

18 DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

125 BUREAU OF REVENUE SERVICES

Chapter 102: ELECTRONIC FUNDS TRANSFER (EFT)

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**SUMMARY:** This rule describes the requirements for tax and other payments made by electronic funds transfer. This rule applies to payments of taxes imposed by Title 36 of the Maine Revised Statutes (“M.R.S.”), as well as to payments processed by Maine Revenue Services (“MRS”) for other agencies of Maine State Government pursuant to agreements with those agencies. Authority to collect taxes electronically is provided in 36 M.R.S. § 193.

This rule does not prohibit the collection of taxes or other payments processed by MRS by credit or debit card or other payment mechanism, with the exception of mandatory EFT participation required by section .02 below.

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**.01 Definitions**

As used in this rule, the following terms have the following meanings:

- A. Automated Clearing House.** “Automated Clearing House” (ACH) means a central distribution and settlement point for the electronic clearing of debits and credits between financial institutions. An automated clearing house may be a federal reserve bank or any organization that operates as a processing agent for ACH transactions between financial institutions pursuant to an operating agreement with the North American Clearing House Association.
- B. ACH credit method.** “ACH credit method” means an electronic funds transfer that utilizes the ACH network and that is initiated by a taxpayer or service provider via a financial institution to credit (i.e., deposit) a payment amount to a designated Maine State Government bank account.

- C. ACH debit method.** “ACH debit method” means an electronic funds transfer that utilizes the ACH network and that is, upon authorization by the taxpayer or service provider, initiated by MRS to debit (i.e., withdraw from) a taxpayer’s designated bank account a payment amount for deposit into a designated Maine State Government bank account.
- D. ACH Network.** “ACH Network” means the electronic funds transfer system governed by the rules of the North American Clearing House Association.
- E. Addendum record.** “Addendum record” means the supplemental data included in the electronic ACH data file that is necessary for the accurate, timely processing of an EFT payment.
- F. Bank account.** “Bank account” means a financial account, including, without limitation, a savings account or checking account, established at a financial institution in the taxpayer’s name or in the name of the service provider.
- G. Cash Concentration or Disbursement Plus Addendum (CCD+).** “Cash Concentration or Disbursement Plus Addendum” (CCD+) means a standard ACH transaction format that is accompanied by one addendum record.
- H. Customer Initiated Entry (CIE+).** “Customer Initiated Entry” (CIE+) means a standard ACH transaction format. A CIE entry is a credit entry that is initiated by or on behalf of the holder of a consumer account to effect a transfer of funds to the deposit account of a receiver. It is accompanied by one addendum record in the CCD+.
- I. Combined annual tax liability.** “Combined annual tax liability” means a taxpayer’s tax liability for the prior calendar year for all taxes administered by MRS. The tax liability is measured as tax reported by the taxpayer, or as adjusted by MRS, and includes estimated tax liabilities required to be paid. For example, the combined annual tax liability for an individual income tax return equals the tax liability on Form 1040ME after application of non-refundable tax credits, either as reported by the taxpayer or as subsequently adjusted by MRS, less Maine income tax withheld and any applicable refundable tax credits. Any tax liability that is under reconsideration or judicial review and any assessment of tax for which the reconsideration period under 36 M.R.S. § 151 has not yet expired as of the last day of the prior calendar year is not considered part of the combined annual tax liability.
- J. Corporate Trade Exchange (CTX).** “Corporate Trade Exchange” (CTX) means a standard ACH transaction format that accommodates multiple addenda records.
- K. Electronic Funds Transfer (EFT).** “Electronic Funds Transfer” (EFT) means a standard ACH funds transfer to credit or debit a bank account or wire transfer. EFT does not include payments by check, draft, or similar paper instrument.
- L. Financial institution.** “Financial institution” means a bank, savings bank, savings and loan association, credit union, or any other entity that manages savings accounts, checking accounts, or other financial accounts for its customers that can support the EFT transactions described in this rule.
- M. Intra-bank transfer.** “Intra-bank transfer” means the transfer of funds from a depositor’s account to a Maine State Government bank account within the same financial institution.

- N. Maine Revenue Services (MRS).** “Maine Revenue Services” (MRS) means the Maine Bureau of Revenue Services.
- O. North American Clearing House Association (NACHA).** “North American Clearing House Association” (NACHA) means the national regulatory body that establishes the standards, rules, and procedures governing the ACH Network.
- P. Prenotification test.** “Prenotification test” means an ACH transaction test submitted to MRS by the taxpayer, service provider, or financial institution in the amount of at least one cent (\$.01).
- Q. REW remitter.** “REW remitter” means a person, such as a title company or broker, that remits Maine real estate withholding (“REW”) of tax pursuant to 36 M.R.S. § 5250-A on behalf of a buyer of Maine real property.
- R. Service provider.** “Service provider” means a person that performs accounting, tax preparation, or other similar services and remits tax payments on behalf of its clients. Examples of service providers are payroll processors as that term is defined in Title 10, chapter 222; accountants; third-party withholders such as banks; REW remitters; and bill-paying services.
- S. Settlement date.** “Settlement date” means the date an electronic payment is deposited in a bank account designated by the State of Maine for deposit of electronic tax payments or the date a prenotification test transaction occurs.
- T. Standard EFT payment methods.** “Standard EFT payment methods” means the ACH credit method or the ACH debit method of electronic funds transfer.
- U. Taxpayer identification number.** “Taxpayer identification number” means the account number assigned by MRS to a person’s tax account.
- V. Tax payment convention.** “Tax payment convention” (TXP) means the standard format approved by the Bankers EDI Council of NACHA that identifies tax payments in the addendum record portion of a CCD+ transaction.
- W. Wire transfer.** “Wire transfer” means the same-day transfer of funds from a depositor’s account to a Maine State Government bank account using a wire transfer payment system such as Fedwire. Wire transfers do not contain a standard addendum record and may be used only in an emergency situation.

## **.02 Mandatory EFT participation**

### **A. EFT mandate.**

1. Effective until December 31, 2021, any person with a combined tax liability during the 12-month period ending June 30th of the prior calendar year of \$10,000 or more is required, upon notification by MRS, to remit all Maine tax payments electronically, using either the ACH credit method or ACH debit method, for any payment for which an electronic processing method is provided by the State Tax Assessor. This requirement does not apply to property taxes imposed by 36 M.R.S., Part 2, Commercial Forestry

excise taxes imposed by 36 M.R.S., Part 4, and any assessment derived from a criminal investigation. Once a taxpayer has been required to remit tax electronically under this provision, the taxpayer must continue to remit taxes electronically in future years, without regard to the \$10,000 threshold, unless that taxpayer obtains a waiver from participation as provided in this rule.

2. Effective January 1, 2022, any person with a combined annual tax liability of \$10,000 or more is required to remit all Maine tax payments electronically for which an electronic processing method is provided by the State Tax Assessor and must continue to remit taxes electronically in future years, without regard to their combined annual tax liability, unless the taxpayer obtains a waiver from participation as provided in this rule. Any person who has not previously been required to make tax payments electronically pursuant to this rule who becomes subject to the requirement on or after January 1, 2022, will be allowed until March 1<sup>st</sup> of the calendar year they first become subject to the requirement to come into compliance with the electronic payment requirement.

- B. Service providers.** Service providers (other than payroll processing companies and REW remitters) that remit taxes on behalf of a client must remit electronically for that client using a standard EFT payment method if the client is mandated to pay the tax electronically. Payroll processing companies, including fiscal agents designated in accordance with 36 M.R.S. § 5250(5), and REW remitters that remit real estate withholding tax payments on or after January 1, 2025 must remit electronically for all clients regardless of whether those individual clients are mandated. A payroll processing company or REW remitter may request a waiver from this requirement from the State Tax Assessor for good cause.

### .03 EFT Payment methods

- A. Generally.** A taxpayer may use either the ACH credit method or the ACH debit method to make an EFT payment. A taxpayer must have an existing tax account with MRS to which an EFT payment may be made. Generally, a business taxpayer must submit an Application for Tax Registration to establish a tax account with MRS either by filing online through the Maine Tax Portal or via the downloadable application form, both of which are available at <https://revenue.maine.gov>.
- B. ACH credit method.** All taxpayers submitting a payment using the ACH credit method must do so using the CCD+ and TXP format, unless use of a different format is approved by MRS. The taxpayer must utilize a financial institution that supports the ACH credit method and must provide an electronic file to the institution in a specified format. MRS will provide the file specifications to the taxpayer upon request via the **Electronic Funds Transfer Application – ACH Credit** available on the MRS website.
- C. ACH debit method.** Pre-registration is not required if an ACH debit payment is initiated on an electronically filed return submitted via the Maine Tax Portal or E-File.
- D. Service providers.** Service providers must use the ACH credit method unless funds are withdrawn directly from client bank accounts, in which case the ACH debit method must be used. Service providers using the ACH debit method must pre-register each client separately with MRS. Service providers that remit via the ACH credit method on behalf

of 25 or more taxpayer accounts may request to submit the payments using the CTX format.

- E. Information provided to taxpayers.** MRS will provide the following information to taxpayers electing to use an ACH payment method:
1. General EFT program information and instructions;
  2. Tax-specific information; and
  3. ACH credit method addendum record layout for each type of tax payment and depository bank information, or ACH debit method data input instructions, whichever applies.
- F. Taxpayers to notify MRS of changes.** Taxpayers using either the ACH credit or debit methods must provide MRS with current taxpayer information using the Maine Tax Portal, including without limitation, changes in contact person, mailing address, telephone number, tax remittance frequency, tax account number, bank account numbers, and the establishment of a new tax account.

#### **.04 Payments**

- A. Due date.** A tax payment, whether submitted via EFT or otherwise, is due on the date required by Maine tax law or regulation. The taxpayer is responsible for ensuring that MRS receives tax payments timely.
- B. ACH credit method.** An ACH credit method payment must be accepted by the taxpayer's financial institution at least one business day prior to the payment due date to ensure that the payment is credited to the taxpayer's tax account by the payment due date.
- C. Service providers.** A service provider using the ACH credit method and CTX must use its own name in field 3, positions 5 through 20 of the '5,' "Company/Batch Header Record" of the ACH file. A service provider must also use its own Employer Identification Number in field 7, positions 40 through 54 of the '6,' CTX Corporate Entry Detail Record" of the ACH file when using the ACH credit method and CTX format to make tax payments.
- Service providers using the CTX format must transmit a separate, unique ACH file for each designated financial institution account number.
- D. Value of payment; Fees.** EFT payments, intra-bank transfers, and wire transfers must be in U.S. funds. Any financial institution or third-party fees are the responsibility of the taxpayer.

#### **.05 Request for waiver from mandatory EFT participation**

For good cause, a taxpayer or service provider may request in writing that MRS waive the mandatory EFT participation. The following is generally considered to constitute good cause:

- A. The taxpayer can demonstrate that the tax liability for subsequent tax periods will decline to an amount below the EFT threshold and that the tax liability will not increase in the foreseeable future to an amount that will exceed the threshold. This subsection does not apply to an REW remitter or to a person remitting Maine income tax withholding.
- B. The taxpayer's tax liability is the result of an unusual event unique to the tax period that is the cause for exceeding the EFT threshold. This subsection does not apply to an REW remitter or to a person remitting Maine income tax withholding.
- C. The taxpayer is under the payroll administration of the federal government.

#### **.06 Prenotification tests**

- A. **ACH credit method.** It is recommended that a taxpayer submit an error-free prenotification test at least six (6) business days prior to submitting an EFT payment to MRS using the ACH credit method. A prenotification test is required for each financial institution account. Each prenotification test must be submitted in compliance with CCD+ specifications and must include the addendum record information.
- B. **ACH debit method.** The Maine Tax Portal will automatically perform a prenotification test on all ACH debits transactions submitted via the portal.

#### **.07 CTX files**

- A. **Generally.** Any person remitting for 25 or more separate taxpayer accounts may submit payments to MRS using the ACH credit method and CTX format.
- B. **Testing required.** A person making a request under this section to use the ACH credit method and CTX format must, at least six (6) business days prior to submitting an EFT payment to MRS, submit an error-free prenotification test. The prenotification test must include a minimum of two (2), and a maximum of eight (8), test payment transactions. Payments must include addendum information for valid active taxpayer accounts submitted in the format required by MRS specifications.
- C. **File processing.** MRS will confirm that the dollar amount deposited equals the sum of dollar amounts contained in the addendum records file for each tax payment. If the amounts are not equal, the file will not be processed by MRS.

#### **.08 Emergencies**

If an otherwise required ACH transaction cannot be made due to circumstances beyond the payer's control, the payer must remit the amount due by other means, including wire transfer, intra-bank transfer, or by check. To ensure accurate, timely processing, the payer must provide MRS with the following information if paying by wire transfer or intra-bank transfer:

- A. Payment amount;

- B. Settlement date;
- C. Taxpayer name;
- D. Taxpayer identification number;
- E. Tax payment type code or payment description;
- F. Tax period for which the payment is made; and
- G. Maine State Government depository bank account number.

A payment by check must be accompanied by the related tax return or document or the payer must provide the taxpayer name, taxpayer identification number, the tax type to which the payment is directed, reporting period for which payment is made, contact person, and telephone number.

#### **.09 Problem resolution**

- A. **Research services.** Generally, MRS will, upon request, make reasonable efforts to assist taxpayers in resolving payment discrepancies, including whether or not a particular payment has been received. This request must be submitted in writing and must provide the following information:
  - 1. Requester's name if not the taxpayer;
  - 2. Taxpayer name and phone number;
  - 3. Settlement date;
  - 4. Maine State Government depository bank account number;
  - 5. Payment amount;
  - 6. Taxpayer identification number;
  - 7. Tax payment type code or payment description; and
  - 8. If ACH debit method, the payment confirmation number.
- B. **Debit or adjusting entries.** Generally, debit or adjusting entries to Maine State Government depository bank accounts are prohibited. If a prohibited entry has occurred, MRS reserves the right to reverse the entry.
- C. **Duplicate and other erroneous payments.** Duplicate and other erroneous payments to a valid taxpayer account will be posted (credited) to the taxpayer's account.

**.10 Interest and penalties**

- A. Generally.** Payments made by EFT are subject to the interest and penalty provisions of 36 M.R.S., including §§ 186, 187-A, and 187-B.
- B. Insufficient funds.** EFT deposits to a designated Maine State Government bank account that are reversed by the State's depository bank due to insufficient funds in the originator's account are subject to the insufficient funds penalty provided by 36 M.R.S. § 187-B(5). When a payment is returned for insufficient funds due to a change in financial institution or bank account number by the taxpayer, the insufficient funds penalty will be imposed where the taxpayer has not followed the provisions of this rule. In circumstances where the State has changed financial institutions or depository bank account numbers, payments returned for insufficient funds will incur the insufficient funds penalty when MRS has notified the taxpayer in writing of the change.
- C. Failure to remit electronically.** A taxpayer that is required to remit taxes via EFT that fails to do so is liable for the EFT penalty pursuant to 36 M.R.S. § 187-B(5-A).
- D. Waiver or abatement of penalties.** A taxpayer may request waiver or abatement of a payment-related penalty for reasonable cause in accordance with 36 M.R.S. § 187-B(7). The request must be made in writing within 60 days after receipt of notice of the assessment or determination in accordance with 36 M.R.S. § 151. However, the insufficient funds penalty under 36 M.R.S. § 187-B(5) is *not* subject to waiver or abatement. In addition, for purposes of the EFT program, the State Tax Assessor may make a finding of reasonable cause when the State Tax Assessor determines that the taxpayer has made a good-faith effort to remit payment in accordance with this rule. In determining whether a good-faith effort has been made, the State Tax Assessor will consider:
1. In the case of a taxpayer or service provider using the ACH credit method, whether written documentation is provided from company or bank records substantiating the taxpayer's belief that a timely payment was initiated;
  2. In the case of a taxpayer or service provider using the ACH debit method, whether the person provides documentation of a payment confirmation number provided by MRS or its service provider showing that the payment was initiated timely;
  3. Written documentation substantiating a bank error;
  4. Whether an ACH or other system failure beyond the taxpayer's control occurred; and
  5. Whether remittance to satisfy the underpayment is made in a timely manner.
- E. Abatement of interest.** Interest abatement will be considered on a case-by-case basis in accordance with 36 M.R.S. § 186. Written request for abatement of interest must be submitted to the MRS division that issued the assessment of interest in accordance with 36 M.R.S. § 151.



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**.11 Taxpayer and service provider responsibilities**

- A. Generally.** Persons that remit electronically must maintain adequate documentation to substantiate the initiation of an EFT payment.
- B. ACH credit method program.** Taxpayers and service providers that remit using the ACH credit method must ensure that their financial institution is able to support that method of payments to the State of Maine. MRS is not responsible for instruction on the usage and reliability of the products and services of financial institutions or other companies, nor for fees charged by financial institutions, service providers, and others. Taxpayers and service providers remitting by ACH credit method are responsible for the proper use of all software and services used to remit payments via EFT. MRS will provide ACH file layouts upon request.
- C. ACH debit method program.** Taxpayers must follow all debit program instructions issued by MRS. Taxpayers must maintain a record of the confirmation number or sequence provided when an ACH debit method payment is initiated, the payment amount, the payment initiation date, the tax reporting period, and the taxpayer identification number related to the payment.
- D. Recordkeeping requirements.** The recordkeeping requirements for EFT remitters are governed by 36 M.R.S. § 135, subsection 1.

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STATUTORY AUTHORITY: 36 M.R.S. § 193.

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