ASC X9 TR 42–2014

Core Adjustment Reason Codes

A Technical Report prepared by:
Accredited Standards Committee X9, Incorporated
Financial Industry Standards

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ASC X9 TR 42-2014 Core Adjustment Reason Codes

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Foreword

When goods or services are purchased by a business, the buyer and seller usually agree on payment terms prior to the sale. The payment terms will define any payment discounts and criteria for authorized deductions and adjustments. For example, payment discounts may be offered for paying early, deductions may be offered for marketing promotions and adjustments may be defined for defective goods. When this business-to-business payment is made, the buyer provides remittance information that tells the seller what invoice is being paid and any deductions, discounts or adjustments taken. Suppliers typically have multiple customers and many reasons for granting discounts and adjustments for payments, invoices and/or line items in a purchase order. Buyers, too, have multiple suppliers and many reasons for seeking discounts and adjustments for payments, invoices and/or selected items in an invoice. Deductions are frequently identified in the remittance information by codes that specify the type of deduction, adjustment or discount.

Accredited Standards Committee (ASC) X12 created an electronic data interchange (EDI) standard code list, data element 426 Adjustment Reason Codes, for the definition of deduction, discount and adjustment codes. There are over 600 adjustment reason codes defined. These codes may be carried in an EDI message such as the X12 820 or STP 820 Remittance Advice or the X12 812 Credit/Debit Adjustment. The codes may also be included on a remittance document that is mailed or emailed to the supplier.

The 426 Adjustment Reason Code list includes little descriptive text defining the appropriate use of each code, and many codes have similar descriptions. Large corporations often define the codes that they will accept or provide and inform their trading partners of the codes through implementation guides. Different corporations often select different codes for the same type of deductions, or different corporations select the same code to mean different types of deduction. In either case, the result is that suppliers must support multiple deduction code lists unique to each customer businesses, and must either tailor their automated processes for each trading partner or must handle remittance data manually. Smaller corporations may not know which codes to use or may not use any codes at all.

Most businesses, especially small and mid-sized businesses, do not need to use the entire set of 426 adjustment reason codes. In addition, most businesses take similar types of deductions, discounts and adjustments.

In 2011, the Credit Research Foundation surveyed their constituents (primarily accounts receivable and credit professionals) on the use of discount, deduction and adjustment codes and found that the lack of standard code use led to inefficient processing of business-to-business payments. Thus, a team of business practitioners from the Remittance Coalition was formed to work with X9 to select a subset of the 426 adjustment reason codes that are most frequently used. As part of this effort, the team also developed more complete definitions for the use of the codes. This Technical Report includes that subset.

While the subset of 426 adjustment reason codes, “core adjustment reason codes” will be of greatest value to small and medium-sized businesses, larger businesses may also find value in the ASC X9 TR 42-2013 Core Deduction Code Technical Report.

Introduction

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Comments on the content of this document should be sent to: Attn: Executive Director, Accredited Standards Committee X9, Inc., 275 West Street, Suite 107, Annapolis, MD 21401.

In order to insure this technical report is up to date, it may be revised annually.

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Claudia Swendseid X9 Vice Chair
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ACI Worldwide
American Bankers Association
Bank of America
Bank of New York Mellon
Certicom Corporation
Citigroup, Inc.
CLS Bank
CUSIP Service Bureau
Deluxe Corporation
Diebold, Inc.
Discover Financial Services
Federal Reserve Bank
First Data Corporation

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Welch, Daniel
Kirkpatrick, Bryan
Brown, Daniel
McKenna, Karla
Komarraju, Ram
Taylor, James
Hendershott, Angela
Chapa, Bruce
Zhang, Michelle
Hughes, Mary
Van Luvender, Rick
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At the time this standard was published, the X9C Corporate Banking Subcommittee had the following members:
James Wills, X9C Chair
Mary Hughes, X9C Vice Chair
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1. Document Purpose
   The primary purpose of this Technical Report is to convey the developers’ intentions for the use of adjustment reason code values in business-to-business transactions. This technical report is available in electronic form as an aid to improve the corporate purchase-to-pay process. It may be used by buyers to assist in selecting appropriate adjustment reason codes to explain deductions, discounts and adjustments taken for a purchase. It may also be used by sellers in reconciling payments received when deductions, discounts and adjustments are applied.

2. Version and Release
   This Technical Report is referred to as Version 1, Release 1.

3. Purpose and Scope
   This Technical Report contains the most commonly used adjustment reason codes for adjusting a business-to-business payment amount and provides an overview of how to use these codes in the exchange and processing of remittance information.

4. Normative References
   The following referenced documents are indispensable for the application of this document. For date reference, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.
   ASC X12 426 Adjustment Reason Codes

5. Terms and Definitions
   For the purposes of this document, the following terms and definitions apply.
   3.1 Adjustment reason code
   A set of two characters used to identify the reason for altering a payment amount of a business-to-business payment.

6. Symbols and Abbreviated terms
   The core deduction codes identified in Table 1 and 2 are selected from the ASC X12 426 Adjustment Reason Code standard, releases 4010 through 6040.

7. How to Use Core Adjustment Reason Code List
   The Core Adjustment Reason Code list (Table 1) is a subset of the ASC X12 426 Adjustment Reason Code list and, thus, is fully compatible with ASC X12 EDI message transaction sets that use codes from the X12 426 Adjustment Reason Codes.
   The user should be mindful of the remittance message format to exchange remittance information and adjustment reason codes. When trading partners exchange X12 EDI messages, they must know the version of the X12 EDI message transaction set that is accepted. In many cases, this