

Prepare to Submit Payroll Taxes Electronically in 2011

Federal Tax Liability

The Internal Revenue Service has announced it will no longer accept Form 8109 (FTD Coupons) for your Federal Tax Payments effective January 1, 2011. You will have to begin making your Federal Tax Payments through the Federal EFTPS program beginning with your December 2010 payroll tax liability payment due in January 2011. The primary exemption will be for employers who have \$2,500 or less in quarterly payroll tax liability for 941 returns and pay this liability when filing the return.

EFTPS (Electronic Federal Tax Payment System) is the United States Treasury process for making tax deposits electronically. These electronic payments can be made by phone or "online" via the internet. This system is a free, secure service available from the United States Department of the Treasury.

Effective January 1, 2011 all business related tax payments, i.e., payroll tax deposits, remittance of income taxes, excise taxes, etc., will be required to be made electronically via the Federal EFTPS system. Businesses will no longer be allowed to pay them at their bank with a coupon. Some banks have already stopped taking Federal Tax Payments. If you are already making deposits using EFTPS, you will not need to do anything.

EFTPS has pre-enrolled most businesses in advance of the proposed January 1, 2011 changeover date. If you have received a pre-enrollment package from the IRS with a PIN number and have not completed the enrollment, we will be glad to complete it for you if you will call or send us the pre-enrollment information. If you have completed the pre-enrollment, please provide us with enrollment information.

If you do not receive a pre-enrollment package, you will need to register with the EFTPS via their website at www.eftps.gov or we will be happy to handle this process for you and provide training on how to use the system. In order for your business to be in compliance with the mandated electronic payment requirements, you will have to enroll by November 15, 2010.

After enrollment there is a 2-4 week waiting period for your PIN. The IRS will mail you a PIN with directions to call for the password. If you have any questions, please feel free to contact our office.

Please note the Federal Tax Payments due on January 15, 2011 for the December payroll tax liability will not be accepted if you try to pay with a paper coupon. Any December 2010 Federal Payroll Tax Payment due on any date of January 2011 must be submitted electronically, either by phone or online, therefore, you must be set up for electronic filing before the end of December 31, 2010.

Failure to remit your payroll tax payment electronically after January 1, 2011 may result in a 10% penalty charge on the deposit amount for each non-electronic payment.

As stated above, if your Federal quarterly payroll tax liability is less than \$2,500 you can either send your payment in with your Form 941 or you can enroll in EFTPS and make your payment electronically. If your total Quarterly liability is less than \$2,500.00, please let us know which payment method you choose (EFTPS or with your 941 return). We will need this information when preparing the Form 941 so we can indicate whether the payment has been made or if you will be paying the tax due with the form.

Please call us with any questions and ask to speak with anyone of our experienced staff of accountants.