



A Division of Harris Computer Systems

TAX COLLECTIONS: PAYMENTS AND CORRECTIONS

The following are examples of how to do various transactions that can be done in the Tax Collections program. For users with Cash Receipting and Budgetary, each example will also have an explanation of what Budgetary accounts are affected by the transaction.

Tax Commitment and Liens

Before looking at payments and corrections and how those entries affect the Budgetary system, it is important to look at how the initial figures get into Budgetary. When taxes are committed, the system creates a journal that **Debits** the General Ledger Taxes Receivable account and **Credits** the Revenue Tax Commitment account. Supplemental bills do the same thing, except that they can be set up to use a special Revenue Supplemental Commitment account, instead of the Tax Commitment account. When bills go to lien, the system creates a journal that **Credits** the G/L Taxes Receivable account and **Debits** the G/L Liens Receivable account. Ultimately, the balances of the G/L Taxes Receivable and G/L Liens Receivable accounts for each year should match the remaining balances in the Tax Collections program.

Standard Payment

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2004-1	06/30/04	Original			2,096.43			2,096.43
Total					2,096.43	0.00	0.00	2,096.43

Year	Date	Ref	Per	Code	CD	AC	Acct	Amount
2004-1	06/30/2004		Aut	P	Y	Y	E _ _ _ _	2,096.43

Just a standard payment, Period is left to Auto and Code is P-Payment. The total of the payment is entered into the Amount field. If the whole bill for a year is being paid, the amount can be entered by double-clicking the total under the year, or by pressing Insert on the keyboard.

Budgetary Effect: **Credit** – Taxes/Lien Receivable account
Debit – Cash account

Standard Payment with Interest

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2004-1	06/30/04	Original			2,096.43			2,096.43
		CURINT			0.00	-48.91	0.00	-48.91
Total					2,096.43	48.91	0.00	2,145.34

Year	Date	Ref	Per	Code	CD	AC	Acct	Amount
2004-1	02/09/2005		Aut	P	Y	Y	E _ _ _ _	2,145.34

Again, the Period is left to Auto and the Code to P. The total of the payment is entered in the same fashion as above. By law, interest will be paid first – so, if the entire amount is not paid, the remaining balance will be in the Principal column.

Budgetary Effect: **Credit** – Taxes/Lien Receivable account, Interest account
Debit – Cash account

Tax Collections: Payments and Adjustments *CONTINUED*

Lien Payment with Costs and Interest

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2004-1					893.78	20.85	0.00	914.63
2003-1	06/20/03	Original			873.77			873.77
	05/28/04	DEMAND	1	3	0.00	0.00	-7.42	-7.42
	07/06/04	Liened			873.77	47.23	40.84	961.84
		CURINT			0.00	-34.08	0.00	-34.08
		Total			873.77	81.31	40.84	995.92

Year	Date	Ref	Per	Code	CD	AC	Acct	Amount
2003-1	02/09/2005		Aut	P	Y	Y	E _ _ _ _	995.92

The Period is left to Auto and the Code to P. Again, the total is entered under Amount. For partial payments, Current Interest is paid first, followed by Pre-Lien Interest, Costs, and then Principal.

Budgetary Effect: **Credit** – Lien Receivable account, Interest account, Pre-Lien Interest account (may be the same as the Interest account), Costs account
Debit – Cash account

Pre-Payment

Year	Date	Ref	Per	Code	CD	AC	Acct	Amount
2005-1	02/10/2005		Aut	Y	Y	Y	E _ _ _ _	100.00

First, select the year to prepay on in the Year field – Prepay years are noted with an asterisk. Leave the period on Auto and change the Code to Y-Pre-Payment. Enter the payment in the Amount field.

Budgetary Effect: **Credit** – Taxes Receivable account
Debit – Cash account

Abatement

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2004-1	06/30/04	Original			2,096.43			2,096.43
		Total			2,096.43	0.00	0.00	2,096.43

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2004-1	06/30/2004		Aut	A	N	N	E 30-55-30	2,096.43	0.00	0.00

The payment code for Abatements is A – select that and the appropriate period from the Period box. If a specific period needs to be abated, that period can be selected from the drop down; otherwise, this can be left on Auto. It is important to note that this is the only transaction type that can have a period of something other than Auto. If there *are* multiple periods, the system will ask whether or not the abatement should be split equally over all periods. If so, select *Yes*; otherwise select *No*. Enter the abatement amount under the Principal field. Also, notice that the Cash Drawer and Affect Cash options automatically switch to No and that the Abatement account shows in the Acct field. If there is current interest on the account, it can be removed by changing the effective date of the transaction to before the interest started accruing. Note that abatements must be verified with an **F11** before using **F12** to save the transaction.

Budgetary Effect: **Credit** – Taxes Receivable account
Debit – Abatement account

Tax Collections: Payments and Adjustments *CONTINUED*

Payment with a Discount

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2004-1	08/17/04	Original			6,795.25			6,795.25
Total					6,795.25	0.00	0.00	6,795.25

Year	Date	Ref	Per	Code	CD	AC	Acct	Amount	
2004-1	10/01/2004		Aut	D	Y	Y	M DISC	0.00	
Comment:									
Pending Transactions									
Year	Date	Reference	Per	Code	Cash	Principal	Interest	Costs	Total
2004-1	10/01/2004		A	P	Y Y	6,591.39	0.00	0.00	6,591.39
2004-1	10/01/2004		A	D	N N	203.86	0.00	0.00	203.86

If a discount is offered on bills paid before the due date, select the payment code D – Discount. This will automatically load the Discount Payment screen. The remaining balance on the account will be listed there, with a breakdown of what the calculated discount amount is. If this information is correct, simply click on *Yes* and the system will create two pending transactions – one for the discount and one for the remainder due. If the discount information is incorrect, select *No* and fill in the correct amounts. Note that if a partial payment has been made on the account, and the discount should be calculated using the original tax amount (not the remaining balance), simply double-click on the Original Tax amount on the Discount Payment screen or click the Recalc button and the discount and payment will recalculate based on that amount.

Budgetary Effect: **Credit** – Taxes Receivable account for the total amount due (including the discount)
Debit – Discount account for the discount amount, Cash account for the remainder

Refunded Abatement

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2005-1	07/27/04	Original			2,216.62			2,216.62
	08/18/04		A	P	1,108.31	0.00	0.00	1,108.31
	01/31/05		A	P	1,108.31	0.00	0.00	1,108.31
Total					0.00	0.00	0.00	0.00

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	R	N	N	G 1-132-00	1,000.00	0.00	0.00
Comment:										
Pending Transactions										
Year	Date	Reference	Per	Code	Cash	Principal	Interest	Costs	Total	
2005-1	03/05/2005		A	R	N N	1,000.00	0.00	0.00	1,000.00	
2005-1	03/05/2005		1	R	N N	-1,000.00	0.00	0.00	-1,000.00	

A refunded abatement is used in the case where an abatement is being issued to an account that has already been paid, either partially or in full. The abatement should not be for an amount more than what has been paid. The refunded abatement is a two-line transaction – one line for the abatement, one for the refund. Since one line is a positive amount and the other is a negative, the net effect on the account is zero.

To do a Refunded Abatement, simply select payment code R and enter the abatement amount in the Principal field. Since this is a two-line transaction, the entry must be saved with **F11** first, and then an **F12** can be done to save and continue. This transaction assumes that the refund will be paid through Accounts Payable and out of the Taxes Receivable account for the year being abated.

Budgetary Effect: **Credit** – Taxes Receivable account
Debit – Abatement account

Tax Collections: Payments and Adjustments *CONTINUED*

Tax Club Payment

2005-1	07/27/04	Original							1,994.20			1,994.20
	08/23/04		A	P					997.10	0.00	0.00	997.10
	01/05/05		A	U					100.00	0.00	0.00	100.00
		Total							897.10	0.00	0.00	897.10

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	U	Y	Y	E _ _ _ _	100.00	0.00	0.00
		TC: 100.00		Comment:						

A tax club payment is made the same way as a regular payment, except with a code of U instead of P. If the last entry on an account is a tax club payment, no interest will accrue. However, if at any point after that, payment is made with a code other than U, all past interest will be charged to the account. Note that the Tax Club regular payment amount is displayed in the Payment area – double-clicking on the *TC: Amount* field will automatically fill out the payment line, putting the payment amount in the Principal field and using a reference code of TAXCLU.

Budgetary Effect: **Credit** – Taxes/Lien Receivable account
Debit – Cash account

Correction – Reversing a Payment

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2005-1	07/27/04	Original			2,216.62			2,216.62
	08/18/04		A	P	1,108.31	0.00	0.00	1,108.31
	01/31/05		A	P	1,108.31	0.00	0.00	1,108.31
		Total			0.00	0.00	0.00	0.00

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005	REVERS	Aut	C	Y	Y	E _ _ _ _	0.00	0.00	0.00
		Comment:								
Pending Transactions										
Year	Date	Reference	Per	Code	Cash	Principal	Interest	Costs	Total	
2005-1	03/05/2005	REVERS	A	C	Y Y	-1,108.31	0.00	0.00	-1,108.31	

To reverse a payment that has been made, simply double-click on the payment on the Payment Screen. The system will prompt if this payment should be reversed or not, click *Yes* to continue. The reversal information will automatically be placed under Pending Transactions. If the information is correct, Click *File > Save and Continue F12* to process the reversal. Note that the reversal automatically is coded with a C for Correction, but that the CD and AC settings will vary depending on the transaction. If the payment has not been closed out, it will be reversed with a Y/Y. If the payment has been closed out, it will be reversed with a N/Y. Otherwise, the correction will use the same CD and AC settings as the original transaction. If the payment being reversed was something other than a P-Payment, the original payment code will be used in the reversal (instead of a C). Lastly, only the most recent payment can be reversed – if an older payment needs to be corrected, that will need to be done manually.

Budgetary Effect: **Credit** – Opposite of transaction being reversed
Debit – Opposite of transaction being reversed

Tax Collections: Payments and Adjustments *CONTINUED*

Correction – Payment Made to Wrong Account

Incorrect Account

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	C	Y	Y	E _ _ _ _ _	-1,108.31	0.00	0.00

Correct Account

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	C	Y	Y	E _ _ _ _ _	1,108.31	0.00	0.00

In order to correct a payment that has been applied to a wrong account, two entries must be done – one in the incorrect account and one in the correct account. On the wrong account, using a payment code of C, enter the amount of the payment in the Principal, Interest, and/or Costs fields as a negative amount. Save and Continue to the Receipt Summary screen. From here, select *File > Previous Screen F7* and access the account that the payment should have been applied to. Enter the same amounts as on the wrong account, except as positive figures and then save and continue. Note that the net entry of the two entries is zero, so there is no need to worry about whether or not the individual entries should affect Cash or not. Additionally, whenever doing a correction, for interest purposes it is important to note the date of the correction. If the date should be changed, this can be done by selecting *File>Effective Date F2*.

Budgetary Effect: None – Net effect is zero

Correction – Payment Made to Wrong Tax Year

Incorrect Year

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2006-1	03/05/2005		Aut	C	Y	Y	E _ _ _ _ _	-500.00	0.00	0.00

Correct Year

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	C	Y	Y	E _ _ _ _ _	500.00	0.00	0.00

Pending Transactions										
Year	Date	Reference	Per	Code	Cash	Principal	Interest	Costs	Total	
2006-1	03/05/2005		A	C	Y Y	-500.00	0.00	0.00	-500.00	
2005-1	03/05/2005		A	C	Y Y	500.00	0.00	0.00	500.00	

The process to correct a payment that has been made to the wrong year is very similar to the one for correcting a payment made to a wrong account. First, do a correction (code C) to the incorrect year for the amount of the payment, but as a negative. In this case, this can be saved with a **F11**, as opposed to a **F12**. Once that is saved, do another correction to the correct year, using the same amounts, except as positive figures. Again, the net entry is going to be zero, so there will not be any affect on the Cash account, however the Taxes Receivable accounts will be adjusted correctly.

Budgetary Effect: **Credit** – Taxes Receivable account for Correct Year, Cash account
Debit – Cash Account, Taxes Receivable account for Incorrect Year

Tax Collections: Payments and Adjustments *CONTINUED*

Correction – Writing Off Interest

2006-1	07/14/06	Original				931.14				931.14
	07/24/06	CHGINT	1	I		0.00	-3.13	0.00		-3.13
	07/24/06		A	P		0.00	1.00	0.00		1.00
		Total				931.14	2.13	0.00		933.27

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2006-1	07/24/2006		Aut	C	N	N	R 01-20-15	0.00	2.13	0.00

If interest has been incorrectly charged to an account, and needs to be written off as if it does not exist, a correction can be done to accomplish this. First, change the payment code to a C and change the codes for Cash Drawer and Affect Cash to Ns. Next, an account number will need to be put in – enter the Revenue Interest account. By entering this account, the system will credit and debit the same account, causing the transaction to wash and to not affect Budgetary. This same idea can be applied to Principal and Costs in the rare circumstances where those need to be written off, but the correction should not affect Budgetary.

Budgetary Effect: None – Net effect is zero

Correction – Refunding an Overpayment

Year	Date	Ref	P	C	Principal	Interest	Costs	Total
2005-1	09/27/04	Original			1,983.58			1,983.58
	10/06/04		A	P	1,983.58	0.00	0.00	1,983.58
	03/05/05		A	P	150.00	0.00	0.00	150.00
		Total			-150.00	0.00	0.00	-150.00

Year	Date	Ref	Per	Code	CD	AC	Acct	Principal	Interest	Costs
2005-1	03/05/2005		Aut	C	N	N	G 1-250-00	-150.00	0.00	0.00

The standard procedure for refunding an overpayment of taxes involves doing a correction and putting the money into a Budgetary account, from which it will be paid to the tax payer through Accounts Payable. To do so, select a payment code of C and change the CD and AC options to Ns. The system will then prompt for an account number – fill in the Budgetary account that the check will be written out of. This could be an Overpayment account, the Taxes Receivable account, or any other valid account – as long as the account used is consistent with what gets used in Accounts Payable, the account will balance. Next, enter the amount to be refunded in the Principal field as a negative amount. Once this has been done, save and continue and the refund will be applied to the account.

Budgetary Effect: Credit – Taxes Receivable account

Debit – Account entered in the Acct field on the Payment Screen