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Commonwealth of Massachusetts

Department of Revenue

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# Electronic Business Transactions

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ACH Debit

## Introduction

The Massachusetts Department of Revenue (DOR) has developed various programs to accept state tax payments through Electronic Funds Transfer (EFT). EFT reduces the time and expense involved in generating and handling paper checks and allows for quicker and more accurate tax payments.

Private businesses and the federal government have been using EFT technology for many years. For example, the direct deposits of employee wages and Social Security payments are made through EFT. Many corporations also use EFT to pay their suppliers for goods and services.

For the Massachusetts Electronic Business Transactions (EBT) programs, the Department offers three options.

1. The Automated Clearing House (ACH) credit transaction option. This method allows you to transfer funds by instructing your financial institution to debit your account and to credit the state's bank account, via the ACH, using the Cash Concentration of Disbursement plus Tax Payment Addendum (CCD+TXP) format.
2. The Business Telefile tax payment option. This option allows you to make your company's tax payments from the convenience of your office using a touch-tone telephone. Based on your instructions, the Commonwealth will use the ACH to debit your company's account and credit the Commonwealth of Massachusetts for tax payments on your behalf. Sales tax and withholding tax returns may be filed through Business Telefile.
3. Webfile for Business option. A taxpayer can make tax payments through the Webfile for Business application by visiting DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor). See Program Participation in Section 1 of this handbook for information on what tax types are eligible for Webfile for Business.

All of these options are designed to make it easier for taxpayers to implement EFT without a significant up-front investment, in a manner consistent with EFT programs of the federal government and other states where you may be doing business.

These instructions provide you with specific information on the various ACH Debit tax payment options, including its participation guidelines, registration information, payment method and tax form filing requirements.

## Program Participation

**Mandatory participation.** Since January 1, 2004, DOR required payroll withholding, meals, sales and use, sales on telecommunication services and state and local room occupancy taxpayers with annual combined tax liabilities of \$10,000 or more to make their payments through EFT. (The Commissioner's authority to mandate EFT for tax payments derives from M.G.L. c. 62C, ss. 45 and 78.)

**Beginning October 1, 1995.** The threshold for mandatory participation of corporate (foreign and domestic) taxpayers was lowered to \$250,000 of annual tax liabilities. A \$100,000 threshold was established for excises on gasoline, banks, utilities and insurance.

**Beginning September 1, 2003.** A \$10,000 threshold was established for gasoline, cigarettes, special fuels, jet fuel and aviation gasoline taxes.

**Voluntary participation.** If you do not meet the threshold established for mandatory participation in the EFT program, you may apply to participate on a voluntary basis.

Once registered as a voluntary participant, you will be subject to the same rules established for mandatory participants.

## Registration

**How to register.** If you wish to register for ACH Debit and plan on using Business Telefile to pay your taxes, call our Customer Service Bureau at 617-887-6367 and you will be registered over the phone. If you plan on paying your taxes online, go to [www.mass.gov/dor](http://www.mass.gov/dor) and click on WebFile for Business.

**Changes to EFT registration.** If you are using Business Telefile and there are any changes to your registration information such as checking account number, corporate name or filing frequency, you must notify DOR in writing. If you are using WebFile for Business, any changes to your registration information can be made by the Business Master Administrator (BMA) by accessing "administer my account" in the WebFile for Business application.

## Payment Methods — Automated Clearing House (ACH) Debit

**Definition.** The ACH debit tax payment method allows you to authorize a third party to debit your bank account for your tax payment. For the Mass Debit project, the third party will be Fleet Bank, designated as the financial agent for the Commonwealth of Massachusetts.

**Cost.** You must pay the fees, if any, your financial institution charges for each ACH debit transaction posted to your account.

**Pre-note test.** When a taxpayer's application is processed, a pre-note test is automatically generated by the Mass Debit system. The pre-note test is a zero-dollar transaction processed through the ACH network to validate the banking information. If there is a problem, the applicant will be contacted by DOR.

**Note:** There is a 10 day waiting period before your PIN is activated for payments.

**How to make a payment.** You will initiate each payment with the use of a touch-tone telephone using Business Telefile or an Internet connection using WebFile for Business.

**When to report a payment.** EFT does not change any existing reporting requirements of Massachusetts state tax law. To be considered timely, your tax payment must be completed at least **one bank business day prior to the tax payment due date**, by the end of the bank business day as defined in Section 2, "Hours of Operation." Payment instructions received after the end of the bank business day or on any non-banking day will be processed on the next bank business day. You may warehouse a tax payment for a longer period of time through WebFile for Business.

**Zero-dollar transactions.** If a \$0 payment is due, it need not be transmitted through the Mass Debit system. However, a \$0 balance return for the period should be filed. See below.

## Filing Your Tax Forms

**Tax return.** A return is required for all tax periods, as determined by your filing frequency. **Note:** An electronic payment is not a return. All due dates for returns remain the same.

**Electronic filing options.** DOR's WebFile for Business application allows taxpayers to file, pay, amend and change registration information online. Go to [www.mass.gov/dor](http://www.mass.gov/dor) and click on WebFile for Business for more information.

**Business Telefile.** Sales and use tax, meals tax and withholding tax returns may be submitted via telephone when using the Business Telefile System. After entering your PIN, followed by the # key, and your nine-digit Federal Identification number (FID), not followed by the # key, use option 2 to access the return script. Worksheets for sales and use tax, meals tax and withholding tax are available on DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor).

**ACH Credit taxpayers.** Taxpayers who choose to pay electronically via ACH Credit may submit returns through Business Telefile or WebFile for Business.

**Confirmation numbers.** All EBT programs provide confirmation numbers for successfully processed transactions.

**Amended return.** If it is necessary for you to file an amended return, you must send in an amended return on paper or through DOR's website. Any tax due must be paid via Mass Debit.

## Section 2

## Service Guidelines

### Service Description

Go to DOR's website at [www.mass.gov/dor](http://www.mass.gov/dor) and click on Webfile for Business to make an online ACH Debit payment. You will have to use your assigned user name and temporary password. Business Telefile is a touch-tone telephone tax payment service that allows you to make your company's tax payments to the Commonwealth of Massachusetts.

Transactions must be made in accordance with the guidelines contained in this section of the Electronic Business Transactions Handbook and with the Business Telefile Tax Payment letter to be received with your PIN.

The Commonwealth will initiate a charge against the account you designate on the Application for Business Telefile Tax Payment on the bank settlement day as specified by you and for the amount of the payment as reported by you, the taxpayer. Funds debited from your company's account will be processed through the ACH Network and credited to the Commonwealth's account.

Electronic tax payments will be made through the ACH Network, and will be subject to the rules and regulations of the relevant ACH Association.

Tax returns filed via the Massachusetts Business Telefile system will be recorded against your account with an effective date of the telephone call subject to the restrictions noted in "Hours of Operation."

### Service Contacts

DOR Taxpayer Service	(617) 887-MDOR (6367)
EFT Unit	(617) 887-5020
EFT Unit fax machine	(617) 887-5019
EFT Unit e-mail address	<a href="mailto:apbeft@dor.state.ma.us">apbeft@dor.state.ma.us</a>
EFT Unit address	<b>Automated Processing Bureau PO Box 7013 Boston, MA 02204</b>
DOR website address	<a href="http://www.mass.gov/dor">www.mass.gov/dor</a>

## Hours of Operation

All electronic programs are available 24 hours a day, 365 days a year. The daily payment cutoff time for next day settlement is 4:00 pm Eastern Standard Time (EST) each day.

Payment instructions must be completed by 4:00 p.m. EST for next-day payment settlement. Payment instructions completed after 4:00 p.m. EST will be processed by the Business Telefile System for the following settlement day.

Returns submitted after 4:00 p.m. EST will be recorded with an effective date of the next business day.

## Holidays

	2004
New Year's Day . . . . .	January 1
Martin Luther King Day . . . . .	January 19
Presidents' Day . . . . .	February 16
Memorial Day . . . . .	May 31
Independence Day . . . . .	July 4
Labor Day . . . . .	September 6
Columbus Day . . . . .	October 11
Veterans Day . . . . .	November 11
Thanksgiving Day . . . . .	November 25
Christmas Day . . . . .	December 25

## Other Conditions

**Late payment.** Electronic payments made with a settlement after the due date are subject to penalty and interest assessments.

**System unavailable.** If Business Telefile is unavailable when you call to make a tax payment, a recording will instruct you when to call back or on how to make your payment if Business Telefile will be unavailable for an extended period of time.

**PIN security.** The FID/PIN combination allows access to initiating payments to DOR from your bank account. Take appropriate steps to protect this critical link.

**Multiple PIN or single PIN.** For a specific Federal Identification number (e.g., 123-456-789), the Business Telefile system generates a PIN for each eligible tax type that you submit, e.g., for payroll withholding (tax type 0166), the PIN might be 10000; for sales and use tax (tax type 0137), the PIN might be 10001.

**Payment verification.** To verify posting of your payment to your checking account, contact your financial institution. The EFT Unit does not routinely confirm receipt and processing of your payment instructions.

**Confirmation.** You will receive a tax payment transaction number for each Business Telefile tax payment you make. This number is your confirmation that your payment instructions have been accepted.

**Refunds and reversals.** Current DOR procedures will be followed. Refunds will not be issued electronically through the ACH network. No reversals will be allowed except in cases permitted by ACH rules and regulations.

## Section 3

## Terms and Conditions

The following are the terms and conditions under which the Commonwealth of Massachusetts (the “State”) and its financial agent, Fleet Bank (the “Bank”), shall provide the tax payment services (the “Service”) described herein to you (the “Taxpayer”).

**NACHA rules.** The Taxpayer agrees that transfers initiated pursuant to these terms and conditions shall be subject to and governed by the operating rules of the National Automated Clearing House Association (NACHA) and the New England Automated Clearing House Association.

**Deposit account.** The Taxpayer shall establish and maintain a deposit account (the “Account”) at a bank designated in writing to the state. The Bank is authorized to debit or credit the Account (i) for tax payments initiated by the Taxpayer pursuant to these terms and conditions; and (ii) for adjustments or other amounts as required pursuant to these terms and conditions. The Taxpayer shall maintain a sufficient available balance in the Account to fund all such debits. If the Account does not contain a sufficient available balance or a debit entry is not paid for any other reason, the tax payment will be deemed not to have been made; if not repaid by the due date, the Taxpayer may be charged interest and penalties by the State.

**Payment instructions.** Payment instructions will be provided by the Taxpayer as outlined in Section 2 of the Electronic Business Transactions Handbook and in the Electronic Business Transactions instructions. The Bank shall rely on the accuracy and completeness of such payment instructions provided by the Taxpayer in delivering the Service. The Account will be debited on the bank business day (defined in Section 2 of the Electronic Business Transactions Handbook) when payment instructions are received. Payment to the State will be made on the date the Account is debited or by such subsequent date when the payment is due.

**Tax payments.** In performing the Service, the Bank acts as the financial agent for the State and not as the agent for the Taxpayer. If funds debited from the Taxpayer’s account are held by the Bank while awaiting payment to the State, the Taxpayer shall not earn interest or earn credits on such funds, nor shall such funds be treated as held by the Bank in a fiduciary capacity for the Taxpayer. Pursuant to the payment instructions of the Taxpayer, the Bank shall make tax payments from the Account to the State and shall provide the State with the appropriate payment information.

**Confirmation.** The confirmation number provided to the Taxpayer by shall be the only confirmation provided to the Taxpayer. It will be the Taxpayer’s responsibility to immediately notify the Bank of any error in confirmed tax payment instructions.

**Compliance.** Compliance with laws and regulations applicable to its tax obligations shall be the responsibility solely of the Taxpayer. Nothing herein is intended to relieve the Taxpayer of any duty imposed by law or regulation regarding the maintaining of records or from employing adequate audit, account and review practices customarily followed by similar businesses. The Bank shall not maintain records for the Taxpayer.

**Liability.** The Taxpayer shall indemnify and hold harmless the Bank from any and all claims, demands, liabilities and losses (including attorney’s fees) arising directly or indirectly out of the Bank’s performance hereunder, except as may arise from the Bank’s gross negligence or willful misconduct. The Bank’s liability under the preceding sentence, if any, shall in no event exceed the amount of the penalty actually imposed by the State on the Taxpayer for failing to make a payment on time because of the Bank’s failure to perform in accordance with these terms and conditions. The Bank shall not be responsible for any failure to perform or delay in performing hereunder due to equipment or power failure, weather conditions, labor difficulty, governmental act or other cause beyond its reasonable control. The Bank shall not be liable for any indirect, consequential or special damages. The provisions of this section shall survive the termination of the Service.

Once a Taxpayer is registered to participate in Electronic Business Transactions for a particular tax, all such payments by that taxpayer must be made through Mass Debit unless the Taxpayer or the Bank terminates the service as provided below; otherwise, the Bank accepts no liability for the incorrect calculation of the tax deposit due date.

**Amendment.** The Mass Debit Tax Payment Handbook, including these terms and conditions, may be amended by the Bank at any time by notice to the Taxpayer.

**Termination.** The Bank shall continue to provide the Service until terminated by either party upon 30 days written notice to the other, or by the Bank without notice upon any breach of these terms and conditions by the Taxpayer.

**Miscellaneous.** The Taxpayer may not assign its rights hereunder without the written consent of the Bank. Only the Taxpayer shall use the Service contemplated hereunder and the Taxpayer shall not provide its Access Code or Personal Identification Number to anyone else. No waiver by the Bank of any right or remedy hereunder on one occasion shall be construed as a waiver of such right or remedy on any other occasion. Notices hereunder shall be sent to the Bank's address as listed in Section 2 of the Electronic Business Transactions Handbook. The Service will be governed by the laws of the Commonwealth of Massachusetts.

## Glossary of Terms

**Automated Clearing House (ACH).** 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.** The ACH credit is a method by which money is transferred electronically through the ACH network. An ACH credit transaction is one in which the taxpayer, through its bank, originates an entry crediting the Commonwealth's designated bank account and debits its own bank account for the amount of the tax payment.

**ACH debit.** An ACH debit transaction is one in which the taxpayer, through the Commonwealth of Massachusetts financial agent, initiates an entry by electronic means crediting the Commonwealth's designated bank account and debiting its own account for the amount of the tax payment.

**Automated Processing Bureau (APB).** The departmental unit within the Massachusetts Department of Revenue responsible for the electronic business transactions transfers. Previously the Electronic Funds Transfer Unit, now the Automated Processing Bureau.

**Electronic Funds Transfer (EFT).** The transfer of 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.

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

**National Automated Clearing House Association (NACHA).** The organization that established the standards, rules and procedures that enable depository financial institutions to exchange ACH payments on a national basis.

**Originating Depository Financial Institution (ODFI).** The organization that originates ACH entries at the request of any taxpayer by agreement with its customers. ODFIs must abide by the provisions of the NACHA Operating Rules and Guidelines.