



November 2010

Dear Clients:

If you have been making any tax payment using IRS Form 8109 as opposed to using the Electronic Federal Tax Payment System (EFTPS), this letter is an important notification.

Earlier this year, the U.S. Department of the Treasury announced it is terminating the federal tax deposit (FTD) coupon system beginning in 2011. Under the FTD coupon system, businesses with total annual tax deposits of less than \$200,000 were allowed to make payments to the IRS by presenting a check and an FTD coupon, *i.e.*, Form 8109-B, to a bank authorized as a government depository or financial agent. Businesses exceeding the \$200,000 threshold were required to make payments via electronic funds transfer (EFT) through the Electronic Federal Tax Payment System (EFTPS).

As a result, the IRS has issued proposed regulations eliminating the use of FTD coupons for deposits after December 31, 2010. Taxes must be deposited via EFTPS after December 31, 2010, regardless of whether the \$200,000 threshold is met.

If you have been using the FTD system, you must register to use the EFTPS system (see below) before year-end. If you have been using the EFTPS system already for payroll but have continued to use the FTD system for some other payments, all payments will need to be made through EFTPS. So you will need to figure out how to use the EFTPS system for all federal tax payments.

This new rule covers:

- Corporate income and corporate estimated taxes
- Payroll taxes
- Unrelated business income taxes of tax-exempt organizations
- Private foundation excise taxes
- Taxes withheld on nonresident aliens and foreign corporations
- Estimated taxes for trusts that have a bank or other financial institution acting as the fiduciary
- Various other federal tax payments

There are some benefits to the EFTPS system:

- IRS data indicates depositors using EFTPS are 31 times less likely to make an error resulting in a penalty than depositors using FTD coupons
- Depositors can schedule an EFTPS transaction 120 days in advance
- Payments can be made 24 hours a day, 365 days a year
- Deposits can be made online or by telephone
- EFTPS users receive a confirmation number providing proof the tax deposit has been scheduled and allowing the transaction to be traced

De Minimus rule

Generally, the proposed regulations make no significant changes to EFTPS. The proposed rules would maintain the existing de minimus rule that allows employers with a deposit liability of less than \$2,500 for a return period to remit their employment taxes with their quarterly or annual return. However, we strongly recommend that all taxpayers use the EFTPS for the reasons explained above.

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How to Register

Taxpayers must first enroll to use EFTPS. To begin enrollment, go to <https://www.eftps.gov/eftps/>. The IRS website also has additional resources to help use EFTPS, including:

- [Publication 4132](#) – A sheet that explains the process of enrolling and paying via the Internet
- [Publication 966](#) – *The Secure Way to Pay Your Federal Taxes*
- [Publication 4275](#) – *EFTPS Express Enrollment for New Business*

OREGON

Additionally, if you are required to make your federal estimated tax payments by EFTPS, then you must make your Oregon estimated tax payments by EFTPS.

How to Register

Taxpayers must first enroll to use EFTPS. To begin enrollment, go to: <http://www.oregon.gov/DOR/ESERV/eft.shtml>. The Oregon Department of Revenue website also has additional resources to help use EFTPS, including:

- ACH Credit Electronic Funds Transfer – A sheet that explains the process of enrolling and paying via credit account
- ACH Debit Electronic Funds Transfer – A sheet that explains the process of enrolling and paying via debit account

MULTNOMAH COUNTY/CITY OF PORTLAND

- Additionally, the county/city has an EFTPS system. They are currently requesting, but not requiring your estimated tax payments by EFTPS. If you would like to register, you may go to <http://www.portlandonline.com/omf/index.cfm?c=29320> and select the File or Pay Online: Business Taxes link.

Sincerely,

McDonald Jacobz, P.C.