



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY PICKERING
AUDITOR**

OSA Circular No. 14

**OFFICE OF THE STATE AUDITOR
OFFICIAL REGULATIONS
GOVERNING AUTHORITIES ACCEPTANCE OF CREDIT CARDS
FOR PAYMENTS OF VARIOUS TAXES AND FEES**

The following regulations are established by the Office of the State Auditor to be followed when the governing authorities of counties and municipalities, in accordance with Senate Bill 2857, Laws of 2001 and Senate Bill 2447, Law of 2012 codified as Section 17-25-1, elect to accept payments by credit cards, charge cards, debit cards, and other forms of electronic payment for various taxes and fees collectible for county or municipal purposes. These regulations are effective July 1, 2013.

1. The governing authority may enter into a contract with one or more credit card issuers, financial institutions or third party credit card processors to accept payments for fees, taxes and other accounts receivable by credit cards, charge cards, debit cards, and other forms of electronic payment.
2. The services to be provided by the processor and the fees for such services must be included in a contract approved by the governing authority.
3. The contract must allow the addition of the processing fee to the originating tax, fee or other payment to require the full cost of using electronic forms of payment to be borne by the tax or fee payer.
4. The contract may be entered into by negotiation and must be recorded on the governing authority's minutes.
5. The governing authority must determine the amount or percentage to add on for each type of credit card, charge card, debit card, and other forms of electronic payment to be accepted so that the user of the electronic payment method will pay the full cost of using such payment method.
6. The governing authority must notify the electronic payment user of the amount of the processing fee that is being added to the tax, fee, or accounts receivable bill before such charges are assessed. Such processing fee shall be plainly included and identified on the receipt given to the payer. The governing authority shall not charge the user any additional amount above the processing fee on each transaction.

7. If the contract calls for the processing fee to be withheld from the amount charged electronically, the processing cost should be noted on the receipt and included in the total charged to the payer and noted in the financial records for verification purposes, but should not be recorded as a revenue receipt in the appropriate journal. The amount due for payment of the tax, fee or accounts receivable should be recorded and settled as in ordinary cash collections. The processing fee will be withheld by the processor and will not flow through the governing authority's accounting journals. However, the processing fee charged and withheld by the processor shall be verified to insure proper collection.

8. If the contract calls for the processing fee to be paid by invoice as a claim, the processing cost should be noted on the receipt, included in the total charged to the payer and recorded in the appropriate accounting journal as a revenue receipt for future settlement to a separate governing authority fund. A separate column or field should be established in the accounting records to record the processing fee. The processing fee must be recorded in a manner that would allow identification and reconciliation to the proper processor. Each itemized invoice from the processor must be reconciled with the accounting records of the processing cost charged and received to insure proper payment to the appropriate processor for each processing fee. The itemized invoices would then be paid upon approval of the governing authority as other claims from the various governing authority funds.

9. The contract must clearly indicate that the governing authority is not responsible for processing costs or penalties for credit cards, charge cards, debit cards or any other form of electronic payment. Terms for charges disputed by the card account holder and subsequently dishonored and charged back to the governing authority should be clearly identified in the contract. Such dishonored transactions charged back to the governing authority after initial approval of the payment processor should be handled in generally the same manner as bad checks and are considered not paid.

10. In any case, the governing authority must receive the entire amount that constitutes the ordinary amount due for the tax, fee or accounts receivable without accepting a discounted payment of such tax, fee or accounts receivable.

11. In conducting collection of delinquent payments, the governing authorities of counties and municipalities may utilize credit cards or electronic funds transfers. Section 19-3-41(4), Mississippi Code 1972, Ann., allows boards of supervisors and Section 21-17-1, Mississippi Code 1972, Ann., allows municipalities to pay any service fees for the use of such methods of collection from the collection fee authorized by those statutes, but not from the delinquent payment. This exception to these regulations should be carefully considered when entering into contracts for electronic payment processing.