



## **Louisville Metro Revenue Commission**

### **ACH CREDIT**

#### **ELECTRONIC FUNDS TRANSFER AGREEMENT AND INSTRUCTIONS**

##### **Introduction**

Effective September 1, 2004, the Louisville Metro Revenue Commission will begin to accept tax payments through Electronic Funds Transfer (EFT). These payments are processed through the Automated Clearing House (ACH) network. EFT greatly reduces the cost and time to generate and handle paper checks and allows for quicker and more accurate posting of tax payments.

We will be offering the option to use ACH credits through the ACH network, a nationwide system designed to electronically transfer funds between financial institutions using industry accepted standards. These standards were designed to ensure network security and increase the efficiency of EFT transactions.

Advantages of making payments through the EFT program are:

- Eliminating cost and time associated with generating paper checks
- Controlling exactly when your account will be debited
- Using the EFT program without significant investments, such as computers or remittance processing equipment

We realize that you may have questions about the electronic funds transfer. The following information will answer the most commonly asked questions about using the ACH credit method.

**Note:** If you still have any questions, please feel free to contact us at (502) 574-4860 or e-mail us at [taxhelp@metrorevenue.org](mailto:taxhelp@metrorevenue.org).

## **QUESTIONS AND ANSWERS ABOUT PAYING TAXES VIA ELECTRONIC FUNDS TRANSFERS**

**Am I required to participate in this process?** Currently, you are not required to participate in this process by law. It is on a voluntary basis now, but this may be subject to change in the future. We will notify you in advance when it does become mandatory. In order to participate in this process, you must complete the ACH Credit Agreement included in this package.

**Can I withdraw from the EFT process?** You are a voluntary participant in the EFT process, and if you find that the EFT does not meet your needs, you may withdraw at any time by completing an ACH agreement form with the box checked “ACH Termination Request.”

**What is an ACH Credit?** An Automated Clearing House (ACH) Credit occurs when the taxpayer contacts their bank to initiate a transaction debiting their bank account and transferring the amount due to the Louisville Metro Revenue Commission’s account.

**Should I contact my bank first?** Yes, check with your bank to see what type of ACH origination services they offer for businesses. The ACH Credit must be accomplished utilizing the tax payment (TXP) convention with addendum record of a NACHA CCD+ format. As the originator of the ACH Credit transaction, the cost of each transaction is charged to you.

**What taxes can be paid by EFT?** All tax returns filed with the Louisville Metro Revenue Commission will be eligible for tax payments to be sent by EFT.

**Do I still need to send returns? If so, when are they due?** Yes, the Louisville Metro Revenue Commission requires that you file your return by the due date. W1 deposits made by ACH Credits do not require the mailing of a deposit form. All returns can be filed through our E-Services or by obtaining forms at our website, [www.metrorevenue.org](http://www.metrorevenue.org). Failure to file a return will incur a penalty. If payment is due, please designate on the return that the amount will be sent by ACH Credit.

**Who is responsible for errors made?** Any transmission errors are the responsibility of the taxpayer and their bank. A representative of the Louisville Metro Revenue Commission’s Finance Division will send an email to your designated EFT Contact Person if an error occurs during the transmission. Therefore, an up-to-date email address for your EFT Contact Person must be on file with us.

**When do I initiate the EFT?** The banking industry’s ACH system requires a minimum of one (1) business day to operate. Therefore, to meet this deadline, EFT payments must be initiated no later than the day before the due date.

**What do I do if I change financial institutions or need to change the payment method I originally selected?** Obtain a new Agreement form and advise us of your change. All information requested on the form must be provided for any change you are making.

**What do I do if some or all of my business information changes?** You must notify the Louisville Metro Revenue Commission by completing a new ACH Agreement. A new agreement must be filed if any of the following changes: your Louisville Metro Revenue Commission Tax Account Number, Federal Employer Identification Number (FEIN), business name, business address, EFT contact person, telephone number, fax number, or e-mail address of the EFT Contact Person.

**Do I have to fill out an ACH agreement if I am a payroll provider and do not have an account with the Louisville Metro Revenue Commission?** If you are sending EFT payments on behalf of your clients, yes, you have to fill out an ACH agreement. If you do not have an account with us, you must register with us. On your registration, you should note that you will have no activity except as a provider of services for electronic funds payments.

## **Registration**

**How do I register for the EFT program?** To register for the ACH credit method, you must first have a Louisville Metro Revenue Commission Account Number. Then you need to complete the ACH Credit Agreement form included in this package. Return your completed form to: Louisville Metro Revenue Commission, Finance Division, P.O. Box 35410, Louisville, KY 40232-5410, or fax it to (502) 574-4818. Once we are in receipt of the ACH Credit Agreement form, a confirmation letter will be sent to the email address listed for your EFT Contact Person.

Be sure to include your Louisville Metro Revenue Commission tax account number on any correspondence with the department regarding EFT payments. It is also important that you include your Louisville Metro Revenue Commission tax account number on your tax returns and on all correspondence regarding your return or payments.

## **Standard Payment Procedures**

In order to report your tax payment correctly while using the ACH credit method, your financial institution must originate your payment using the “Cash Concentration or Disbursement plus Tax Payment Addendum” (CCD+TXP) format. This format is a standard format that has been adopted for tax payments by the National Automated Clearing House Association (NACHA). Check with your financial institution to make certain they can transfer your tax payment using this format.

Before your financial institution can make your payment, you must provide them with the information required to complete the ACH CCD+TXP records (i.e., CCD + Entry Detail Record Format and CCD + Addenda Record Format), along with all the information that goes in these records. The record formats for both the CCD + entry detail and CCD + addenda records are included in this program guide. In order to receive the Louisville Metro Revenue Commission’s routing and account numbers, you must submit your ACH Credit Agreement and have it approved by us. The confirmation letter giving our routing number and designated bank account number will be forwarded via e-mail to your EFT Contact Person.

The ACH Credit Agreement must be received before submitting your first payment.

EFT does not change any existing requirements of Louisville Metro Revenue Commission regulations or ordinances including provisions for underpayment of estimated tax.

Due dates for paying taxes electronically are the same as due dates for paying by check.

To be considered timely, your tax payment must be received by the Louisville Metro Revenue Commission's financial institution by the payment due date. You must check with your financial institution to determine when you should originate your payment so it will be received on time. The Federal Reserve, which regulates the ACH network, does not allow the warehousing of payments for more than two (2) days.

## **Penalty and Interest**

**What happens if I don't make my EFT payments by the due date?** The use of EFT doesn't affect the penalties and interest applicable to late payments. If you do not make an EFT payment, or make it late, the same penalties will apply as if you were paying by check.

## **Emergency**

In an emergency, a payment may be sent by wire. Please contact the Louisville Metro Revenue Commission's Finance Division for instructions.

## **Corrections**

If you feel an EFT payment was made in error, contact your financial institution for their correction procedures.

**Incorrect record formats.** If you are subject to EFT requirements and remit a payment with an incorrect format, we may return your payment. A returned payment may result in it being late, and thus, subject to interest due to the underpayment of estimated tax.

## **Other Important Information**

**Verification of timely payment.** Your financial institution should provide you with verification of transferred amounts and effective dates.

**Proof of payment.** If you require proof of payment, it is your responsibility to work with your financial institution to obtain verification that your funds were transferred from your account into the Louisville Metro Revenue Commission's account. Your financial institution can supply you with a trace number that is generated for the ACH network.

## ACH Credit Detail and Addenda Record Formats

The only format that the Louisville Metro Revenue Commission accepts for ACH-Credit transactions is the NACHA CCD+ with TXP ADDENDA. Your bank must be able to transmit funds using this format. Following is the data required in the ACH Credit Detail and Addenda Record Formats.

The following information describes the data contained in the Entry Detail and TXP Addendum Records. For complete information on NACHA formats, specifications, and definitions, refer to the ACH Rule Book. You may obtain a copy of the rule book from your financial institution or from Western Payments Alliance, 100 Bush Street, Suite 400, San Francisco, CA 94104; telephone number: (415) 433-1230; e-mail: info@wespay.org; Web site: www.wespay.org. There may be a charge for this book.

### CCD+ Entry Detail Record Format

Field	Position	Size	Contents	Data Element Name
1	1-1	1	6	Record Type Code. Insert the number 6.
2	2-3	2	22	Transaction Code. Enter the number 22.
3	4-11	8	Numeric	Louisville Metro Revenue Commission Routing Number.
4	12-12	1	Numeric	Louisville Revenue Commission Routing Number Check Digit.
5	13-29	17	Alphanumeric	Louisville Metro Revenue Commission Account Number (with trailing blanks).
6	30-39	10	\$\$\$\$\$\$\$çç	Total Payment Amount. No decimal. Insert leading zeros.
7	40-54	15	Numeric	Louisville Metro Revenue Commission Account Number. Insert leading zeros.
8	55-76	22	Alphanumeric	Receiving Company Name (your business name).
9	77-78	2	Not used	Discretionary Data.
10	79-79	1	1	Addenda Record Indicator. Insert the number “ 1 ”.
11	80-94	15	Numeric	ACH Trace Number.

**Field 1—Record Type Code.** This field will always be a 6 for the Entry Detail Record.

**Field 2—Transaction Code.** This field indicates the transaction is a credit and the payment is going to a checking account. (This code is “24” when you send a pre-note.)

**Field 3/4—Receiving Routing Number and Check Digit.** This nine-digit number identifies the Louisville Metro Revenue Commission financial institution. The first eight digits go in Field 3. The ninth digit goes in Field 4 (Routing

Number Check Digit). The Louisville Metro Revenue Commission will give you the receiving routing number in the confirmation letter after receiving and approving your ACH Credit Agreement.

**Field 5—Receiving Account Number.** This field identifies the account at the Louisville Metro Revenue Commission’s financial institution where the EFT payments will be sent. This number will be given to you by the Louisville Metro Revenue Commission in the confirmation letter.

**Field 6—Amount.** This field is the amount to be posted to the recipient’s account. It must be right justified with leading zeros. **Do not insert** a decimal point. The last two characters are cents.

**Field 7—Louisville Metro Revenue Commission Account Number.** This is an alphanumeric field that identifies the taxpayer sending the payment. This field is your 6 digit account number. Its use is essential for your payment to be properly posted. The account number must be right justified with leading zeros.

**Field 8—Receiving Company Name.** The Louisville Metro Revenue Commission

recommends that you enter your corporation’s name in this field for research purposes.

**Field 9—Discretionary Data.** This two-character field is not used by the department.

**Field 10—Addenda Record Indicator.** Always insert the number 1, as there will be an addendum record with this transaction.

**Field 11—Trace Number.** A number added to the record by the originating/sending financial institution to trace the transaction through the system. This number is especially important in case of an error.

## CCD+ Addenda Record Format

Use this addenda format for payment of taxes to the Louisville Metro Revenue Commission.

Field	Position	Size	Content	Description
1	1-1	1	7	Record Type Code. Insert number 7.
2	2-3	2	05	Addenda Type Code. Insert 05.
3	4-6	3	TXP	Tax Payment ID. Insert TXP.
	7-7	1	*	Separator
4	8-13	6	Alphanumeric	Louisville Metro Revenue Commission Account Number
	14	1	*	Separator
5	15-23	9	Numeric	Federal Identification Number or Social Security Number of the Taxpayer. Zero fill, if not available.
	24	1	*	Separator
6	Variable Length Fields	1-4	Alphanumeric	Tax Type Code <b>W1</b> Employer's Withholding Tax <b>OL</b> Business Net Profit Tax <b>LINS</b> Louisville Urban Service District Insurance Premiums Tax <b>JINS</b> Louisville Metro (outside the Louisville Urban Service District) Insurance Premiums Tax <b>TRAN</b> Transient Room Tax
		1	*	Separator
7		8	YYYYMMDD	Tax Period End Date
		1	*	Separator
8		1	T	Payment Type
		1	*	Separator
9		1-10	\$\$\$\$\$\$\$ <i>cc</i> <sup>1</sup>	Payment Amount. No decimal point.
		1	\	Terminator
15		1	Blanks	Enter space through position 83
16		84-87	4	0001
17	88-94	7	Numeric	Entry Detail Sequence Number. Insert leading zeroes.

**Field 1—Record Type Code.** This field will be a 7 for the CCD+ Addenda Record.

**Field 2—Addenda Type Code.** This field will be a 05 for the CCD+ Addenda Record.

**Field 3—Tax Payment ID.** This field will be TXP.

**Field 4—Louisville Metro Revenue Commission Account Number.** This number is your Louisville Metro Revenue Commission Account Number. This account number is required to properly post your payment. Processing will be delayed if this account number is not valid.

<sup>1</sup> The amount should not include a dollar sign or decimal point, but it should always include cents even if it is 00. For example, 1000000 would equate to a payment of \$10,000.00.

**Field 5—Federal ID Number or Social Security Number.** This field is used to ensure that the account number presented above is valid and matches the FEIN/SSN assigned to the account. Processing will be delayed if the FEIN/SSN does not match the same field on file for the account number presented above.

**Field 6—Tax Type Code.** This code identifies the type of tax for which the payment is to be applied.

**Field 7—Tax Period End Date.** This field must contain the tax period ending date, using the format YYYYMMDD. Example: A payment with a tax period ending date of March 31, 2003 will be entered as: 20030331.

**Field 8—Amount Type Code.** This field must contain a ‘T’ to indicate a tax payment.

**Field 9—Tax Amount.** The amount to be posted to your account for the tax type and tax period ending presented above. Do not insert a decimal point. The last two characters are cents. **Example:** A payment of \$480.00 must be entered as 48000

**Field 14—Terminator.** A backslash (\) must be entered.

**Field 15—Blank Fill.** Enter blank spaces through position 83. The next field starts on position 84.

**Field 16—Special Addenda Sequence Number.** For the CCD+ format this entry will always be 0001.

**Field 17—Entry Detail Sequence Number.** This entry is the same as the last seven digits of the ACH trace number (field 11 of CCD+ Entry Detail Record) on the corresponding Entry Detail Record.

### **Sample TXP Addenda records – positions 4 - 83**

- Employer’s Withholding Tax

TXP\*123456\*613333333\*W1\*20040331\*T\*120000\

This represents a payment of \$1200.00 against a W1 tax period ending March 31, 2004, for account 123456, with a federal id of 613333333.

- Business Net Profit Tax

TXP\*654321\*401111111\*OL\*20031231\*T\*52038\

This represents a payment of \$520.38 against an OL tax period ending December 31, 2003, for account 654321, with a social security number of 401111111.

## **Revenue Holiday Schedule**

If a payment due date falls on a legal holiday or weekend, the tax payment must be received on the first business day after the holiday or weekend. Timely payments are based on the settlement date (the date on which the funds move between financial institutions).

If your financial institution is closed on a day that you wish to initiate your transfer, you must contact them one day prior to the observed holiday.

Financial institution holidays in other states may vary from the holiday schedule listed below. Some financial institutions may need 48 hours notice to initiate your transaction.



## Holiday Schedule

New Year's Day	January 1
Martin Luther King Day	Third Monday in January
Presidents' Day	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veterans' Day	November 11
Thanksgiving Day	Fourth Thursday in November
Christmas Day	December 25

\* When a legal holiday falls on a Saturday or Sunday, it will be observed on the following Monday.

## Glossary of Terms

**ACH** "Automated Clearing House", (ACH), means any entity that operates as a clearing house for electronic debit or credit entries pursuant to an agreement with an association that is a member of the National Automated Clearing House Association.

**ACH Credit** An "ACH Credit" transaction is one in which you, the taxpayer, through your financial institution, originate an entry crediting the designated financial institution's account and debiting your own account for the amount of the tax payment.

**CCD+** "Cash Concentration or Disbursement Plus Addenda" is a standard National Automated Clearing House Association data format used to make ACH credit/debit transactions. The CCD+ format combines the widely used CCD format with a single addendum record that can carry 80 characters of payment-related data.

**EFT** "Electronic Funds Transfer" is a term that identifies any system used to transfer payments or funds electronically. EFT refers to any transfer of funds (other than a transaction originated by check, draft, or similar paper instrument) that is initiated through an electronic terminal, telecommunications instrument, computer, or magnetic tape, to order, instruct, or authorize a financial institution to debit or credit an account.

**FRB** "Federal Reserve Bank" is the central banking system of the United States, consisting of 12 regional reserve banks and member depository institutions that are subject to Reserve requirements.

**NACHA** The "National Automated Clearing House Association" is the organization that establishes the standards, rules, and procedures enabling depository financial institutions to exchange ACH payments on a national basis.

**ODFI** The "Originating Depository Financial Institution" is the financial institution that originates ACH entries at the request of, and by agreement with, its customers. ODFIs must abide by the provisions of the NACHA Operating Rules and Guidelines.

**Settlement Date** The date an exchange of funds, with respect to an entry, is reflected on the books of the Federal Reserve Bank.

**TXP** The “Tax Payment” banking convention is a national standard administered by NACHA. TXP is used by the federal government and the majority of states that utilize EFT for tax collection. The format is carded in the 80-character free-form field of the addendum record. The TXP convention has been developed with input from corporate trade associations, state representatives and federal government agency representatives. The TXP convention is a result of the joint efforts of the Federation of Tax Administrators, the Committee on State Taxation, and the Bankers Electronic Data Interchange (EDI) Council.