

NCDOR Communication



Contact: Thomas Beam, External Communications

Thomas.beam@dornnc.com

(919) 715-7399

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Surviving The Slow Economy

Don't "Borrow" Sales And Withholding Taxes

Business owners should resist any temptation to use money they collect and set aside for sales and payroll taxes to pay operating and other expenses for their businesses. Owners and managers are obligated to collect and turn those funds over to the state in a timely manner, despite any pressure they may face because of the slowing economy. Borrowing those funds for business or personal expenses, even temporarily, is not worth the risk of civil and/or criminal penalties you may incur.

By state law, owners, officers and managers of businesses are considered responsible stewards of the funds they collect and set aside for sales and withholding taxes. Any of them who use those funds for any other purpose – even if they intend to pay them back – could face penalties and interest on that tax money, property seizure and in some cases, criminal charges. For example:

Business has sales of \$100,000 in October

Must file and pay \$6,750 in sales taxes by Nov. 20

Owner uses the money for another purpose and pays it back in February

Owner must pay penalties and interest that bring the total to \$8,862.78

That equals an interest rate of 31 percent

Note: this example does not include withholding taxes and it assumes a timetable for paying the taxes that most taxpayers who "borrow" trust taxes are not able to meet. Penalties and interest continue to accrue on unpaid taxes, with the collection assistance fee (20 percent of the total) adding to the burden. In six months, this \$6,750 in sales taxes could grow to more than \$11,000. A continued failure to pay eventually results in consequences like property seizure and criminal charges.

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“We don’t want to see anyone get in trouble over their taxes, and the best way to avoid that is to file and pay sales and payroll taxes when they are due,” said Linda Millsaps, chief operating officer for the N.C. Department of Revenue.

The department recommends that tax practitioners advise their clients to file and pay sales and withholding taxes in a timely manner and make sure they understand the potential consequences of using those funds in their businesses.

Questions, Or To Get More Information

Please call the Taxpayer Assistance and Collections Center at 1-877-252-3052 if you have any questions about filing and paying sales and withholding taxes.