

## **Title 26. Taxation**

### **Chapter I. Generally, Department of Finance and Administration**

#### **Subchapter C. Income Tax Generally**

#### **Part 62. Withholding and Payment of Income Taxes by Electronic Funds Transfer**

**Codification Notes.** This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"Pursuant to the authority vested in the Director of the Department of Finance and Administration and in compliance therewith, the Director and Commissioner hereby promulgate the following rule for the proper administration of Act 1132 of 1999."

##### **"1. EFFECTIVE DATE**

This rule shall be effective ten (10) days after it has been filed by the Department with the Arkansas Secretary of State."

"Issued this 26th day of September, 2000 in the City of Little Rock, Pulaski County, Arkansas."

#### **Subpart 1. Generally**

##### **26 CAR § 62-101. Purpose.**

This part has been promulgated to implement and facilitate the process by which service providers remit withholding taxes to the Department of Finance and Administration by electronic funds transfer.

**Authority.** Arkansas Code § 26-18-301.

##### **26 CAR § 62-102. Definitions.**

As used in this part:

(1) "Client" means an employer who uses a service provider to report and remit Arkansas withholding tax on behalf of the employer;

(2) "Department" means the Revenue Division of the Department of Finance and Administration;

(3)(A) "Electronic funds transfer" (EFT) means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account, commonly referenced as an automated clearinghouse credit.

(B) A transfer of funds by wire transfer which contains no electronic record from which to identify the taxpayer, tax type, tax account number, and tax period is not an electronic funds transfer;

(4) "Service provider" means a company or any other business enterprise that provides the service of reporting and remitting withholding tax on the wages paid to individuals working in Arkansas by their employers;

(5) "Taxpayer" or "taxpayers" means an employer or employers required under Arkansas law to withhold, report, and remit Arkansas withholding tax from the wages of their employees; and

(6) "Withholding tax" means Arkansas income tax withheld from the wages of individuals working in Arkansas and remitted to the Revenue Division of the Department of Finance and Administration.

**Authority.** Arkansas Code § 26-18-301.

**26 CAR § 62-103. Application.**

(a)(1) Acts 1999, No. 1132, applies only to those service providers that serve one hundred (100) or more taxpayers.

(2) Service providers that serve ninety-nine (99) or fewer taxpayers are not required to remit Arkansas withholding tax via EFT.

(b)(1) Service providers that are required by Acts 1999, No. 1132, to remit Arkansas withholding tax via EFT must do so starting with the January 2001 withholding tax reporting period.

(2) The due date for payment of monthly withholding taxes is the fifteenth day of the following month.

(3)(A) Transfers must be made no later than the day before the due date.

(B) For example, the transfer of withholding tax for the January 2001 tax period must be made on or before February 14, 2001.

**Authority.** Arkansas Code § 26-18-301.

**Codification Notes.** "EFT" means electronic funds transfer.

**26 CAR § 62-104. EFT deposit requirements.**

(a) **EFT by automated clearinghouse credit.** The following conditions must be met on or before the due date for the withholding tax payment:

(1)(A) The service provider initiates a successful prenote or test transaction containing necessary information in cash concentration or disbursement plus tax payment addendum (CCD + TXP) format.

(B) The term "tax payment addendum format":

(i) Means a technical format for the communication of limited tax remittance data accompanying a payment through the automated clearinghouse system; and

(ii) Includes a list of standard tax-type and account-type codes.

(C) The Arkansas withholding CCD + TXP format is attached as an addendum to this part;

(2) The transfer contains an electronic addenda which allows the Revenue Division of the Department of Finance and Administration to identify the:

(A) Names and account numbers of the taxpayers;

(B) Tax type;

(C) Tax periods;  
(D) Amount of the payment; and  
(E) Amount of the payment to be applied to the account of each taxpayer;  
(3) The service provider transfers the amount of funds due; and  
(4) The service provider's designated bank account contains adequate funds to cover the credit transfer at the time the credit transaction is initiated and continuing through the due date of the tax payment.

(b)(1) A service provider will be considered by the division to have failed to pay withholding taxes by EFT if the conditions set forth in subsection (a) of this section are not satisfied.

(2) A service provider will be notified in writing by the division when it fails to meet the conditions for a reporting period.

(c) A taxpayer required under Arkansas Code § 26-19-105 to pay withholding taxes by EFT that fails to pay the amount due under Arkansas law on or before the due date for such taxes can be assessed a penalty of five percent (5%) of the total amount of taxes due.

**Authority.** Arkansas Code § 26-18-301.

**Codification Notes.** "EFT" means electronic funds transfer.

**26 CAR § 62-105. Registration of participating employers.**

(a)(1) All taxpayers (i.e., employers) that use a service provider to report and remit Arkansas withholding tax must be registered with the Revenue Division of the Department of Finance and Administration to withhold Arkansas income tax.

**(2) Current clients.**

(A) In order to allow the division to verify current clients of service providers, service providers shall immediately transmit to the division a list identifying all of the service providers' clients that are required to withhold, report, and remit Arkansas income tax.

(B) The transmission shall be performed electronically using the following format:

Record type           pic x (a-add, d-delete).

Service Provider FEIN pic 9 (9).

Service Provider name pic x (40).

Customer FEIN           pic 9 (9).

Customer name           pic x (40).

(C) The information transmitted by the service providers will be compared to the division's current withholding tax database.

(D) Service providers will be notified by the division of any clients that are not currently registered with the division to withhold Arkansas income tax.

(E) Service providers are responsible for promptly:

(i) Obtaining completed Withholding Registration forms (AR4ER) from such clients; and

(ii) Submitting the forms to the division.

**(3) New clients.**

(A)(i) If a service provider's new client is already registered with the division to withhold Arkansas income tax, the service provider must furnish proof to the division that the new client is indeed registered.

(ii) If the new client is not registered with the division to withhold Arkansas income tax, the service provider is responsible for promptly:

(a) Obtaining a completed Withholding Registration form (AR4ER) from the new client; and

(b) Submitting the form to the division.

(iii) Service providers have a forty-five-day grace period from the date they initially enroll a new client during which time the division will allow payment of a new client's withholding tax by check or money order.

(B) Service providers must notify the division within fifteen (15) days after the date that they cease to provide services for a client.

**(b) EFT authorization agreement.**

(1)(A) The service providers are responsible for enrolling their clients for electronic funds transfer.

(B) The division will provide an enrollment process.

(2) Soon after a client's enrollment form has been processed by the division and the division's bank, the client will be notified that it has been accepted into the EFT system.

**Authority.** Arkansas Code § 26-18-301.

**Codification Notes.** "EFT" means electronic funds transfer.

**26 CAR § 62-106. Questions.**

Questions regarding any of the requirements imposed by this part should be directed to:

EFT Group  
Arkansas Department of Finance and Administration  
Revenue Division  
Ledbetter Building  
7th & Wolfe Streets  
P. O. Box 3566  
Little Rock, AR 72203  
(501) 682-7105 (Telephone)  
(501) 682-7904 (Fax)

**Authority.** Arkansas Code § 26-18-301.