

Handle Bad Checks for which a Replacement Payment is Not Received

Process

[HANDLE LOCAL BAD CHECK PAYMENTS](#)

Effective Date

10/13/2006

Purpose

This task is performed by a Locality Representative in the Treasurer's Office to follow-up on all "Bad Check" letters. The Treasurer's Office follows up to ensure that the customer sends a replacement payment. If a replacement payment is not received, the Treasurer must assess for the amount due and for the \$35 dollar bad check fee.

Procedure

Responsibility

Locality Representative

Steps

1. Purge "Bad Check" letters for the file for all taxpayer's who did not submit a replacement payment within the allowed time period.
2. Remove the Memorandum of Assessment Form (759) from the appropriate "Paid" or "Unpaid" file.
3. Note the following on the top of the Memorandum of Assessment Form.
NOTE: The information must be noted in RED pen or pencil.
 - Check Number: and the check number of the bad check
 - Returned: and the date in month, day, and year sequence that the bank returned the bad check**EXAMPLE:** Check Number: 759 Returned: 3/1/2004
4. Modify the following Commissioner's entries on the Memorandum of Assessment Form using a **RED** pen or pencil:
 - A. Line through the check payment amount shown in the block entitled "AMOUNT OF PAYMENT ATTACHED TO RETURN" and enter a "0".
 - B. Line through the "X" in the "AMOUNT OF PAYMENT ATTACHED TO RETURN" block.
 - C. If the bad check is for a payment noted in the "PAYMENT" block of the Treasurer's section of the form, line through the amount shown and enter "0".
5. Modify the entries in the "For Treasurer Use" section of the Memorandum of Assessment Form.
NOTE: The modified entries must be noted in **RED** pen or pencil.
 - A. If the bad check is for the original payment processed with the tax return,
 - 1) Line through the original "BALANCE OF ASSESSMENT" and "BALANCE OF TAX" figures in the upper portion of the form.

- 2) Recalculate and enter the new figures.
- B. Enter today's date in the "ASSESSED/PAID AS OF" box.
- C. Calculate/recalculate any late payment penalty fee and enter in the "LATE PAYMENT PENALTY" box. Please refer to TASK: [Calculate Penalty and Interest for Individual Income Tax Returns](#)
- D. If the taxpayer's check was deposited directly into the state account (not local account), indicate the \$35 bad check fee next to the amount charged for late payment.
- E. Recalculate and enter the new "INTEREST" amount, if applicable, on the bottom portion of the 759 form.
NOTE: Use the link in Step 5C to calculate interest.
- F. Total any recalculated late payment penalty and interest and enter the new figure in the "TOTAL" box.
- G. Recalculate and enter the amount in the "BALANCE OF ASSESSMENT" box.
6. Staple the bad check letter to the back of the Memorandum of Assessment Form.
7. Retrieve the previously filed associated Assessment Sheet (759-B) which references the Memorandum of Assessment Form (759).
8. Locate the corresponding payment entry on the Assessment Sheet (759-B) and make the following changes.
NOTE: The modified entries must be noted in RED pen or pencil.
 - A. Line through the figure appearing in the "AMOUNT OF PAYMENT ATTACHED TO RETURN" column and write "Bad Check Returned (date)" clearly above the lined through entry.
 - B. Line through the amount appearing in the "BALANCE OF ASSESSMENT" column and recalculate and enter the new amount.
 - C. Enter or line through the amount appearing in the "TAX" column as applicable and recalculate and enter the new amount.
 - D. Enter or line through the amount in the "PENALTY FOR LATE PAYMENT" column as applicable and recalculate and enter the new amount.
 - E. Enter or line through the amount in the "INTEREST" column as applicable and recalculate and enter the new amount.
 - F. Enter or line through the "TOTAL" amount as applicable and recalculate the new amount.
 - G. Line through the payment date and note the reason that the payment was voided. (i.e. The check was returned by the bank and was not redeemed by the taxpayer.)
9. Process the outstanding assessment.
10. Deposit the bad check fee into the State account in accordance with the General Provisions of the Virginia Tax Code, Section 58.1-12 and 58.1-13.

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