



## Tax Compliance Guide

*Delivering exceptional value and quality of life*

### Paying Taxes Due by ACH Credit Topic 374

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(07/2012)

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The City of Westminster offers taxpayers two options for paying taxes due by electronic funds transfer. Taxpayers may file and pay returns through the City's website using the F.A.S.T. Filing system. Taxpayers using this system provide the City with their bank routing and account numbers, and the City debits the taxes due from the taxpayer's account.

This topic discusses payment by ACH Credit. Taxpayers approved for this method initiate a credit to the City's bank account through the Automated Clearing House (ACH) system. Because taxpayers approved for this method are generally experienced with payment by ACH Credit, this guidance discusses only the specific requirements of the City of Westminster. Refer to the National Automated Clearing House Association (NACHA) for a complete set of rules and regulations governing the ACH system.

#### Enrolling for ACH Credit

Taxpayers who wish to pay by ACH Credit should first contact their financial institution to ensure they are able to initiate ACH transactions in the proper format. The financial institution may charge a fee for this service.

Taxpayers must submit an *ACH Credit Payment Authorization* form to the Sales Tax Division. This form will include the City accounts and tax types that the taxpayer wishes to pay by ACH Credit.

#### Tax & Fee Types Accepted

The City currently accepts payment for the following tax and fee types by ACH Credit:

- ❖ Sales and Use Taxes (but not including taxes reported on special event returns, initial use tax returns, construction equipment declarations, and construction project cost reports)
- ❖ Admissions Tax
- ❖ Accommodations Tax
- ❖ Conference Center Fees

Other taxes and fees due to the City, including franchise fees and utility bill payments, are not currently accepted under this program.

#### City Bank Account Information

Upon approval, the City will send the applicant a letter that will include the bank transit/routing and bank account numbers for the City's ACH tax payment account. This information will be necessary for transmitting payments to the City.

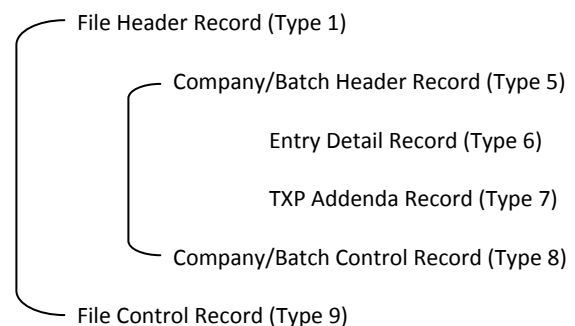
Taxpayers are encouraged to submit a pre-note transaction at least 10 days prior to the first due date of live dollar transactions. The City will contact the individual listed on the authorization form to report any errors detected. Do not submit a live dollar transaction for a minimal amount as a test in lieu of a pre-note, as there is no matching tax liability for the payment.

#### File Format

In order to ensure that payments reach the City's account, and can be matched with the corresponding tax return, ACH Credit files must use the NACHA Cash Concentration & Disbursement Plus (CCD+) format with a Tax Payment (TXP) Banking Convention addenda record for each entry detail record.

#### Record Flow

Records for CCD+/TXP transmittals must flow in the following order



The CCD+ format allows only one addenda record per entry detail record. Therefore, taxpayers must submit one entry detail/addenda record set per return type per account.

*Example:* Company A operates two hotels within the City and files monthly sales & use tax and accommodations tax returns for each

location. Company A must submit 4 entry detail/addenda record sets: a sales & use tax record set for each location and an accommodations record set for each location.

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### Entry Detail Record Recommendations

The City recommends that fields 7 and 8 of the entry detail record contain the taxpayer's Westminster account number and the first 22 characters of the business name, respectively. This will aid the City in matching the payment with the proper account should the addenda record be unusable.

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### TXP Addenda Records

Every entry detail record must be accompanied by an addenda record in the Tax Payment (TXP) Banking Convention format. This information is used by the City's tax system to match payments with returns and assessments, so it is important that the addendum is present and that it contain the correct information.

The "free form" field of the addenda record (positions 4 through 83) must contain the data elements shown in the table below delimited (separated) by an asterisk (\*). A backslash (\) indicates the end of the data. Recall that the CCD+ format allows only one addenda record per entry detail record (see example above).

#### Taxpayer Identification Number (TXP01)

The TXP addendum includes a taxpayer identification number. Taxpayers must use their seven-digit, Westminster account number. Do not use an FEIN or a Colorado Tax Account Number. To obtain a Westminster account number, taxpayers must file a *Business Registration* form with the City Clerk.

#### Tax Type Codes (TXP02)

The following tax/return type codes must be used in element TXP02 of the addendum:

Sales & Use Tax: 041	Admissions Tax: 0701
Accommodations Tax: 074	Conference Center Fees: 274

Note that City sales tax and consumers use tax are paid on a single return and must, therefore, be transmitted as a single payment. Do not send a separate entry detail/addenda record set for use tax due as computed on line 8 of the periodic City sales/use tax return.

#### Amount Types and Amounts (TXP04 through TXP09)

The TXP convention allows taxpayers to specify how much of the payment is tax, penalty, and interest. In TXP04, TXP06, and TXP08, are single-letter indicators of how the amounts in TXP05, TXP07, and TXP09, respectively, should be applied. Tax is indicated by 'T', penalty by 'P', and interest by 'I'. If the payment is tax only, the terminator character ('\') will follow TXP05.

Amounts must be listed in dollars and cents omitting the decimal point. For example, the amount '\$1,234.56' must be listed as '123456'. The amount elements in the TXP convention can each accommodate up to ten characters. Unlike other ACH record types, it is not necessary to fill out the space with leading zeros. Zeros

must be included for the cents if the amount is an even dollar. For example, the amount '\$1,234.00' must be listed as '123400'.

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### Timeliness of Payments and Returns

Taxpayers are responsible for ensuring that ACH Credit payments settle to the City's bank account not later than one business day following the due date. Taxpayers must work with their financial institution to determine the timeframe necessary to accomplish timely payment.

#### Holidays and Weekends

Most returns are due the 20<sup>th</sup> of the month following the end of a reporting period. If this day falls on a Saturday, Sunday, or holiday (Federal or State), the due date is extended to the next business day. Due dates falling on a Friday are not extended even though City offices are closed. Special attention should be paid to holidays, weekends, and bank processing schedules to ensure that payment settles to the City's account on time. The actual due dates for standard reporting periods are available on the City website or can be obtained by contacting the Sales Tax Division.

#### Returns Required

Taxpayers paying by ACH Credit are required to file returns on forms prescribed by the City reporting sales and itemizing deductions. The ACH Credit payment is not a substitute for the return. Returns must be postmarked on or before the due date. Late returns are subject to penalty even if the related payment is received on time.

ACH Credit payers should discontinue using the PO Box address. Completed returns should be mailed to City Hall as follows:

City of Westminster  
Sales Tax Division  
4800 W 92<sup>nd</sup> Avenue  
Westminster, CO 80031-6387

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### Penalties and Interest

If an ACH Credit payment does not settle to the City's bank account on time, a late filing penalty plus at least one month of interest will be imposed. If an ACH Credit payment settles on time, but the related return is not postmarked on or before the due date, a late filing penalty will be imposed. The City may impose penalties, and/or revoke authorization to pay by ACH Credit, if the taxpayer repeatedly fails to correctly complete ACH Credit payments or file required returns.

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### Citations

*Westminster Municipal Code*

§ 4-1-7. Returns Required; Time for Filing and Paying Total Tax Liability

§ 4-1-13. Timely Payment; Computation of Dates

§ 4-1-21. Interest

§ 4-1-22. Interest

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

TXP Banking Convention Addenda Record Format

Field Number	Position		Requirement	Description	Contents
	Start	End			
1	01	01	Mandatory	Record Type Code	'7'
2	02	03	Mandatory	Addenda Type Code	'05'
3	04	83	Required by Westminster	<b>Free Form Payment Detail</b>	
				Segment Identifier	'TXP'
				Separator	*
				TXP01: Taxpayer ID Number	#####
				Separator	*
				TXP02: Tax Type Code	See Table Below
				Separator	*
				TXP03: Tax Period End Date	YYMMDD
				Separator	*
				TXP04: Amount Type	X
				Separator	*
				TXP05: Amount	\$\$\$\$\$\$c
				Separator	*
				TXP06 (conditional): Amount Type	X
				Separator	*
				TXP07 (conditional): Amount	\$\$\$\$\$\$c
Separator	*				
TXP08 (conditional): Amount Type	X				
Separator	*				
TXP09 (conditional): Amount	\$\$\$\$\$\$c				
Terminator	\				
Filler (blank spaces if necessary)					
4	84	87	Mandatory	Addenda Sequence Number	Refer to ACH Rules
5	88	94	Mandatory	Entry Detail Sequence Number	Refer to ACH Rules

Valid Tax Type Codes for Westminster (TXP02)	
Tax Type	Code
Sales & Use Tax	041
Admissions Tax	0701
Accommodations Tax	074
Conference Center Fees	274

Amount Type Codes
Tax = T
Penalty = P
Interest = I

Sample "Free Form" Field

Taxpayer ID: 2595101  
 Sales & Use Tax Return for Period Ending 12/31/2010 (due 1/20/2011)  
 Tax Due: \$24,372.12

TXP\*2595101\*041\*101231\*T\*2437212\