

Business tax tip #15

Direct Debit, Business Taxes and You

How does the direct debit plan work for business taxes?

When you sign the direct debit authorization document with an agent of the Business Tax Collection Section of the **Comptroller's Compliance Division**, you agree to have a predetermined amount deducted from your checking account on approximately the same day or days each month until your debt is cleared. The money will be transferred to the state of Maryland.

What business taxes are eligible for direct debit?

At the present time, direct debit payments can be arranged for the sales and use tax, admissions and amusement tax, withholding tax, and the tire recycling fee.

Is it possible to arrange for the direct debit payment of more than one type of tax at the same time?

Yes. We can arrange for separate debits for each type of tax listed above.

Can I arrange to make direct debit payments from a foreign bank account?

No. In order to comply with new banking rules, we can only process direct debit payments from bank accounts within the United States.

Can I arrange to make direct debit payments more than once each calendar month?

Yes. If making smaller, more frequent payments is convenient for you, direct debit payments can be arranged to occur on the 1st, 10th, and 21st day of each month or any combination of these days.

What are the advantages to me?

First, you don't have to remember to write a check and mail it for each payment. Secondly, you avoid the possibility of your payments being late and incurring additional penalty and interest charges.

Does the state make any charge for direct debits?

No. Taxpayers are charged no fees by the state for participating in the direct debit program.

Do the debits stop automatically after the total amount to which I agree has been deducted?

Yes. The debits stop automatically after all taxes, penalties and interest have been paid.

Can I pay the balance in a lump sum midway through the payment plan?

Yes. To make a lump sum payment, we must receive a written request for termination of the debit arrangement at least five days in advance of the next direct debit payment, accompanied by a certified or cashier's check for any taxes, interest or penalties remaining due.

Will the state be authorized to debit my account for any other amounts or liabilities during the payment period I've agreed to?

No. The state will debit your account only for those amounts you agreed on in the direct debit authorization.

Will I get a statement indicating that the payment has been applied to my business tax account?

Yes. You will receive a regular statement of account that shows the direct debit payment along with any other account activity for each tax for which you are making direct debit payments.

What happens to my direct debit plan if I move my business or change its name?

It is not necessary to change your direct debit arrangement unless you change banks or your bank account identification number changes. You should report any changes in name, address or entity to:

Revenue Administration Division
Taxpayer Identification Unit
Annapolis, MD 21411-0001

What if I change banks?

You must contact the Collection Section at least two weeks before you change banks and provide a voided check for the new account. You should report any changes in your bank information to:

Compliance Division
Collection Section
301 West Preston St., Room 409
Baltimore, MD 21201-2382
410-767-1600

What happens if there are not enough funds in my bank account?

You will be subject to the customary charges relating to returned checks, and your direct debit arrangement may be voided, with all balances immediately due and payable.

Will I receive a notice prior to each debit payment?

No. But, you will receive a regular statement of account indicating the direct debit payment that has been applied to your account for the period.

How do I stop the direct debit plan?

You must provide the Comptroller's Office with a written request for termination at least five days in advance of your direct debit payment, accompanied by a certified or cashier's check for any taxes, interest or penalties remaining due.

What happens if my tax payment due date falls on a weekend or on a bank holiday?

The debit for your tax payment will be effective on the next banking day.

Is there anything I have to do each month to make this work?

Yes. You must make sure that sufficient funds are available in the proper bank account to cover the direct debit amount.