



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2007(8)

25 Sigourney Street
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Paying Connecticut Taxes by Electronic Funds Transfer

Purpose: This Informational Publication explains the requirement and methods for paying taxes electronically with the Department of Revenue Services (DRS).

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-685 to 12-689, inclusive; Conn. Agencies Regs. §§12-689-1 to 12-689-4, inclusive.

1. What is an electronic funds transfer?

Electronic Funds Transfer (EFT) is an electronic method of making a payment. An EFT is handled through the Automated Clearing House System (ACH), a nationwide network that electronically transfers funds.

2. Who must pay by EFT?

Taxpayers whose prior year liability for a particular tax exceeded \$10,000 for the 12-month period ending the preceding June 30 for monthly and quarterly tax liabilities or for the preceding taxable year for annual tax liabilities, and who are notified by DRS to pay that tax by EFT, must pay the tax by EFT.

3. Will I always be required to pay that tax by EFT?

No. Each year DRS reviews your prior year liability for a particular tax. You will be notified by DRS if you are no longer required to pay that tax by EFT, but you must continue to pay by EFT until DRS notifies you that you no longer are required to do so.

4. How do I pay my taxes by EFT?

You may use one of two methods to pay your taxes by EFT:

- ACH debit method (direct payment) through the DRS **Taxpayer Service Center (TSC)**; or
 - ACH credit method.
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5. What is the Taxpayer Service Center (TSC)?

The *TSC* is an interactive electronic services site that is a fast, free, accurate, and secure way to electronically file eligible tax returns and pay the tax due or to initiate a payment-only transaction. See the answer to Question 22 for a list of eligible returns. The *TSC* also offers multi-level access to your account by tax type, the ability to view/cancel electronic payments, and a secure mailbox for information sharing.

You may access the *TSC* online at www.ct.gov/DRS or through Telefile at 860-289-4829.

6. How does the direct payment method work?

With the direct payment method using the *TSC*, you provide your banking information and authorize DRS to initiate the EFT by providing the amount of the payment and the date of transfer.

7. How does the ACH credit method work?

With the ACH credit method, you (**not** DRS) initiate the EFT through your bank. In coordination with your bank, you format your payment, your Connecticut Tax Registration Number, the tax type, and the tax return filing period. You must ensure your bank can perform its part of the transaction using the ACH standard CCD+TXP format; otherwise, you must use the ACH debit method.

8. What are the advantages of the direct payment method?

When using the *TSC*, you are given a confirmation number to verify that your tax return has been filed. Direct payment transactions can be error free when sent to the banking system because extensive editing and data correction are performed before you are given the confirmation number. If you file on the Internet, a requested payment date indicates that the payment has been successfully initiated. Additionally, you can print a copy of your return for your records.

9. Does DRS recommend a payment method?

DRS recommends the *TSC* direct payment method. *TSC* allows you to simultaneously file eligible tax returns and pay your taxes electronically. For other taxes, we recommend the *TSC* payment-only transaction. Direct payment transactions are virtually error free and generally less costly to you.

10. If I authorize DRS to debit my account to pay my taxes, will DRS have access to my bank account for any other purpose?

No. DRS will not have access to your account for any other purpose. You must initiate any payments. The use of a Personal Identification Number (PIN) ensures that only you can authorize the transfer of funds from your bank account to the DRS bank account and the funds are applied to the proper tax account.

11. May I use other EFT methods besides the direct payment and ACH credit methods?

No.

12. May I change my EFT method at any time?

Yes.

13. May I make payments using EFT even though I am not required to do so?

Yes. DRS encourages taxpayers to use the *TSC*. If you voluntarily use the *TSC* system, you do not have to pre-register or to notify DRS of your intent to use the *TSC*. If you choose the ACH credit method, see Question 14.

14. How do I register for EFT?

There is no pre-registration required to use the *TSC* direct payment method. You simply log into the *TSC* on the DRS website to initiate direct payments or to file returns electronically.

If you choose to initiate an ACH credit payment through your financial institution, you must submit form **EFT-1**, *Authorization Agreement for Electronic Funds Transfer*. See *Forms and Publications* on Page 5.

15. What are the due dates for paying by EFT?

If you are required to pay a tax (other than withholding tax) by EFT, the DRS bank account must be credited for the amount of your payment on or before the due date.

If you are required to pay Connecticut withholding tax by EFT, the DRS bank account must be credited for the amount of your payment on or before the next business day following the due date.

16. When is the payment due if the due date falls on a weekend or legal holiday?

If the due date falls on a Saturday, Sunday, or legal holiday, the next banking day is the due date. For a direct payment, you must initiate the EFT no later than 4:30 p.m. Eastern time on the last banking day prior to the weekend or holiday. For an ACH credit transaction, contact your bank for information. Legal holidays are New Year's Day, Martin Luther King Jr. Day, Lincoln's Birthday, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving, and Christmas. The current year's holiday schedule is available on the DRS website.

17. How do I ensure my payment is timely?

If you are required to pay electronically and are using the *TSC*, you must initiate your transaction no later than 4:30 p.m. Eastern time on the last banking day prior to the due date. For example, if the due date of the return is Monday, you must initiate the transaction no later than 4:30 p.m. Eastern time on the preceding Friday (assuming Friday is a banking day). If you use the ACH credit method, consult your financial institution for information.

18. How do I prove I made a timely direct payment transaction?

Your bank account will show a debit on or before the due date.

19. How do I prove I made a timely ACH credit transaction?

You must submit documentation from your bank showing your payment was initiated in time for settlement into the DRS bank account on or before the due date.

20. Is there a penalty for a late EFT?

Yes. The penalty for a late EFT is:

- 2% of an EFT payment not more than 5 days late;
- 5% of an EFT payment more than 5 days but not more than 15 days late; **and**
- 10% of an EFT payment more than 15 days late.

Interest is charged at the rate of 1% per month or fraction of a month from the due date until the date of the payment.

If payment is delayed for reasons beyond your control and you are able to prove to the satisfaction of DRS that you exercised due diligence, the penalty may be waived.

21. If I am required to pay my taxes by EFT, must I electronically file my return?

Yes. All taxpayers required to remit sales and use tax, admissions and dues tax, business use tax, room occupancy tax, nursing home user fee, and withholding tax by EFT must also file their tax returns electronically using the *TSC*. Payroll service providers can also file state and federal tax and wage reports for withholding tax over the Internet using the Federal/State Employment Taxes program.

However, if you are required to file **Form OS-114 NY/CT, Sales and Use Tax Return**, you may not file this return electronically and must file a paper Form OS-114 NY/CT.

22. What returns can be filed using TSC?

You may use the *TSC* to file the following returns on the Internet or by telephone:

- **Form OS-114, Sales and Use Tax Return;**
- **OP-210, Room Occupancy Tax Return;**

- **Form CT-WH, Connecticut Withholding Tax Payment; and**
- **Form CT-941, Connecticut Quarterly Reconciliation of Withholding.**

You may electronically file the following returns on the Internet only:

- **Form CT-945, Connecticut Annual Reconciliation of Withholding for Nonpayroll Amounts;**
 - **Form CT-8109, Connecticut Withholding Tax Payment Form for Nonpayroll Amounts;**
 - **Form CT-W3, Annual Reconciliation of Withholding**, along with corresponding **W-2** forms;
 - **Form CT-1096, Connecticut Annual Summary and Transmittal of Information Return**, along with corresponding **1099** forms;
 - **Form CT-941X, Amended Connecticut Reconciliation of Withholding ;**
 - **Form OP-424, Business Entity Tax Return;**
 - **Form 472, Attorney Occupational Tax Return;**
 - **OP-336, Nursing Home User Fee;**
 - **O-372, Admissions and Dues Tax Return.**
 - **Form 1120ES, Estimated Corporation Business Tax;**
 - **Form CT-1120 EXT, Application for Extension of Time to File Corporation Business Tax Return;**
 - **Form CT-1120, Corporation Business Tax Return;**
 - **Form CT-1065/CT-1120SI, Composite Income Tax Return;**
 - **Form CT-1065/CT-1120SI EXT, Application for Extension of Time to File Connecticut Composite Income Tax Return;**
 - **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates;**
 - **Form CT-1041 EXT, Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates; and**
 - **Form CT-1041ES, Estimated Connecticut Income Tax Payment Coupon for Trusts and Estates.**
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23. If I am required to electronically file, will I still receive paper returns in the mail?

No. DRS no longer mails a pre-printed copy of returns to taxpayers required to electronically file those tax returns. Taxpayers not required to electronically file who wish to electronically file may request that paper returns no longer be mailed to them. Failure to receive a paper return does not relieve you of your obligation to file.

24. When is my tax return due?

The due dates for your returns remain the same. If you are required to file your return electronically and are remitting a payment at the same time, you must initiate your transaction no later than 4:30 p.m. Eastern time the last banking day prior to the due date.

For returns you are not required to file electronically, your return is timely if received or if the date shown by the United States Post Office cancellation mark is on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

25. May I pay by check if I am required to pay by EFT?

No. Payment by check does not meet your obligation to pay by EFT and subjects you to a 10% penalty, even if the DRS bank account is credited for the payment on or before the due date.

26. If I have a problem initiating a direct payment transaction, whom should I call?

If you have a problem initiating a direct payment, call the DRS Electronic Filing Unit at **860-297-4973** in sufficient time to correct the problem.

27. When are the funds actually withdrawn from my bank account?

For direct payment transactions, you determine the date of withdrawal by the *requested payment date* you enter when you initiate your transfer. Your payment will not be withdrawn from your account until the date you specify as a requested payment date. For ACH credit transactions, you must contact your financial institution for withdrawal dates.

28. May I make multiple payments by EFT?

Yes. For the direct payment method through the *TSC*, you can make another payment for the same Connecticut tax registration number after you receive a confirmation number for the transaction you have just completed. Return to the main menu and initiate another payment. If you use the ACH credit method, you initiate multiple payments by EFT through your originating bank.

29. What if an emergency prevents me from making a timely EFT payment using ACH?

You should contact the DRS Electronic Filing Unit immediately for instructions. You may be permitted to make your payment using the Fedwire method. If DRS is not satisfied an emergency exists, your payment by Fedwire will be subject to a noncompliance penalty.

30. Is it possible to cancel or correct an EFT?

Yes. The *TSC* gives you the ability to cancel payments up to one banking day prior to the effective date. For an ACH credit transaction, follow your bank's instructions.

31. How do I report no tax due?

If you do not owe any tax, an EFT is not required. However, a return must be filed timely even if no payment is due.

32. How am I notified of underpayments?

DRS will send you a bill that will provide contact information to answer any questions you may have.

33. May I pay bills by EFT?

Yes. You may make bill payments using the *TSC* by choosing the payment-only transaction. Payments must be made no later than 4:30 p.m. on the banking day prior to the day you wish to have the money withdrawn from your account.

34. What if I make an overpayment?

If there is an overpayment, you will be notified or the funds will be refunded.

35. May I apply an EFT overpayment to my next return?

Yes. You must request to have the overpayment applied to your next return.

36. Is a penalty imposed for the late filing of a tax return if payment of the tax is made timely?

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report required by law to be filed.

37. Are there exceptions to the requirement to file tax returns?

Yes. If you are making a payment for income tax withholding, corporation business tax, or insurance premium tax, you do not need to send in the coupon.

38. What should I do if I overreported or underreported a tax I paid by EFT?

Sales and Use tax returns and quarterly withholding tax returns can be amended using the *TSC*. Other taxes must be amended using a paper return. Pay any additional tax by EFT using either the *TSC* or an ACH credit.

39. May my paid preparer or accountant serve as my primary EFT contact person?

Yes. However, remember you are responsible for the timely payment of your taxes even if you designate someone else as your contact person.

40. How do I report changes to my *TSC* bank information or to my contact information?

Changes to your banking information can be made from the main menu or on the direct payment *TSC* page when you initiate a payment. Changes to your contact information can be made from the *TSC* main menu.

41. How do I report a change in payment methods?

To change from the direct payment method to the ACH credit method, you must submit a form **EFT-1** to DRS to pre-register. No form is necessary to change from the ACH credit method to the direct payment method.

Effect on Other Documents: Information Publication 2005(30), *Paying Connecticut Taxes by Electronic Funds Transfer*, is modified and superseded and may no longer be relied upon.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For More Information on EFT: Email the Electronic Filing Unit online at ct.eft@po.state.ct.us or call during business hours, Monday through Friday, at **860-297-4973**.

Forms and Publications: Forms and publications are available anytime:

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
 - **Telephone:** Call 1-800-382-9463 (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call 860-297-4753 (from anywhere).
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Paperless Filing/Payment Methods (fast, secure, easy, free, and confidential):

- **For business returns, tax payments and electronic bill payments:** Use the **Taxpayer Service Center (*TSC*)** to file a variety of tax returns and extensions as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and choose the *TSC* logo or ***File/Register OnLine*** for a complete list of taxes that can be electronically filed and paid.
- **For income tax returns, extensions, estimated payments, and electronic bill payments:** Use the **Taxpayer Service Center (*TSC*)** to file personal income tax returns and extensions, or to make estimated payments and electronic bill payments over the Internet. Visit the DRS website at www.ct.gov/DRS and choose the *TSC* logo or ***File/Register OnLine***.

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