



Guideline

Income Tax Withholding E-File

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Tax Commissioner

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INTRODUCTION

The Office of State Tax Commissioner has established a program for businesses to file their state income tax withholding returns (Form 306) electronically through Electronic Funds Transfer (EFT). Advantages to using EFT are:

- The cost and time to write checks are eliminated.
- You have control over the movement of your money.
- You are assured that the funds are received on time, every time.
- The payment and return information are sent in the same transaction, so filing your income tax withholding return is completely paperless.

PARTICIPATION

Any employer who currently files income tax withholding returns is eligible to apply for Withholding E-File.

PAYMENT OPTIONS

ACH credit (Automated Clearing House credit) and ACH debit are the two EFT payment methods accepted for paying your state income tax withholding electronically. If you would like to file your return via ACH debit, please see our Guideline for Income Tax Withholding WebFile.

ACH credit is an electronic transaction where you instruct your bank to debit your business' bank account and credit the State's bank account. Since you are the originator of the transaction, you must pay the fees charged by the bank for any setup costs and for each ACH credit transaction initiated. Check with your bank to be sure they can initiate an ACH credit for you. See the section titled "Initiating an ACH credit" for further information on what is required.

REGISTRATION REQUIREMENTS

Do I have to register to electronically file and pay my state income tax withholding?

Yes. If you are currently registered with us to report the state income tax withholding, you only need to complete and sign a Form 301-EF, Application for Withholding Tax E-File Participation. A copy of the form is included in this handbook. Mail or fax the completed form to our office.

What do I do if I want to electronically file my income tax withholding returns and I am not currently registered with the Office of State Tax Commissioner to withhold state income tax?

First, you must register to withhold North Dakota income tax by completing and signing the Application to Register for North Dakota Income Tax Withholding and Sales and Use Tax Permit. A state taxpayer ID number will be assigned to you to use in filing your income tax withholding returns. This state ID number is 11 digits, which is your federal taxpayer ID number and a state-assigned 2-digit suffix.

To apply for electronic filing, you must also complete and sign Form 301-EF. If you want to submit both forms at the same time, just enter your federal ID number in the state ID field.

I use a payroll service to file my state income tax withholding. Can my payroll service participate in electronic filing?

Yes. A section on the 301-EF application accommodates payroll services. It is important to identify the Payroll Service who handles the filing of your state income tax withholding returns so we can discuss with them any problems with the tax filings made on your behalf. Also, if the bank account used for electronic funds transfer belongs to the Payroll Service, an authorized officer or individual of the Payroll Service must also sign the Form 301-EF.

If the Payroll Service completes the form for you, you must also sign the form to authorize participation in our Withholding E-File program. Or, if there is a Form 500 on file with our office authorizing the Payroll Service to act as your agent, the Payroll Service does not need your signature.

Helpful hints for registration:

- The E-File contact person should be the person who will actually initiate the electronic filing of your state income tax withholding. Be sure to include a phone number.
- If you are a Payroll Service completing the application on behalf of a taxpayer, be sure to have the taxpayer sign and date the application, unless there is a Form 500 on file with our office designating you as their agent.
- If you are a Payroll Service and the bank account belongs to the Payroll Service, you must sign the application in Section 2.
- Mail or fax the original signed application to the address noted at the bottom of the application, or fax number 701-328-0146.

Will I still get a paper return once I register for E-File?

No. When we notify you that you are registered to begin e-filing, you will no longer receive an income tax withholding return. Before the due date, we will send you a reminder notice, either by E-mail, if you have provided an e-mail address, or via U.S. mail. These reminder notices can serve as your taxpayer's copy to record the e-filing of your return. However, if you fail to receive the reminder notice, you are still required to e-file your state income tax withholding by initiating the ACH credit from your bank by the due date, even if you owe no tax, to avoid a delinquency notice.

CHANGES TO ACCOUNT

What if I want to stop filing my state income tax withholding returns electronically and go back to a paper return?

We hope you will never want to return to filing paper returns, but if you find that the ACH credit payment method does not meet your business needs, you need to notify us in writing that you wish to terminate your electronic filing option at least 30 days prior to when the termination is to take effect. We will acknowledge your request, and begin sending you paper tax returns again.

What if I quit or change my Payroll Service?

You must complete a new Form 301-EF advising us of the change. This is very important if the bank account used to make your tax payments is the Payroll Service's account. We need to update our records so future electronic filings are accepted.

Do I have to do anything if the business retains the same account numbers, but the ownership or corporate officers have changed?

Yes. You have to complete an Application to Register for North Dakota Income Tax Withholding and Sales and Use Tax Permit, each time there is a change in the corporate officers responsible for the state income tax withholding returns.

INITIATING AN ACH CREDIT***How do I initiate an ACH credit?***

Once we have notified you that you can begin filing your income tax withholding return electronically, you initiate the tax payment and addenda record through your bank. The TXP addenda record provides the return information necessary to identify the payment and properly post it to your income tax withholding account. One transaction does it all — files your return and takes care of your tax payment.

You must provide your bank the filing information required to complete the TXP addenda record. The record format for the TXP addenda record is included in this handbook. **[Note: If your business is equipped to prepare the CCD+ detail entry record instead of the bank preparing it, be sure the Transaction Code field contains “22”.]**

You will also be provided the TXP record format when instructed to initiate an ACH credit prenote. In order to receive the state’s bank routing/transit and bank account numbers you must complete a Withholding Tax E-File Participation application (Form 301-EF).

Is there a cost to initiate an ACH credit?

Yes. You must pay the fees charged by your bank for any setup costs and for each ACH credit transaction initiated.

What if I do not owe any tax for a specific reporting period?

You are still required to send a “zero” ACH credit transaction with the TXP addenda record, which constitutes your return.

DUE DATES***When must I send an ACH credit to be sure my e-filed return and payment are timely?***

Your bank must initiate the ACH credit transaction on or before the due date for your payment to be considered timely. We do not require the funds to be in the State’s account on the due date, but you must contact your bank to initiate the payment by the due date. A timely filed ACH credit will be based on the transaction date of the credit from your bank. The due date remains the same as for paper returns, which falls on the last day of the month following the end of the tax period. Due dates for each calendar quarter are:

<u>Calendar Quarter</u>	<u>Due Date</u>
January, February and March	April 30
April, May, and June	July 31
July, August, and September	October 31
October, November, and December	January 31

An annual filing option is available to eligible employers which may be filed for the entire calendar year on or before January 31 following the end of the calendar year. Contact the Office of State Tax Commissioner for information on the procedures that apply for annual filing. Under certain circumstances, the Tax Commissioner may require monthly filings. Requests to file monthly returns are subject to the Tax Commissioner’s approval.

What if the due date is on a weekend or holiday?

The due date falls to the next business day. For example, if the due date April 30 is a Sunday, the due date becomes Monday, May 1.

PENALTY AND INTEREST***What happens if I don't e-file my return and payment by the due date?***

The same penalty and interest provisions for paper returns and checks apply if you do not e-file, or e-file after the due date. You will be billed the late charges.

What proof do I have to provide that I e-filed my return by the due date if I get a late notice from your office?

You will need to obtain a copy of the ACH credit transaction record, which will contain the date it was initiated from your bank.

MULTIPLE TAX PERIODS/ACCOUNTS***Can more than one tax period for my account be e-filed in the same ACH credit transaction?***

Yes, but only if your bank supports the CTX format. The CCD+TXP record format only allows for one addenda record. The CTX format allows for multiple addenda records in one ACH credit transaction. The Office of State Tax Commissioner has limited the CTX format to 100 accounts or records. Please check with your bank if they can handle the CTX format.

Can e-filing more than one withholding account be done in the same ACH credit transaction?

Yes. As with multiple tax periods, your bank must be able to support the CTX format, but you are limited to 100 accounts per ACH credit transaction.

ERRORS AND AMENDED RETURNS***I made an error when e-filing my income tax withholding. How do I correct it?***

If you owe additional income tax withholding, you can file an amended ACH credit transaction. In the TXP addenda record, be sure to enter the amended return code "A" in the field.

If you overpaid your income tax withholding, you will need to file a paper amended return. To obtain a Form 306 to amend your income tax withholding, please visit our web site at www.nd.gov/tax.

What should I do if I need to pay additional money due to a notice or an assessment?

You will need to send a check for any payment you owe to us. You cannot use EFT to pay an income tax withholding notice or assessment at this time.

E-FILE ASSISTANCE

Office Hours: 8:00 a.m. - 5:00 p.m. Central Time, Monday- Friday, excluding holidays

Phone: 1-701-328-1257
TTY: 1-800-366-6888 (Relay North Dakota)

Web site: www.nd.gov/tax
E-Mail: taxregistration@nd.gov

HELPFUL HINTS FOR REGISTRATION

- ✓ The E-File contact person should be the person who will actually be involved in the initiation and making of the electronic filing of your state income tax withholding. Be sure to include a phone number.
- ✓ If you are a Payroll Service completing the application on behalf of a taxpayer, be sure to have the taxpayer sign and date the application in Section 3 or 4. Exception: If a Form 500 for your client is on file with our office, the taxpayer's signature is not necessary.
- ✓ If you are a Payroll Service and the bank account belongs to the Payroll Service, you must sign the application in Section 2.
- ✓ Mail the original signed application to the address noted at the bottom of the application. Or, you may fax your completed application to (701)328-0146.

NEED ASSISTANCE WITH E-FILE? FEEL FREE TO CONTACT US AT

Office of State Tax Commissioner
600 E Boulevard Ave. Dept. 127
Bismarck, ND 58505-0599
Phone: (701)328-1257
TTY: (800)366-6888 (Relay North Dakota)
Web site: www.nd.gov/tax
E-mail: taxregistration@nd.gov

Dear Taxpayer:

This letter contains information needed to submit your Withholding Tax payment by ACH credit. This is the payment option you selected when you registered for North Dakota Withholding Tax WebFile.

An ACH Credit requires the Tax Commissioner to provide bank routing and account information to you so you may contact your financial institution to initiate an ACH credit payment.

Essential information must be provided with an ACH credit payment submitted to the Tax Commissioner's financial institution to ensure the funds are applied correctly to a taxpayer's account. This information is provided in an addenda record which is part of the EFT transaction. The information provided in the addenda record will include:

1. Taxpayer Identification Number (11 digit Withholding Tax Account Number);
2. Tax Type Code;
3. Tax Period End Date;
4. Form Type (Current return or amended return);
5. Tax Amount

Enclosed is the banking convention layout for the addenda record with an example provided. The Layout is provided using the banking standard TXP format. ***If an ACH credit payment applies to more than one Withholding Tax return, one addendum for each return must be submitted with the ACH credit.*** Additional fields are available in the layout if penalty and interest apply. ***The Tax Commissioner can accept both CCD+ (one addenda) and CTX (multiple addenda) in an ACH credit transaction. If you use CTX, we will only accept up to 100 withholding tax addenda records in one ACH credit transaction.***

The Tax Commissioner utilizes the services of the Bank of North Dakota, which is a state owned bank. The ABA bank transit routing number for the Bank of North Dakota is 091300285. The Tax Commissioner's account number at the Bank of North Dakota to which funds will be transferred is ***0910231.***

Important - please contact your financial institution as soon as possible to submit a prenotification (i.e., \$0.00 ACH Credit Transaction) to test the accuracy of the TXP format. You will not be able to submit a Withholding Tax return through the WebFile system until our office has received an accurate pre-notification from you. After an accurate prenote has been accepted, we will send you confirmation that you are ready to WebFile your Withholding Tax.

If you have any questions regarding this matter, please contact the Income Tax Withholding Section of the North Dakota Office of State Tax Commissioner by phone (701) 328-1248, fax (701) 328-0146 or e-mail withhold@nd.gov.

**NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER
TAX PAYMENT (TXP) BANKING CONVENTION
ADDENDA RECORD LAYOUT
(Using the State Implementation)**

Tax Type: Income Tax Withholding

Tax Payment Data Segment (TXP)

Ref #	Element ID	Element Name	Attributes	Value/Description
TXP01	325	Tax Identification Number	M AN 11/11	11-digit ID Number (Federal ID plus a 2-digit Suffix)
TXP02	1049	Tax Payment Type Code	M ID 3/3	011 = Withholding
TXP03	373	Tax Period End Date	M DT 6/6	YYMMDD = Enter the last day of the reporting period in the DD value (i.e., 000331 = March 2000 or 1st Quarter 2000)
TXP04	817	Amount Type (Tax Information ID Number)	M ID 1/1	C = Current Withholding Tax Return A = Amended Withholding Tax Return T = Tax Return
TXP05	1051	Tax Amount	M N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$500.00 = *50000*)
TXP06	817	Amount Type (Tax Information ID Number)	X ID 1/1	P = Penalty
TXP07	1051	Penalty Amount	X N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$25.00 = *2500*)
TXP08	817	Amount Type (Tax Information ID Number)	X ID 1/1	I = Interest
TXP09	1051	Interest Amount	X N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$5.00 = *500*)
TXP010	1050	Identification Code		Not used

EXAMPLE:

North Dakota Office of State Tax Commissioner Implementation, Withholding Tax

705TXP*12345678901*011*000331*C*150000*P*2500*I*500\

Tax Identification Number	12345678901 (11-digit ID Number: Usually Federal ID plus a 2-digit Suffix)
Tax Payment Type Code	011 (Withholding Tax)
Tax Period End Date	March 31, 2000 (March 2000 Return or 1st Quarter 2000 Return)
Amount Type	C (Current Withholding Tax Return)
Tax Amount	\$1,500.00
Amount Type	P (Penalty Code)
Penalty Amount	\$25.00
Amount Type	I (Interest Code)
Interest Amount	\$5.00



Application purpose

- New E-File account - ACH Credit
- Change contact name/address
- Change payroll service information

FOR OFFICE USE ONLY

Please print. See backside for Instructions.

Section 1 - Taxpayer Information

1. Taxpayer Legal Name
2. Doing Business As Name (if different from line 1)
3. Mailing Address
4. City, State & Zip
5. Contact Person for E-File
6. E-Mail Address for Contact Person
7. Phone Number for Contact Person
8. State Withholding Account Number (Your 9-digit federal ID plus the State's 2-digit suffix)

[Complete this section only if a payroll service will be making your payments
or if you are a payroll service preparing this form for the taxpayer.]

Section 2 - Payroll Service Information

Name of Payroll Service	Contact Person
Mailing Address	Telephone Number for Contact Person
City, State & Zip	E-Mail Address for Contact Person

Section 3 - Taxpayer Signature

This application does not provide on-line access to your withholding account information. For on-line access, please see instructions. By signing below, I understand I have applied for permission to file withholding tax returns and remit payment electronically via an ACH credit transaction I must initiate through my bank. I have contacted my bank and confirmed the bank can initiate ACH credit transactions that meet the State's requirements. I understand the ACH credit transaction must be in the NACHA standards format using the TXP convention to facilitate the proper posting of the credit, and agree to follow the guidelines set forth in the Withholding Tax E-File handbook for ACH credits. I also understand by completing the Payroll Service Information Section, I have designated the Payroll Service to act as my authorized representative in matters related to the filing of my withholding tax returns with the State, including the disclosure of confidential withholding tax information on file with the State. Once I have been approved to file electronically using an ACH Credit, I will not receive a paper return from the State, and will be required to file and pay using the ACH credit method for each tax period. This authorization to participate is in effect until it is terminated by either party.

Taxpayer's Signature: _____ Date: _____
(Authorized Officer or Individual)

Print Name: _____ Title: _____

Note: If this application is being completed by a Payroll Service on behalf of the taxpayer, the taxpayer's authorized signature must be obtained to participate in E-File unless there is a Form 500 on file with our office.

Mail to: Office of State Tax Commissioner
Business Registration
600 E. Boulevard Ave. Dept. 127
Bismarck, ND 58505-0599

Contact: Phone: 701.328.1248
Fax: 701.328.0146
E-mail: withhold@nd.gov
Web site: www.nd.gov/tax

301-EF Application Instructions

Employers must be registered with the Tax Commissioner's Office for state income tax withholding before registering to file electronic income tax withholding returns. North Dakota offers the following two methods to file income tax withholding returns electronically:

- **Withholding WebFile.** The withholding return is submitted over the Internet and payment is made by an ACH Debit transaction. An ACH Debit is an electronic transfer of funds where you authorize the State of North Dakota to withdraw payment for the return from your bank account. You provide your bank account information during registration. Registration for WebFile *must be completed on-line*. A paper application will not be accepted for WebFile.
- **Withholding E-File.** The employer initiates an ACH Credit payment to the State of North Dakota. The ACH Credit is also the return. An ACH Credit is an electronic transfer of funds where you instruct your bank to transfer payment from your account to the state's bank account. The ACH Credit contains the return information and, therefore, also serves as the return. Registration may be completed on-line or by submitting this paper application. On-line registration for E-File also provides access to on-line features that allow authorized users to view previously filed returns, upload W-2 information, change filing methods, and add or delete users' access. Registration using this paper application does not provide access to on-line features.

To register on-line, go to www.nd/tax. Click on *Income Tax Withholding* on the left side of the page, then on *Electronic Filing*. The [Getting Started](#) link provides detailed instructions for on-line registration.

Prenote Requirement for ACH Credits

Before your E-File application is approved, a "zero" dollar prenote ACH Credit transaction must be initiated to verify the bank information and file formats are correct. The Tax Commissioner's Office will contact you with the Tax Payment Banking (TXP) addenda record layout required for Income Tax Withholding returns. The record layout is also available in the *Withholding ACH Credit E-File Handbook* located on our website.

Helpful Hints for E-File Registration

- √ Please complete all questions to avoid any delay in your registration.
- √ The E-File contact person should be the person who will actually be involved in the initiating and making the electronic filing of your state income tax withholding. Be sure to include a phone number.
- √ If you are a Payroll Service completing the application on behalf of a taxpayer, be sure to have the taxpayer sign and date the application at the bottom of section 3 of the application. Exception: If a properly completed *Form 500 Authorization to Disclose Tax Information and Designation of Representative* has been submitted by the Taxpayer, no signature is required.