

ELECTRONIC FUNDS TRANSFER

This publication is for general information only. It is designed to assist taxpayers in complying with current laws and rules. In case of inconsistency or omission, the Arizona Revised Statutes and/or the Arizona Administrative Code will prevail over the language in this publication.

Electronic Funds Transfer Program

Since January 1, 1993, the State of Arizona has required certain taxpayers to remit payments due the state by the Electronic Funds Transfer (EFT) system. Electronic funds transfer requires the taxpayer to send payments electronically rather than writing and mailing a check. It has proven to be a safe, efficient payment system that allows the State of Arizona to use techniques that banks and businesses have used for years. Payments move almost instantaneously through this system from taxpayers' accounts into the State Treasury ensuring that payments are received by the due date.

Who Is Required To Pay Taxes Electronically?

The following criteria has been established to determine which Arizona taxpayers are required to remit their taxes electronically:

- ✓ Withholding Tax - Any taxpayer with \$20,000 average quarterly liability for withholding tax during the prior tax year.
- ✓ Corporate Estimated Tax - Any corporation with \$20,000 prior tax year liability.
- ✓ Transaction Privilege Tax – Any taxpayer with \$1,000,000 prior tax year liability.

What Is An ACH Transaction?

The Automated Clearing House (ACH) is a central distribution and settlement point, usually the Federal Reserve Bank, for the electronic clearing of debits and credits between financial institutions. Every day, millions of ACH transactions occur all over the country, with funds deleted from, or added to, the balances of participating financial institutions, which in turn reflect those transactions in their internal accounting for individual bank customers. Because it is the least expensive and most efficient method of moving money, it is becoming more widely used than any other transfer system.

How ACH Works

Very simply, funds flow from your bank account, through the Automated Clearing House, and into the state's bank account, quickly and accurately. The ACH-Debit is the method the department has adopted for the EFT program using online processing through www.AzTaxes.gov. However, the ACH-Credit method will be authorized by the department for taxpayers desiring to use this method. FedWire is available in emergency situations only, and requires prior departmental approval. All payment options guarantee security and confidentiality in all transactions.

Register For ACH Debit on AZTaxes.gov

1. Once you are registered on AZTaxes.gov and completed the registration signature card, fax the signature card to the EFT Unit at (602) 771-9913. Once received, it will take up to five business days to process. We will e-mail a User ID and Password (first time user will be prompted to change their password).
2. The next step is to register for the ACH Debit option. Log on to www.AZTaxes.gov. The first page is the "Business List". Click on the business account name you want to register to use the ACH Debit option. Go to "Business Registration" on the menu to the left of the page. Then click on "ACH Debit" at the bottom. Select the debit source and enter the required information for that section. Select license or account number you wish to register then proceed to enter bank account information. **Note: Be sure to use the information from a check and not a deposit slip.**

ACH-Credit

A copy of the required Credit Addenda Format will be sent to you, along with an approval letter, once your authorization agreement has been processed. Then, to make a payment, all you have to do is: Instruct your bank to initiate an ACH Credit transaction in the approved NACHA-CCD+ CREDIT ADDENDA format, usually the business day before your payment is due. Your payment will be electronically transferred into an Arizona Department of Revenue account, normally the next business day. Consult your bank for the exact time frame required for timely payments.

To make ACH-Credit payments with a telephone, PC and modem, mainframe computer, or terminal, there may be special hardware and software requirements. Your bank will inform you about those requirements. A service fee may be charged.

Corporate Trade Payments

We do not accept Corporate Trade payments; these will be sent back to your bank and a late payment fee may be charged.

Emergency Back-up Procedures Fed Wire

Prior department approval is required first. FedWire is allowed under emergency situations only. Call the EFT Unit for approval to initiate a FedWire.

Costs

AzTaxes.gov is free. ACH-Credit and FedWire processing costs are paid by you.

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Deadlines

For your payment to be timely, it must be received by the department on the due date of the payment. If you use the ACH-Debit method, you must submit your payment on AzTaxes.gov before 5:00 PM MST the **business day prior** to your due date. If you use the ACH-Credit method, consult your bank for the time frame available for initiating your transaction.

In emergency situations, when FedWire has been approved, you must initiate the wire transfer to ensure timely payment and use the credit addenda prescribed by the department.

Late Payments

A penalty will be imposed if the payment comes in after the deadline. If this should occur and you feel you are not responsible, you will be asked to furnish the following information to the Penalty Review Unit:

- ✓ Payment details, including the AZTaxes.gov confirmation number, if you are using the ACH-Debit method.
- ✓ A copy of your bank statement confirming that the funds were debited from your account on the due date if you use the ACH-Credit method.

If the payment was late due to problems at your bank, a letter from the bank stating the extenuating circumstances causing the delay will be required. If the department determines that you did attempt to transfer payment, the penalties may be waived and your payment records will be corrected upon receipt of the funds.

Holidays or Weekends

If the payment due date falls on a weekend or State of Arizona holiday, the payment will be due on the next business day. However, since a payment on our web site is required by 5:00 PM MST on the business day before the due date, you must initiate this payment on or before the last business day prior to the State of Arizona holiday or weekend.

For example, if your payment is due on Monday, January 19, 2009, a holiday, your payment on our web site must be made by 5:00 PM MST Friday, January 16, 2009, the last business day prior to the due date. Funds, however, would not be debited from your account until Tuesday, January 20, 2009. For a normal week without a holiday, a web site payment must be completed on Friday before the 5:00 PM MST deadline to result in a debit to your account on Monday.

Holidays observed by the State of Arizona are as follows:

New Year's DayLabor Day
Martin Luther King DayColumbus Day
President's Day.....Veterans Day
Memorial DayThanksgiving
Independence DayChristmas

Voluntary Payments vs. Mandatory Participation

Annually, the department makes a determination as to whether or not a taxpayer is required to participate in the EFT program, based on the prior tax year's corporate, withholding, or transaction privilege tax liability. Taxpayers with liability levels below the mandatory threshold may enroll in the program on a voluntary basis. If a voluntary participant wishes to withdraw from the program, the department requests a 30 day written notice.

Security

The use of the EFT system provides high standards of safety and security for your funds and payment information. All information provided is strictly confidential. Since AzTaxes.gov provides a confirmation number, each transaction can be tracked and an audit trail is established to verify the accuracy of the information.

Changes

If you are using AzTaxes.gov please log on to your account and go to the business list, select the account name, and re-register for ACH-Debit option. Print the confirmation number for your records.

Written Reports and Tax Returns

Quarterly Withholding Tax returns and annual Corporate Income Tax returns are due just as before. If additional tax is due when filing your return, send a check or money order along with your return, just as in the past.

If the Transaction Privilege Tax return (TPT-1) and payment are electronically filed and paid they are due to the department by the last business day of the month.

Questions?

Contact us Monday through Friday between 8:00 a.m. and 5:00 p.m. MST at (602) 255-2060 or toll free at 1-800-843-7196.

This document is available in an alternative format upon request.