal convictions of promoters.
- 6. Return Preparer Fraud:** Abusive return preparers derive financial gain by diverting a portion of the taxpayer's refund for their own benefit, charging inflated fees for the return preparation services, and increasing their clientele by advertising guaranteed larger refunds.
- 7. Americans with Disabilities Act:** Another scheme seen for several years involves the purchase of equipment and services that the promoter alleges meets the strict criteria of the Disabled Access Credit, which was created with the passage of the "Americans with Disabilities Act." This scheme is based on an incorrect interpretation of law and an over-inflated value of the services rendered.
- 8. African-Americans Get a Special Tax Refund:** Thousands of African-Americans have been misled by people offering to file for tax credits or refunds related to reparations for slavery. There is no such provision in the tax law.
- 9. Improper Home-Based Business:** The promoters of this scheme claim that individual taxpayers can deduct most, or all, of their personal expenses as business expenses by setting up a bogus home-based business. But the tax code firmly establishes that a clear business purpose and profit motive must exist in order to generate and claim allowable business expenses.
- 10. Frivolous Arguments:** Frivolous arguments are false arguments that are unsupported by law.
- 11. Identity Theft:** Identity thieves use someone's personal data to steal his or her financial accounts, run up charges on the victim's existing credit cards, apply for new loans, credit cards, services or benefits in the victim's name and even file fraudulent tax returns. The IRS is aware of several identity theft scams involving taxes or the IRS.
- 12. Share/Borrow EITC Dependents:** Unscrupulous tax preparers "share" one client's qualifying children with another client in order to allow both clients to claim the Earned Income Tax Credit. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

Are you getting your "Reports" on-time?

By taking advantage of our FREE 24/7 "real-time" internet reporting feature, you always have the status of your checks when you need it. Our internet reporting gives you the ability to view deposits, search checks, view active checks, and print out customized inventory reports to place at your point of sale registers.

Contact Merchant Support via e-mail (support@banctech.net) or telephone to request your log-on information or to set up a training session.