

ACTION REQUIRED

Beginning 01/01/2011, EFTPS will be mandatory for tax payments, including payroll!

Feds change tax deposit rules: EFTPS use mandatory on January 1.

Treasury plans to eliminate paper coupon use.

If other priorities have forced you to continue using paper coupons rather than depositing your federal tax payments electronically, there's good news. Soon you will have a choice. New proposed regs eliminate the rules for making federal tax deposits (FTDs) by paper coupon. After 12/31/10, the Treasury Department will no longer maintain that system. So, effective 1/1/11, employers of all sizes will have to find time to begin making federal tax deposits via the Electronic Federal Tax Payment System (EFTPS). Currently, only firms with aggregate annual deposits (of certain taxes) exceeding \$200,000 must use electronic funds transfers. Once they pass that \$200,000 mark, employers generally have a one-year grace period to begin depositing electronically (even if the amounts later fall below the threshold). After Dec. 1, there's no leeway – paper coupons disappear.

If you haven't already started, next year you'll make deposits online with a computer or by telephone. Rest assured, there's no learning curve with either method – both systems will prompt you for the necessary info. To get started, you need a Taxpayer Identification Number (Employer ID or Social Security Number) and a Personal Identification Number (PIN). If you don't have a PIN, call Customer Service at 800-555-4477. Then, schedule your payments at least one calendar day before the tax due date (by 8:00p.m. ET). Based on your instructions, EFTPS:

- initiates a debit against the bank account you indicated
- sends the money to Treasury, and
- sends the tax payment info to IRS for updating your records.

Easy, right? It gets even better. The system allows you to:

- Make payments 24 hours a day, seven days a week
- Improve compliance. Using EFTPS drastically reduced payment-related errors that could trigger penalties
- Track payments. You'll receive an acknowledgement number (receipt). Use it to track the payment and communicate with IRS.
- Check the Internet or call Customer Service to verify payments/review up to 16 months of payment history.

Additional resources

After perusing the proposed regs, you may also want to look at:

- Publication 4132, which explains the process of enrolling and paying via the Internet – www.irs.gov/pub/irs-pdf/p4132.pdf
- Publication 966, The Secure Way to Pay Your Federal Taxes for Business and Individuals – www.irs.gov/pub/irs-pdf/p966.pdf
- Publication 4169, Tax Professional Guide to Electronic Federal Tax Payment System – www.irs.gov/pub/irs-pdgp4169.pdf
- Publication 4275, Express Enrollment for New Businesses – www.irs.gov/pub/irs-pdf/p4275.pdf
- Electronic Payment Options Home Page – www.irs.gov/efile/article/0..id=97400,00.html

Which taxes are affected?

The proposed regs require all of the following to be deposited via electronic fund transfer:

- certain excise taxes
- corporate income/estimated taxes
- estimated taxes on certain trusts
- FICA and withheld income taxes
- nonpayroll taxes
- private foundation excise taxes
- taxes withheld from nonresident aliens, and
- unrelated business income taxes incurred by nonprofits.



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