

810-13-1-.11 Procedures for ACH Credit Payment Method.

(1) Introduction. Certain taxpayers are required to pay their taxes with an electronic funds transfer (EFT) pursuant to Section 41-1-20, Code of Alabama 1975. Taxpayers who are not required to pay by EFT may voluntarily choose to pay by EFT. The Department will allow certain taxpayers to pay by EFT through the use of the Automated Clearing House (ACH) Credit payment method. To request approval, taxpayers must complete and submit to the Department the Electronic Funds Transfer Authorization Agreement Form for ACH Credit Payment Method (form EFT:001).

(2) Definitions. For purposes of this rule, the following terms will apply:

(a) EFT or Electronic Funds Transfer means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer so as to order, instruct, or authorize a financial institution to debit or credit an account.

(b) ACH or Automated Clearing House means a nationwide system run by the Federal Reserve and designed to transfer funds electronically between financial institutions using industry accepted standards. These standards ensure network security and increased efficiency of the transactions.

(c) ACH Credit means the electronic transfer of funds cleared through the ACH system that is generated by the taxpayer instructing the taxpayer's bank to charge the taxpayer's account and deposit the funds to the Department's bank account.

(d) ACH Debit means the electronic transfer of funds cleared through the ACH system that is generated by the taxpayer instructing the Department, using the Department's telephonic or Internet Paperless Filing and Payment system, to charge the taxpayer's bank account and deposit the funds to the Department's bank account. See Rule 810-13-1-.10 entitled Procedures for ACH Debit Payment Method.

(e) Department's bank means the bank with which the Department of Revenue has a contract to assist in the receipt of taxes.

(f) ACH CCD+ addenda or ACH CCD+ record means the information in a required ACH format that needs to be transmitted to properly identify the payment. The addenda record is sent with an ACH entry and contains an 80 character "free form" field for information required by the Department to identify the payment.

(g) Collectible funds or immediately available funds means collected funds that have completed the EFT process and are available for immediate use by the State.

(3) Compliance with the Department's Requirements. It is the intent of the Department to examine each taxpayer's compliance with the requirements of this rule. If a taxpayer has elected the ACH Credit payment method, but repeatedly fails to correctly complete the payment transactions by not providing the Department with the required ACH CCD+ addenda, the Department may in its discretion require the taxpayer to make future payments by the ACH Debit payment method.

(4) Required CCD+ addenda record. The Department requires that all ACH Credit method transactions must utilize the National Automated Clearing House Association (NACHA) CCD+ entry with a TXP Banking Convention addenda record. The required format and specifications of the CCD+ addenda record is provided in the current version of the Department's EFT Program Guide Booklet of ACH Credit Payment Method Procedures & Guidelines.

(a) An addenda record that is improperly formatted or contains inaccurate information could result in the following:

1. A late payment and the loss of applicable discounts and the assessment of penalties and interest.

2. Revocation of the taxpayer's ACH Credit Payment status. The taxpayer will receive a warning letter for the first offense, and upon receipt of the second offense, the Department at its discretion may revoke the taxpayer's ACH Credit Payment status.

(b) The TXP Banking Convention CCD+ addenda record requires the following information:

1. Taxpayer Account Number. This field must contain the taxpayer's tax account number assigned by the Department for which payment is being made. If the payment is for a tax that does not require a Department assigned tax account number, the taxpayer is required to provide a Taxpayer Identification Number (TIN) in this field. A TIN may be a Social Security Number or a Federal Identification Number.

2. Tax Type Code. These codes are found in the program guide referenced in paragraph (4) above.

3. Tax Period End Date. Enter the year, month, and the last day of the period, in the format of YYMMDD, for which the payment type is being made. Example: 070131 for a return payment for the January 2007 period.

4. Amount Type Code: Enter T for tax due or Z for zero due.

5. Payment Amount. Enter the dollar and cents of the transaction, without the decimal.

6. Confirmation Number or Billing ID. The confirmation number and billing ID share the same field. Only one or the other, or neither is required. The Confirmation Number is required when the payment is for a return that was e-filed using the Department's Paperless Filing System, which provides this number. The Billing ID is required when the payment is for an unpaid invoice or assessment. The Billing ID is found on the billing document provided by the Department to the taxpayer. This field should contain spaces when payment is for any other tax liability. Note: Unpaid final assessments that have been transferred to the Collection Services Division (CSD) must not be paid via ACH Credit Method. Contact the CSD for payment options.

7. Payment Type Code. Enter R for return, I for invoice, or A for assessment, to indicate the payment type of the tax being paid.

(5) Due date of EFT payment. The EFT payment is due on or before the banking day following the tax return due date, pursuant to Section 41-1-20. An ACH credit method payment is timely when the Department's bank receives collectible U.S. funds on or before the EFT payment due date. The ACH system requires that the necessary information be in the originating bank's possession on the bank day preceding the date for completion of the transaction. Each bank generally has its own transaction deadlines and it is the responsibility of the taxpayer to insure timely payment by coordinating with their financial institution to ensure that ACH Credit payments are timely initiated and sent via the correct CCD+ addenda record. The impact of prescribed ACH time frames and nightly cycles as well as the impact of weekends and holidays must be considered.

(6) Penalties. Pursuant to Section 41-1-21, failure to make payment in a timely manner, or failure to provide such evidence of payment in a timely manner, shall subject the affected taxpayer to penalty, interest, and loss of applicable discount. The Department may assess a Failure to Timely Pay penalty for late payments pursuant to Section 40-2A-11. The taxpayer's bank is the originating bank and the taxpayer is primarily responsible for its accuracy in an ACH credit method transaction. In order to prove timely compliance, the taxpayer must have timely initiated the transaction, provided the correct information for the ACH CCD+ record, and shown there were sufficient funds in the account.

(7) Proof of Payment. If proof of payment is required, it is the taxpayer's responsibility to work with their financial institution to obtain verification that funds were transferred from the taxpayer's bank account into the Department's bank account. A bank can supply a taxpayer with a trace number that it generates for the ACH network. This trace number along with proof of the NACHA CCD+ entry showing the State of Alabama's bank routing and transit number and bank account number, plus additional evidence, such as bank statements, that the transaction has been settled, will constitute proof of payment.

(8) Filing returns. The required returns must still be filed with the Department, either electronically, or on paper when allowed. If a paper return is filed, any EFT payment indicators on the return must be completed. If an EFT indicator is not available, the taxpayer must boldly and legibly print on the face of the return that the payment was made via EFT. Paper returns for which payment was made using EFT must be mailed to the following address:

Alabama Department of Revenue  
EFT Unit  
PO Box 327950  
Montgomery, AL 36132-7950

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Authority: Act No. 2006-552, Act No.91-570, Sections, 40-2A-7(a)(5), 40-2A-11, 41-1-20, 41-1-21, and 41-1-23, Code of Alabama 1975.  
History: Repealed and New: Filed October 15, 2007, effective November 19, 2007.