



DECEMBER 2010

Electronic Tax Payments

The Internal Revenue Service has been using a variety of incentives and requirements to encourage business taxpayers to pay federal taxes electronically using the Electronic Federal Tax Payment System (EFTPS). These taxes, or deposits, include federal income, payroll, excise and other taxes.

Background

Until now, taxpayers with annual tax deposits under \$200,000 were permitted to use paper based federal tax deposit (FTD) coupons (Form 8109-B) to remit tax payments. Under that system, taxpayers would take the FTD coupons to their bank which would transfer the funds directly from the taxpayer's bank account to the IRS. The FTD paper coupon deposit system will no longer be maintained by the Treasury Department after December 31, 2010.

New Requirements

Beginning in 2011, most business tax deposits will be required to be made electronically using EFTPS. There is a small deposit exception which allows taxpayers with a deposit liability of less than \$2,500 for a payroll tax return period to remit payment with the return itself. The IRS has not yet issued formal guidance as to the small deposit exception with respect to income taxes (i.e. taxes paid with Form 1120). Taxpayers who fail to make

required payments electronically will be subject to a penalty.

How this Affects Associations

Our previously issued payment instructions that accompanied the tax extension and tax return had indicated that the Association could pay their taxes utilizing the payment coupon. However, since the IRS has not issued formal guidelines as to the small deposit exception for corporate income taxes, we recommend that all tax payments made as of January 1, 2011 including extension payments and estimates be made via EFT.

Benefits of EFTPS

Taxpayers can expect to find significant advantages and conveniences using EFTPS. This includes improved accuracy. Electronic depositors are much less likely to make errors in deposits which may result in a penalty. Additionally, transactions can be scheduled 120 days in advance of the required payment date. Payments can be scheduled 24 hours a day, 365 days a year with an "EFT Number" confirming a scheduled deposit.

What do I need to do now?

While using EFTPS is convenient, registration is not instant and must be done several weeks in advance. Signing up for EFTPS can be done at

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**TAX ALERT**

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www.eftps.com. In order to register, an Employer Identification Number, bank account number, and named and address as it appears on IRS tax documents will be required. We encourage businesses to enroll in EFTPS as soon as possible in order to be able to make a payment by EFTPS, if required, and avoid a penalty for failure to do so.

Any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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