The number of transactions conducted with credit and debit cards has grown steadily in the United States over the last decade. Electronic transactions conducted with credit cards and debit cards increased from 27 billion in 2001 to 105 billion in 2016, an annual increase of about 19 percent.

This trend has caused U.S. governments to encourage their agencies to use electronic payment methods even as the agencies continue to accommodate cash and check payments. During the CSG 2018 National Conference in Northern Kentucky - Greater Cincinnati Dec. 6-8, CSG will release a report titled *Cash-less State Governments: Electronic Collections & Benefit Disbursements*.

The purpose of the study was to determine the current volume of electronic collections of state taxes and fees as well as the volume of electronic disbursements of tax returns and welfare benefits. In addition, the study analyzed state policies and procedures to facilitate the benefits of cash-less options and adequately manage the transaction costs associated with them.

According to the report, “Such information is useful to state policymakers who may be planning changes to their states’ policies regarding cash-less state collections and disbursements, which ultimately influence the welfare of taxpayers—both citizens and businesses.”

The Automated Clearing House, or ACH, and credit cards are the most commonly accepted forms of payment in states for both individual income taxes and business-related taxes while cash and paper checks are the dominate payment options offered to taxpayers and businesses. The study also found that the ACH has been used more frequently than credit cards for major state taxes, but credit cards are used for fee payments. Individuals used credit cards and debit cards to pay their individual income taxes of less than $5,000 while corporations and businesses used credit and debit cards for medium or large payments. In addition, states accept credit cards and debit cards using diverse venues and options.

“Cost savings were identified as the major reason for accepting more cash-less payments and fewer paper-based payments, although the estimated cost savings varied considerably among the states that responded to this inquiry,” according to the report.

Plans states are considering to improve cash-less payment systems include expanding the use of the ACH, credit cards and debit card payments as well as adopting new payment channels such as PayPal. In addition, states are looking at improving fraud prevention and security, increasing financial inclusion and technology accessibility and initiating or expanding the use of third-party service providers.

CSG 2018 National Conference attendees will have an opportunity to review and discuss the report during the Fiscal & Economic Development Public Policy Committee session, titled State Impacts of the Tax Cuts and Jobs Act of 2017, from 10 – 11:30 a.m. Friday, Dec. 7. The authors of the report will be on hand to give a short presentation about the report.