

**LOCAL FINANCE NOTICE**CHRISTINE TODD WHITMAN  
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DIRECTOR**How to Accept Credit Cards for Government Obligations  
Answers to Questions on the New Electronic Receipting Law and Rule**

This Local Finance Notice reviews the recently adopted of rules that permit all local government units to accept credit cards, debit, cards, electronic funds transfers, and other methods of electronic receipting for the payment of most obligations that a local government unit collects. The basis of this new authorization is the "Government Electronic Payment Acceptance Act (P.L. 1995, c.325) and the recent adoption of rules implementing the Act in the New Jersey Administrative Code (N.J.A.C. 5:30-9 et seq., adopted on March 17, 1997). The rule refers to "electronic receipting" in lieu of "electronic payment" to prevent confusion over common usage of the word payment, usually thought of as something a local unit pays out of its own funds, versus funds it receives from others, which is what is covered by the law.

While this Notice is intended to provide general information and advice on electronic receipting, local government officials should carefully review the law, the rule, and associated laws, such as the Local Public Contracts Law, as it assesses its options for electronic receipting. Used prudently, it can provide economic efficiencies to government operations and make government more "customer friendly." On the other hand, policies hastily adopted could result in increased costs and "customer" confusion.

After reviewing this Notice, there are five key actions local officials should take when considering electronic receipting for a local government unit:

1. Understand the rules and law.
2. Study your cash receipting operations and identify potential candidates for electronic receipts.
3. Solicit information from, and examine the wide range of services available from many different vendors.
4. Examine the costs and savings that may accrue from it.
5. Determine your needs and solicit proposals or bids from vendors.

This Notice also includes a copy of the law and the recently adopted rules. To make it easier to become acquainted with this new field, the balance of this Notice is in question and answer form.

**Recipients of this Notice as asked to provide copies to the organization's elected officials, chief financial officer, and tax collectors/revenue collection supervisors.**

We hope you have found this information useful. The Division can provide some general guidance, but technical questions are best addressed to vendors. Questions to the Division can be sent to Bert Wolfe (609-292-4656) at the Division's address, or for those with Internet access, via E-Mail at [dcadlgs1@ix.netcom.com](mailto:dcadlgs1@ix.netcom.com).



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## Electronic Receipting Questions and Answers

### *Exactly what are electronic receipts?*

The term electronic receipt includes credit card, debit card, and any other payment mechanism that is initiated manually or electronically through computer networks or telephone lines, and may be credited directly to the local unit's bank account. Other mechanisms include Automated Clearinghouse transfers, bank-by-phone systems, and computer based payment services.

### *Which local government units are covered under the law and rule?*

Any local government unit covered by the Local Fiscal Affairs Law (N.J.S.A. 40A:5 et seq.). This includes municipalities, counties, authorities, fire districts, and their subordinate agencies.

### *What are the services for which a local unit can accept electronic payment?*

It's easier to list what they cannot be used for: credit card payments of delinquent obligations and redemption of tax liens. Any other tax, charge, service, or user fee can be a basis for accepting electronic payment. A local unit may select just those obligations in which it sees value. A resolution by the governing body is required to authorize electronic receipts and the obligations for which they are permitted.

### *What about municipal court fees and fines?*

The law permits Court obligations as eligible for electronic receipts.. However, because municipal courts are regulated by the State's Judiciary, the law requires separate rules for electronic receipts to be used in court. At the time this Notice was issued, the Court was studying how to best implement electronic receipts in municipal courts. As a result, use of **electronic receipts in municipal court is not permitted** until the Court acts and notifies municipalities of the proper procedures.

### *How do credit and debit cards systems work?*

The difference between a debit and credit card is that a charge made against a debit card is charged directly to the users bank account. A credit card is charged against the users line of credit maintained by the card issuer and must be repaid by the user. No repayment on a debit card is necessary, because the transactions results in a charge or debit against the user's bank account. An example of a debit card is a "MAC" card, a credit card may be a Visa, MasterCard, American Express, or Discover card. Some banks also connect a Visa or MasterCard to a bank account, which than makes what looks like a credit card act as a debit card.

### *What's the difference between the types of credit cards?*

Visa, and MasterCard are *bank* cards. They are issued by a bank and the user is extended a revolving credit line where obligations charged to the card may be paid back all at once, or over time. Visa and MasterCards are supported by a large cooperative organization made up of member card issuers, usually a bank. Discover cards have a line if credit, but are issued by a single company. American Express and Diner's Club are know as *travel and entertainment* cards, where the credit is only for a short term, and the user is expected to pay back the charges immediately to the issuing company. The card *issuer* is the organization who bears the risk if the card user fails to make the payments. That can be a bank or the company issuing the card.

***Accepting credit cards can't be for free. What costs are there to a local unit in accepting cards for payments?***

The acceptance of any card based transaction requires the payment of a fee by the local unit. In card parlance, the local unit is known as a "merchant." When accepting a card for payment of goods or services, the merchant is charged a "discount fee" that is usually paid monthly. The discount fee is a negotiable amount, and is often based on number of transactions the merchant processes in a month, the amount or average amount of the transactions, and the type of card being used. This is a key area where costs can be negotiated with card "acquirers," also referred to as "servicers."

***What does a card acquirer do?***

An acquirer is the organization who enters into a contract with a merchant for the provision of card processing services. An acquirer may be a bank, the card issuer, or a third party, called an independent service organization (ISO), that is in the business of processing cards for a number of issuers. The acquirer provides the merchant with services that enable the merchant to accept cards, verify transactions with the issuers computer to ensure the card is valid, make timely deposits of card transactions into the merchants bank account, provide the necessary computer hardware and software to make transactions, and provide periodic reports.

***What's the difference between acquirers?***

Merchants face a dizzying array of services and pricing plans by all the different acquirers. This is the crux of contracting for services: the local unit needs to study what needs it has, consider the alternatives, then contract with an acquirer for services. There is an infinite number of combinations of services and pricing plans that can be considered, and the local unit must carefully study the offerings of acquirers, determine what service and cost will best suit their needs, and enter into a contract for service. **Acquirer contracts are subject to the Local Public Contracts Law!** Given the expected level of costs, this means in some cases, a contracting unit need only obtain proposals from acquirers, other times, the service will have to be publicly bid.

***What else do I need to know about servicing?***

You need to know that you can have several servicing contracts, if you accept different cards from each servicer, but you cannot have more than one contract to service the same card. For example, you can have a contract with separate servicers for processing each of the cards you accept: one for MasterCard, one for Visa, one for American Express, etc. Or you can have a single ISO service all of them. You must also ensure that a deposit from an acquirer is made within 72 hours from the time you turn the transaction over to the acquirer. This is similar to check clearing.

***What kind of equipment do I need?***

Most merchants utilize electronic validating machines to record transactions. Commonly used are "swipe" machines where the users card is passed through a machine that reads information in the magnetic strip on the back of the card. They can also be devices that are part of an electronic cash register or a personal computer. Once swiped, the amount of the transaction punched into it, or transmitted directly from the card-enabled cash register or PC, and the device dials the acquirers computer, verifies if the card is good, and the transaction amount does not exceed the users credit limit or bank balance. That action does not "charge" the users account. When validating machines are not used, and a mechanical device (known in the trade as a "knuckle buster") is used to record card information on a sales slip and a toll-free number is called to verify the card.

***So, how do I get my money?***

Because the device also stores the transaction details, at the end of the day, the accumulated transactions the merchant must make a "deposit" by transmitting the information to the acquirer's computer for clearing. Depending on the contract with the acquirer, sometime within the next 72 hours, an electronic transfer is made depositing funds into the merchants bank account. Thus, each day, the merchant must "deposit" the day's transactions through this process. When the "knuckle buster" is used, the slips must be sent or deposited daily.

***How much does it cost to do this?***

The discount fee on credit cards can run from 1% to 5% of the transaction cost, debit cards can be less than 1%. The discount fee is usually dependent on a base cost of service, any special services the merchant requires, and the different ways that transactions are processed. That's why it's vitally important for the local unit to carefully study their needs to make informed decisions on services for which it will accept cards. For example, accepting credit cards for property taxes, while taxpayers may like it because of the "bonus" points they may get from a card issuer, could be very expensive for the municipality.

***Well, if it costs me money, doesn't that mean I'm not getting the full amount for the service?***

Not really. The discount fee must be looked at a cost of collecting cash, much like the cost of hiring cashiers to staff registers, and whatever other costs the local unit incurs in processing and counting its receipts. It's simply another cost of handling cash receipts. And like other costs, must be budgeted.

***Why can't I pass the cost of the discount fee along to the user?***

Good question. The credit card industry has an interest in encouraging card users to use their cards. In most cases, users will not use their cards if it costs them more to buy the same good or service than paying by check or cash. For that reason, most card issuer contracts include a provision that prohibits the merchant from charging any fee that makes card use more expensive than cash or checks for the same service.

***Are there any exceptions to this?***

Yes there are. Some card issuers, like Discover, will permit a surcharge, or "convenience" fee to be added to the cost of the service, if it is the only card accepted. But as soon as other cards that do not permit the add-on are accepted by the merchant, that flexibility is lost. But there is another important exception.

That is an exception for what can be called "value-added" services, where the only way you can receive the service is by credit card; where cash or check cannot be used. In this case, the merchant can negotiate with the acquirer to charge a convenience fee for certain services, such a payment by phone, where cash or check does not work. But, where cash and checks are accepted, as in an over-the-counter or in person transaction takes place, card surcharges are not usually permitted. This may work for many local units for things such as recreation programs or utility billings. This needs to be carefully considered by the local unit, because the added fee many discourage users from taking advantage of the value-added service. When fees are used, they must be shown on the payment records as a separate charge.

It is also possible that some acquirers will enter into contracts for special circumstances, but this would only be on a case-by-case basis.

***How can I get lower fees?***

The more transactions (and at higher amounts) a merchant has generally result in a lower fee schedule. But, those levels may be difficult for a single local unit to achieve. An answer may lie in cooperative purchasing contracts for credit card processing. The Division encourages the many cooperative purchasing organizations to consider card based services as a commodity to offer it's members. It is also possible that over time, the State Cooperative Purchasing Program will include card processing. The Division has discussed this possibility with them, and they advice that such a service would not be imminent. Thus, users should not expect that in the near future.

Fees are also based on the services that the acquirer provides local units. The rule permit acquirers to debit the merchants bank account every month for the fees, without having to go through a printed voucher in advance. If you require a printed and signed voucher in advance of payment, it will cost more. The lessor here is to be careful in the services you request, they can add to the fees.

***How do I pay fees?***

As noted above, fees are usually charged monthly as a debit against the bank account where the deposits are made. While this is not normally permitted, the rule allows the procedure, as long as the chief financial office or other appropriate individual receives a printout of the "invoice" of the charge, and executes a voucher on behalf of the acquirer within 48 hours of the transaction taking place.

***Why can't I charge the fees against the receipts?***

That would violate the principle that all fees or charges must be received in whole. Thus, fees must be budgeted as part of an appropriate budgeted line item, and subject to all budgetary rules. If the acquirer is the local unit's bank, the rule permits services to be charged as a bank fee as part of the compensating balance analysis, but this is up to the individual banking institution as an internal policy.

***What happens if the card user protests the charge once they get their bill?***

The biggest causes of "charge-backs" is the failure of the merchant to verify with the acquirer that the card is good at the time of the transaction, and failure to verify the card users signature. Card contracts and the rule require local units to take these two simple security steps each time they accept an in-person transaction. Thus, if a card user protests a charge, by following the acquirer's procedures, such as having a copy of the charge slip with the persons signature, and having had the charge validated by the acquirer's computer at the time of sale, the chances of a chargeback taking place is minimized.

***OK, but what happens if there is one?***

If there is a charge back when these policies were followed, the local unit has its usual tools of recovering funds. A failed electronic receipt transaction would be treated as if a check was returned for insufficient funds. Policies such as returned check charges, placing of liens, issuing warrants all apply. In researching this subject, card issuers advised the Division that when the rules are followed, chargeback claims are few, will be smaller in volume than returned checks, and will usually wind up in the charge being upheld. The acquirer and issuer only care about if the charge was properly made, they do not get involved in debates about quality of service and related issues.

***How is the accounting of electronic receipts handled?***

Electronic receipts are simply another form of cash receipt. Cash receipt journals and registers should be modified to reflect this additional option. Like existing cash handling practices, electronic receipts should be

balanced and closed each day; **unlike** cash deposits, electronic receipts must be transmitted or deposited to the acquirer **daily**. Printed receipts for all transactions are required and must be kept on file for at least three years. Where the refund of an electronic receipt transaction is required, the usual resolution of the governing body is required, the refund is made as a credit to the users account, **not** by issuance of a check.

***What is "bank-by-phone" or "bank-by-computer"?***

This involves a user authorizing a payment for their bank to make a deposit, directly to the merchant's bank account on demand or automatically. Under this model, users ask the bank if the recipient will accept an electronic payment of their debts. The merchant is contacted by the bank or service organization for information on what is required to make such a transaction. That usually involves the bank account transit number and what payee information (i.e. account number) is required. If the user provides this information, the servicer would then make a automated clearinghouse transfer into the merchants account and provide a printout or bank memo information on the transaction so the account can be credited in the merchants records. A separate rule permits local units to accept checks issued by the acquirer in lieu of an electronic deposit (N.J.A.C. 5:30-8.11).

***Can electronic payments be used to process recurring payments?***

Yes. The rules (N.J.A.C. 5:30-9.6 through .9) permit a range of preauthorized transactions to be conducted electronically. This includes the use in a utility or other similar operation for a customers bank account or credit card to be debited whenever bills are issued. There are a number of businesses and acquirers that provide this type of service. This permits users or customers to execute a simply agreement permitting the merchant to do this, and the local unit's staff or business takes care of the rest. What normally happens, is that a file is sent to the acquirer or an on-line entry made in a computer system to set up the transaction. This type of service can improve collection staff efficiency where large numbers of transactions are processed on a scheduled basis. Again, a failed transaction would be handled as a returned check.

***Can I set up a system that permits electronic receipt transactions to be posted directly to my computer.***

Yes. There are a number of companies that specialize in providing these services to merchants. There are also services called "interactive voice response - IVR" that permit transactions to be handled by a computer and a touch-tone phone, that may also directly connect to your computer to process transactions. These vendors are aware of the new rules and are already contacting local units about their services.

***What about bulk tax payments?***

For the last few years, tax collectors have been asking for specific authorization to accept bulk tax payments from tax service organizations that pay taxes on behalf of property owners whose taxes are escrowed through their mortgage payments. The rules make that authorization and permit single deposits and electronic receipts that represent payment for multiple parcels. It simply requires that the transaction be accompanied by documentation listing the necessary property identification information. To deal with the problem of payment amounts not matching the obligations that are owed, a separate rule (N.J.A.C. 5:33-1.9) permits tax collectors to accept the deposit, create a ledger entry for unreconciled items, and give them until the end of the fiscal year to resolve them.

***What if a vendor proposed something that does not seem to be permitted under the law or rule?***

Contact the Division. We will review new uses or technologies, and if appropriate, take the necessary action to permit them.

STATE OF NEW JERSEY

AN ACT concerning card and other electronic based payments for obligations and fines owed local units and courts and supplementing chapter 5 of Title 40A and Title 2B of the New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known and may be cited as the "Government Electronic Payment Acceptance Act."

2. As used in this act:

"Association" means an organization whose members are issuers.

"Cardholder" means the person or organization named on the face of a credit card or debit card to whom or for whose benefit the credit card or debit card is issued by an issuer.

"Card based payment" means a monetary obligation tendered by the user of a credit card or debit card.

"Card payment system" means a technical procedure by which obligations owed a local unit or court may be paid by credit card or debit card.

"Credit card" means any instrument or device linked to an established line of credit, whether known as a credit card, charge card, credit plate, or by any other name, issued with or without fee by an issuer for the use of the cardholder in satisfying outstanding financial obligations, obtaining money, goods, services or anything else of value on credit.

"Debit card" means any instrument or device, whether known as a debit card, automated teller machine card, or by any other name, issued with or without fee by an issuer for the use of the cardholder in obtaining money, goods, services or anything else of value through the electronic authorization of a financial institution to debit the cardholder's account.

"Director" means the Director of the Division of Local Government Services in the Department of Community Affairs.

"Electronic funds transfer" 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, or computer or magnetic tape for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account.

"Electronic funds transfer system" means a technical procedure by which obligations owed to or collected by the Supreme Court, the Superior Court, Tax Court or a local unit may be paid by an electronic transaction between the financial institution of the person or organization owing the obligation and the financial institution of the governmental entity.

"Issuer" means the business organization or financial institution which issues a credit card or debit card, or its duly authorized agent.

"Local unit" means any unit of government subject to the provisions of chapters 5 or 5A of Title 40A of the New Jersey Statutes, and the constituent parts of those units, including but not limited to independent local authorities, public libraries, municipal courts and joint municipal courts.

"Service charge" means a fee charged by the Supreme Court, the Superior Court, Tax Court or local unit in excess of the total obligation owed by a person or organization to offset processing charges or discount fees for the use of a card payment system or an electronic funds transfer system.

3. Subject to the provisions of sections 5 and 6 of P.L. 1995, c. 325 (C. 40A:5-43), a local unit may establish a card payment system or electronic funds transfer system upon passage of a resolution of the governing body. The resolution shall specify those types of charges, taxes, fees, assessments, fines, or

other obligations approved for card based or electronic funds transfer payment, except that credit card payment shall not be authorized for the payment of delinquent local unit obligations or for the redemption of local unit liens.

4. Notwithstanding the provisions of any other law to the contrary and if not legally prohibited by an association or by an issuer, local units are authorized to assess and collect service charges related to obligations owed to or collected by the local unit when credit cards, debit cards or electronic funds transfer systems are utilized.

5. The director, in accordance with the provisions of the "Administrative Procedure Act, "P.L.1968, c.410 (C.52:14B-1 et seq.), shall promulgate such rules and regulations as are necessary to effectuate the purposes of sections 2 through 4 of P.L.1995, c.325 (C.40A:5-43).

6. a. Notwithstanding the provisions of any other law to the contrary, the Supreme Court, the Superior Court and the Tax Court, and the various municipal and joint municipal courts when permitted by resolution of the appropriate municipal governing bodies, are authorized to establish systems to accept the payment of civil and criminal fines and penalties and other judicially imposed financial obligations by card based payment, electronic funds transfer, or any other method deemed feasible by the Supreme Court.

b. No person or organization that is a defendant in a criminal matter shall be entitled to offer a credit card for the payment of bail or for the payment of fines or penalties related to the imposition of a sentence, for a crime of the first, second or third degree under Title 2C of the New Jersey Statutes

c. If not legally prohibited by an association or by an issuer, any court is authorized to assess and collect service charges related to obligations owed to or collected by the court when credit cards, debit cards or electronic funds transfer systems are utilized.

d. The Supreme Court of the State of New Jersey shall adopt Rules of Court appropriate or necessary to effectuate the purposes of this section.

7. This act shall take effect immediately except for section 3, which shall take effect upon the adoption of the rules and regulations required in section 5 of this act, and section 6, which shall take effect upon the adoption of the Rules of Court required to implement that section.



# GOVERNMENT ELECTRONIC RECEIPT ACCEPTANCE

## SUBCHAPTER 9. GOVERNMENT ELECTRONIC RECEIPT ACCEPTANCE

### 5:30-9.1 Purpose and authority

(a) This subchapter includes rules and guidance for local government units to utilize credit cards, debit cards, and electronic fund transfer mechanisms as means of collecting local unit obligations.

(b) The rules are authorized pursuant to section 5 of P.L. 1995, c.325 (N.J.S.A. 40A:5-43 et seq.), the Government Electronic Payment Acceptance Act.

(c) While the title of the legislation refers to "electronic payment," these rules utilize the phrase "electronic receipt," as the use of "payment" could be confused with the ability of a local government unit to pay its own obligations electronically, a procedure not authorized by law.

### 5:30-9.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"Bulk receipt" means a single deposit by a single party that represents multiple transactions.

"Card issuer" means any organization or association that issues or licenses others to issue any credit card or debit card.

"Credit card" means any instrument or device linked to an established line of credit, whether known as a credit card, charge card, credit plate, or by any other name, issued with or without fee by an issuer for the use of the cardholder in satisfying outstanding financial obligations, obtaining money, goods, services, or anything else of value on credit.

"Debit card" means any instrument or device, whether known as a debit card, automated teller machine card, or by any other name, issued with or without fee by an issuer for the use of the cardholder in obtaining money, goods, services, or anything else of value or through

the electronic authorization of a financial institution to debit the cardholders account.

"Director" means the director of the Division of Local Government Services.

"Electronic funds transfer" 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, or computer or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit an account.

"Electronic receipt" means any receipt transaction made through the use of a credit card, debit card, or electronic funds transfer.

"Local unit" means any unit of government subject to the provisions of chapters 5 or 5A of Title 40A of the New Jersey Statutes, and the constituent parts of those units, including, but not limited to independent local authorities, public libraries, municipal courts and joint municipal courts.

"Local unit obligations" means any local unit tax, charge, fee, penalty, fine, assessments, service or utility charge, payment transactions by the public for goods or services, except for credit card payment of delinquent local unit obligations or for the redemption of local unit liens.

"Payor identification" means information such as an account number, property block and lot number, or other identifying characteristic used to sufficiently identify the purpose of the receipt and person or organization using electronic receipt to pay a local unit obligation.

"Processor" means any organization with whom the local unit contracts to process or make electronic receipt transactions.

**5:30-9.3 General grant of authority**

(a) Local units may enter into agreements with processors to utilize electronic receipts as an alternative to acceptance of cash and checks as receipt for local unit obligations.

(b) Authorization of the local unit obligations that shall be accepted as electronic receipts shall be made by resolution of the governing body of the local unit. The resolution shall specify both the types of local unit obligations approved for electronic receipt, and the types of electronic receipt that shall be permitted.

(c) The use of specialized techniques of processing electronic receipt such as, but not restricted to, computer assisted, telephone based transactions, computer network based, and other related transactions are permitted.

(d) Forms of surcharges, fees or other mechanisms that are assessed to the originator of an electronic receipt transaction for the purpose of recouping any or all costs the local unit incurs in processing electronic receipt transactions may be utilized unless prohibited by the processor or by contract with a card issuer.

(e) Transactions related to municipal court obligations shall be authorized in accordance with Rules of the Court promulgated by the State Supreme Court.

**5:30-9.4 Contracting for services**

(a) Contracts for acquisition of electronic receipt equipment and services shall be subject to provisions of the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq.

(b) A local unit may have contracts with more than one processor, but shall have only one contract to process transactions of any single card issuer for similar types of transactions. For example, a local unit may have a contract with one bank to process Master Cards and Visa cards for over-the-counter transactions, and separate contracts with other processors for processing Discover and American Express over the counter card

transactions; but it may not have more than one contract to process Master Cards, unless it is a specialized service not available from the processor, for example, a voice response or interactive computer based system. A single contract with an independent service organization to process transactions of any number of issuers shall be permitted.

(c) Contracts shall require that processors shall transmit or otherwise deposit in the local unit's bank account the proceeds of electronic receipt transactions at any interval not to exceed 72 hours after the transmission or processing of the transactions by the local unit, weekends and holidays excepted.

(d) All contracts shall provide that chargebacks or electronic debits of returned or otherwise failed transactions shall require either paper based or electronic confirmation of the debit transaction and identification of individual debits.

**5:30-9.5 Accounting and control**

(a) Electronic receipt transactions shall be transmitted or otherwise sent to the processor on a daily basis at the close of the business day, or if done automatically by computer program, prior to the close of the business day of the processor.

(b) Electronic receipt transactions shall be considered a form of cash receipt and shall be subject to all local unit accounting, internal control, and auditing requirements relating to cash receipts, including, but not limited to, daily reconciliation, cash counts, reporting to the governing body, and account testing.

(c) The local unit shall retain printed documentation of all electronic receipt transactions for a period of time as required by the relevant State records retention law with regard to cash receipts or the local unit's contract with the processor, whichever is longer.

(d) All refunds of electronic receipt transactions shall be performed in accordance with all other statutory requirements related to the refunds of monies to the local unit.

(e) The local unit shall secure authorization of the processor of all credit or debit card transactions prior to execution.

**5:30-9.6 Pre-authorized transactions**

(a) Local units may enter into processing contracts to permit individual persons desiring to make electronic receipt transactions for any combination of a specified or unlimited period of time, or number of fixed or variable payments. This permits the local unit to initiate a transaction that electronically debits the person's bank account and deposit it in the local unit's bank account.

(b) The local unit may contract with a processor to manage and conduct such transactions.

(c) Agreements providing for preauthorized transactions shall be in writing with the person responsible for completing the transaction. Such agreement shall include the person assuming responsibility for appropriate penalties if the electronic receipt transaction is denied by the processor. Cancellation of such transactions shall be in writing and submitted to the local unit 30 days in advance of the cancellation.

(d) Notwithstanding the provisions of N.J.A.C. 5:30-9.4(c), the local unit may enter into contracts that provide for scheduling of transactions in such a way that take into account the requirements of transaction clearing systems.

**5:30-9.7 Bulk Payments**

(a) The bulk electronic receipt of property taxes by property tax processing organizations and servicing organizations, as defined in N.J.S.A. 17:16F-15, is specifically permitted and encouraged.

(b) When deposits are made, the processor shall provide appropriate payor documentation detailing the individual transactions that make up the transfer. Such documentation may be data files designed for input to the local unit's computer system or print-outs.

(c) The tax collector shall prove all deposits prior to posting the transactions to individual accounts.

**5:30-9.8 Individual electronic receipts**

(a) Local units may permit electronic receipts generated by individuals, generically known as "bank-by-phone," where an individual authorizes a bank or other processor organization to process a payment transaction to the local unit on the individual's behalf.

(b) The record of the transaction provided by the local unit's depository bank must provide payor identification and date of transaction.

**5:30-9.9 Surcharges or convenience fees**

(a) When permitted to be charged by the processor, local units may charge a percentage of the transaction or a flat fee to offset the costs of electronic receipt transactions. Such fees shall not exceed the cost of handling and processing the transaction to the local unit.

(b) Such fees shall be authorized by ordinance or resolution, as appropriate to the local unit and form of government and in accordance with procedures established by the local unit for setting other local unit fees.

(c) Any surcharge or convenience fee shall be itemized separately on the invoice, charge slip, or receipt, and shall be disclosed to the payor at the time the transaction occurs.

(d) Local units subject to the provisions of the Local Budget Law, N.J.S.A. 40A:4-1 et seq., assessing such surcharges or convenience fees shall establish a dedicated trust fund account entitled "Electronic Receipt Fees" pursuant to N.J.S.A. 40A:4-39, through which such fees shall be deposited and expended. Local units subject to the provisions of the Local Authority Fiscal Control Law, N.J.S.A. 40A:5A-1 et seq., shall utilize the procedures of that Law for handling these transactions.

**5:30-9.10 Payment of electronic receipt fees**

(a) Service charges or fees charged to the local unit for electronic receipt transactions shall be paid in one of the following ways:

1. Charged against a suitable appropriation in the local unit's annual budget. The appropriation may be a sub-account of an Other Expense line item.

2. Transactions that include fees that are offset by surcharges or convenience fees collected pursuant to N.J.S.A. 5:30-9.9 which shall be paid through a trust funds transaction pursuant to N.J.S.A. 5:30-9.9(d).

3. When included in a contract, as a cost charged against the local unit's banking service compensating balance account.

(b) Local units are authorized to permit a processor to routinely debit the bank account to which deposits are made, or other agreed upon account, in payment of fees and service charges for electronic receipt transactions. When such transfers are made, the processor shall provide a written statement itemizing the charges. The local unit's chief financial officer or designee shall complete and attach it to a voucher, and certify that the payment was correct and was paid. Statements shall be provided anytime prior to, or within 48 hours after the execution of the debit.

**5:30-9.11 Interpretations of the rule**

At the request of a local unit, the director shall provide interpretations of this subchapter to address unanticipated circumstances or new technologies.

**5:30-8.10 Acceptance of third party financial organization payments**

When authorized through bona fide "bank-by-phone" systems, local units are permitted to accept check based payments made by banks or other financial organizations on behalf of individual persons when authorized by such persons and when such transactions provide payor information.

**5:33-1.5 Third party transaction reconciliation accounts**

When check-based or electronic payments for multiple parcels made by property tax processing organizations and servicing organizations defined pursuant in N.J.S.A. 17:16F-15 cannot be correctly reconciled, the tax collector shall create a subsidiary ledger entry to record unreconciled items. The tax collector shall work to reconcile the discrepancy by the end of the fiscal year. All transactions necessary to reconcile entries shall be noted in the subsidiary ledger, and when necessary, approved by the governing body.

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