

5:30-9
LOCAL FINANCE BOARD - 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 mechanism 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 through the electronic authorization of a financial institution to debit the cardholder's account.

"*Delinquent local unit obligation,*" in a municipality that conducts its tax sale after the close of the fiscal year, means a municipal charge that is unpaid on the 30th day prior to the completion of the tax sale list pursuant to the Tax Sale Law, N.J.S.A. 54:5-1 et seq. In a municipality that conducts an accelerated tax sale, "delinquent local unit obligation" means a municipal charge that is unpaid on the 11th day of the 11th month of the fiscal year. For all other local units, a delinquent local unit obligation means any debt or charge that has been turned over to a municipality for collection through the tax sale process.

"*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 Preauthorized 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 printouts.
- (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.A.C. 5:30-9.9 which shall be paid through a trust funds transaction pursuant to N.J.A.C. 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 rules

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