

North Carolina Department of Revenue

Electronic Funds Transfer Program

INTRODUCTION

Effective January 1, 1994, the North Carolina Department of Revenue began requiring taxpayers remitting tax payments in excess of certain dollar amounts to make payments by electronic funds transfer.

The Department of Revenue currently receives payments electronically for the following tax types.

Withholding Tax

Corporate Estimated Tax

Utility Franchise Taxes

Utility & Liquor Sales & Use Tax

Piped Natural Gas Tax

Alcoholic Beverage Taxes

Sales and Use Tax – Semimonthly only

Machinery, Equipment, & Manufacturing Fuel

Streamlined Sales Tax

Tobacco Products Taxes - Cigarette and Other Tobacco Products

Motor Fuels Taxes - excluding Highway Use Tax

Insurance Premium Taxes

Electronic funds transfer or EFT, as it is commonly called, is any transfer of funds initiated through an electronic terminal, telephonic instrument, computer or magnetic tape, so as to order, instruct, or authorize a financial institution to debit or credit a bank account.

Advantages to taxpayers who remit tax payments by EFT include:

- Less labor intensive
- Less expensive than the processing of paper checks
- Reduced postage fees
- Taxpayers will know exactly when the account is debited.
- EFT can be implemented without significant up-front investment, such as additional computers or remittance processing hardware.

TAXPAYER NOTIFICATION

The Department will determine whether a taxpayer is subject to the EFT requirement by reviewing tax payment histories for a twelve consecutive month period on a tax-by-tax basis. As such, a company may be subject to the EFT payment requirement for one tax type, but may not be liable to make payments for another.

If selected for the EFT payment requirement, taxpayers will be notified at the last address of record at least sixty (60) days prior to the first day of the month in which a payment is due. Proper forms with which to register and information regarding the EFT Program will be provided.

Once selected to make EFT payments for a particular tax type, taxpayers are required to make the EFT payments (regardless of the amount) for a minimum of one year or until released from that obligation by the Department.

Taxpayers whose average payments fall below the threshold, will be notified that they are no longer required to pay by EFT thirty (30) days prior to the due date of the first non-EFT payment. However, a business may continue making EFT payments on a voluntary basis.

Effective January 1, 2000 a corporation that is required under the federal code to pay its federal-estimated corporate income tax by electronic funds transfer must pay its State-estimated tax by electronic funds transfer. These corporations may not be identifiable by the Department for notification.

COMPLETION OF THE EFT AUTHORIZATION AGREEMENT

Each EFT participant must complete an Electronic Funds Transfer Authorization Agreement (EFT-100) to be registered with the Department of Revenue. If you are registered as a streamlined sales taxpayer and would like to pay by the ACH Credit method you must complete an Electronic Funds Transfer Authorization Agreement for

Streamlined Sales Tax (EFT-100S). Authorization Agreements must be completed and returned to the Department within thirty (30) calendar days and mailed to:

Electronic Funds Transfer Section
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, NC 27640-0001

The information requested on the authorization agreement concerning the taxpayer's financial institution should only be provided by taxpayers who have selected the ACH Debit payment method. The authorization agreement also requests the name of a contact person who will be able to respond to questions regarding EFT payments and to whom the Department will direct correspondence concerning the Program.

Note that the Electronic Funds Transfer Authorization Agreement must be signed by someone authorized to act on behalf of the taxpayer (generally this is the person with the authority to sign a tax return).

VOLUNTARY PARTICIPATION

Effective January 1, 1995, the Department of Revenue began allowing taxpayers not meeting the threshold requirements for mandatory participation to voluntarily elect to participate in the EFT Program. To enroll in the Program, a taxpayer must complete and return an Electronic Funds Transfer Authorization Agreement (EFT-100). Taxpayers electing to voluntarily participate in the EFT Program must do so for a minimum of twelve (12) months. Upon completion of the twelve-month period, a taxpayer may withdraw from the EFT Program by notifying the Department in writing at least forty-five (45) days prior to the first non-EFT payment. If the taxpayer fails to make payments electronically after electing to participate, then the penalty for making payment in the wrong form under G.S. 105-236(1b) of the North Carolina General Statutes will be applicable.

We are offering voluntary participation for the following tax schedules:

Withholding Tax
Corporate Estimated Tax
Utility Franchise Taxes
Utility & Liquor Sales & Use Tax
Piped Natural Gas Tax
Alcoholic Beverage Taxes
Streamlined Sales Tax
Tobacco Products Taxes - Cigarette and Other Tobacco Products
Motor Fuels Taxes - excluding Highway Use Tax
Insurance Premium Taxes

PAYMENT METHODS

There are two payment methods acceptable to the Department of Revenue, the ACH Debit and the ACH Credit.

The ACH Debit method is the preferred method for making EFT tax payments. Since it is the preferred method, the Department will bear the cost.

The ACH Credit method is also available but only with the permission of the Department. Taxpayers should first contact their financial institution to confirm they offer ACH Credit origination services. The cost of an ACH Credit transaction is paid by the taxpayer, not the Department.

After registering with the Department for ACH Debit or ACH Credit, an Information Booklet with detailed instructions will be sent.

ACH DEBIT PAYMENT METHOD

Under this method, a taxpayer authorizes a Data Collection Center (DCC) to electronically transfer tax payments from their bank account to the Department's bank account. The transfer is made by contacting the DCC via touch-tone phone, PC Software, or through operator assistance.

Taxpayers using the ACH Debit method will be furnished the necessary detailed instructions and calling cards to complete ACH Debit transactions.

Prior to the first transfer, the Department will supply the DCC with the tax and bank account information furnished on the authorization agreement. The Data Collection Center will record the information in its database and mail a password directly to the taxpayer. Taxpayers will use the password to communicate payment information to the DCC. This ensures that only the taxpayer has the capability to authorize debits against its bank account since transactions cannot be made without the taxpayer's express authorization.

To ensure timely payment, taxpayers must contact the Data Collection Center by 3:45 p.m., Eastern Time, on the business day prior to the tax due date and provide the information necessary to transfer funds. When the call is completed and the information is verified by the Data Collection Center, the amount due is automatically transferred from the taxpayer's designated bank account to the Department's bank account on the date specified by the taxpayer. A trace number will be provided at the end of the call to the DCC to serve as a receipt to the taxpayer for the transaction(s), as well as, to provide an audit trail. The DCC will provide information to the Department of Revenue that will allow the Department to properly credit the taxpayer's tax accounts.

Should the taxpayer discover that an error was made in communicating tax payment information to the DCC prior to the cutoff time, the taxpayer may contact the DCC to

revise or cancel the transaction. The Department does offer payment warehousing. A transaction can be warehoused for up to 60 days. The transaction will be deposited into the Department's account on the banking day you specify during your call.

Successful completion of the call to the Data Collection Center fulfills a taxpayer's obligation for initiating an ACH Debit transaction.

ACH CREDIT PAYMENT METHOD

The ACH Credit method allows taxpayers to transfer funds by instructing their financial institution to debit their account and credit the Department's bank account. The Department of Revenue will allow the use of the ACH Credit method with prior approval. To obtain permission to use this method, taxpayers must submit an Electronic Funds Transfer Authorization Agreement (EFT-100) providing the necessary information. Each request will be reviewed on a case-by-case basis. Taxpayers are urged to contact their financial institution to confirm they offer ACH Credit origination services in the required format. Taxpayers are responsible for the cost of ACH Credit transactions.

After registering with the Department, an Information Booklet containing documentation necessary to make ACH Credit transfers, including the Department's banking information, will be sent.

All ACH Credit transactions must utilize the NACHA **CCD+** (Cash Concentration or Disbursement Plus) Format with the TXP Banking Convention addenda record. The TXP Banking Convention addenda record requires the following information:

- (1) Taxpayer identification number
- (2) Tax type code
- (3) Tax period end date
- (4) Payment amount type
- (5) Amount of payment

Taxpayers must contact their financial institution at least one business day prior to the due date and instruct them to initiate the transfer to the Department's bank account for the amount of the tax payment. The taxpayer must ensure that the financial institution originating the transaction does so in sufficient time for the payment to be deposited to the Department's account on or before the appropriate due date of the tax payment. Taxpayers are encouraged to make arrangements with their financial institutions to initiate prenotification (prenote) transactions at least ten (10) days before the effective due date of the first payment to detect any format errors before live dollar entries are sent through the ACH network.

The Department assumes no responsibility for a tax payment made under the ACH Credit method until and unless the payment has been credited to the Department's designated account with its financial institution.

HOLIDAYS AND WEEKENDS

Taxpayers required to participate in the Department of Revenue's EFT Program must initiate tax payments so that the amount due settles into the Department's bank account on or before the due date of the payment under the appropriate Revenue Law.

If a tax due date falls on a Saturday, Sunday, or a State or bank holiday, the deposit by electronic funds transfer is required on or before the next banking day.

If the call-in day falls on a Saturday, Sunday, or a State or bank holiday, the transaction must be initiated by 3:45pm EST on the preceding business day (the prior day).

TAX RETURN FILING REQUIREMENTS

Paying by EFT does not change the filing requirements or due dates for tax returns that are required to be filed. The lists below show all the returns that are **required** to be filed even if payment is made via EFT and the returns that are not required to be filed if payment is by EFT.

NOTE: If you are making an EFT payment that requires a return to be filed and the return is not submitted, your account will become delinquent and you will be subject to additional penalties and interest.

Returns required to be filed:

Sales & Use Tax

- (1) E-500 – Sales & Use Tax Return
- (2) E-500J – Machinery, Equipment, and Fuel Tax Return

Utility & Liquor Sales & Use Tax

- (1) E-500E – Utility & Liquor Sales & Use Tax Return

Utilities Franchise Tax

- (1) CD-310 Utilities Franchise Tax Return Electric Companies
- (2) CD-318 Utilities Franchise Tax Return Water & Sewer Companies

Piped Natural Gas

- (1) CD-312 Excise Tax Return Piped Natural Gas

Returns required to be filed (cont.):

Alcoholic Beverage Tax

- (1) B-C-775 – Spirituous Liquor Return by ABC Boards
- (2) B-C-786 – Fortified & Unfortified Wine Excise Tax Return Wineries and Wine Shipper Permittees
- (3) B-C-784 – Fortified & Unfortified Wine Excise Tax Return
- (4) B-C-710 – Beer Excise Tax Return

Tobacco Products Tax

- (1) B-A-5 – Monthly Return of Resident Cigarette Distributor
- (2) B-A-6 – Monthly Return of Nonresident Cigarette Distributor
- (3) B-A-101 – Monthly Other Tobacco Products Excise Tax Return

Motor Fuels Tax

- (1) Gas-1202 – Motor Fuels Supplier Return
- (2) Gas-1252 – Alternative Fuels Provider Return

Insurance Premium Tax

- (1) IB-33 – Summary of Insurance Premium Tax Filing Return
- (2) IB-93 – Additional Local Fire & Lightning Tax Return
- (3) IB-34 – Installment Payments Return – April 15th
- (4) IB-35 – Installment Payments Return – June 15th
- (5) IB-36 – Installment Payments Return – October 15th
- (6) IB-43 – Self-Insured Workers' Compensation Premium Tax Return
- (7) IB-44 – Installment Payments Return – April 15th
- (8) IB-45 – Installment Payments Return – June 15th
- (9) IB-46 – Installment Payments Return – October 15th
- (10) IB-53 – Gross Premium Tax Return Self-Insured Workers' Comp
- (11) IB-54 – Installment Payments Return – April 15th
- (12) IB-55 – Installment Payments Return – June 15th
- (13) IB-56 – Installment Payments Return – October 15th
- (14) IB-63 – Gross Premium Tax Return HMO
- (15) IB-64 – Installment Payments Return – April 15th
- (16) IB-65 – Installment Payments Return – June 15th
- (17) IB-66 – Installment Payments Return October 15th
- (18) IB-73 – Gross Premium Tax Return Hospital or Dental Service
- (19) IB-74 – Installment Payments Return – April 15th
- (20) IB-75 – Installment Payments Return – June 15th
- (21) IB-76 – Installment Payments Return – October 15th
- (22) IB-83 – Gross Premium Tax Return Risk Purchasing Group

Returns NOT required to be filed:

Withholding Tax

- (1) NC-5P – N.C. Income Tax Withholding Payment Voucher
- (2) NC-5 – Employer’s Report of N.C. Income Tax Withheld

Note: You will continue to file Forms NC-3, NC-3M or NC-3A, Employer’s Annual Reconciliation of North Carolina Income Tax Withheld. Semi-weekly filers must also file Form NC-5Q, Quarterly Income Tax Withholding Return. Liabilities discovered as a result of completing the NC-5Q should be remitted by check accompanied by a NC-5P.

Corporate Tax

- (1) CD-429 – Corporate Estimated Income Tax Voucher

Note: Extensions with payments and tax liabilities due on the final return for the Corporation must be paid by check, not by EFT.

Taxpayers receiving these non-required coupons or reports after enrolling in the EFT Program should not send in the coupon/report after the EFT payment has been made. The payment information accompanying these funds transfers constitutes the filing of the return for these tax types. For all other tax schedules, refer to the appropriate General Statute for filing requirements.

PENALTIES

If an EFT payment is not timely made or if the required tax return is not filed by the due date, the provisions for late payment penalties, late filing penalties, and interest will be assessed under the applicable provisions of the North Carolina Revenue Laws.

If taxpayers are required to make tax payments by EFT, but remit payment in another form, i.e., check, money order, or cash, a penalty of 5% of the amount of tax (maximum penalty \$1,000.00) will be assessed as provided for in General Statute 105-236(1b) of the North Carolina Revenue Laws.

If a transfer cannot be completed as a result of insufficient funds or the nonexistence of an account, a penalty for bad electronic funds transfer will be assessed equal to 10% of the amount of tax (maximum penalty \$1,000.00) as provided for in General Statute 105-236(1a) of the North Carolina Revenue Laws.

CORRECTIONS

If an error in communicating payment information is discovered on a subsequent day, contact the EFT Helpline for instructions on how to make the correction. If the tax liability has been overpaid, the taxpayer may request a refund or the overpayment be applied toward the liability for the next reporting period. Refunds will not be made electronically; existing procedures for refunds will be followed.

If the tax liability has been underpaid, an EFT representative will provide payment instructions for the additional amount due.

EMERGENCIES

Should an emergency arise which prevents a payment from being transmitted by the method of transfer for which the taxpayer is approved, call the EFT Helpline. Specific instructions for making the tax payment will be given.

CHANGES

If any information has changed since previously registering for EFT, such as banking information, contact person, or contact information, a new EFT-100 or EFT-100S form should be completed, signed, and submitted to the EFT Section with the updated information. To avoid payment posting delays or payment posting errors, indicate the date the changes should take effect. Normally, bank changes require 2-3 business days to be processed before a payment can be made.

TAXPAYER ASSISTANCE

Should you have **questions** about the EFT Program or **need assistance** in making electronic funds transfers, please contact the EFT Helpline in the Raleigh area at (919) 733-7307 or toll free at 1-877-308-9103 Option 1 then Option 1 again from 8:00 a.m. to 5:00 p.m., Eastern Time, Monday-Friday.

General information concerning North Carolina taxes, tax forms, and other Electronic Services, are also available on the Department's website: www.dorn.com.

Further information concerning Streamlined Sales Tax is available on the national website for Streamlined Tax: www.streamlinedsalestax.org. To volunteer and register through the Streamlined Central Registration: visit www.sstregister.org/sellers.