

## ALERTS AND UPDATES

### Internal Revenue Service “Going Green” with the Elimination of Paper Payment Coupons

September 23, 2010

For those who withhold and deposit federal taxes to the Internal Revenue Service (IRS), the following may be worth consideration.

Last month, the IRS issued proposed regulations that would discontinue the use of paper federal deposit coupons (IRS Form 8109), beginning on December 31, 2010. The existing rules for depositing federal taxes through the Electronic Federal Tax Payment System (EFTPS) would remain valid, which would effectively increase the volume of transactions initiated by taxpayers on an electronic basis. It is important to note that for those who engage a payroll service company or a CPA to handle their federal tax deposit responsibilities, no action is likely needed on their part.

For taxpayers and the IRS, the conveniences of the EFTPS system include:

- The ability to make federal tax payment deposits online via computer or via telephone, 24 hours a day, seven days a week;
- Increased efficiencies through the reduction of processing and payment-related errors, resulting in the reduction of penalty and interest assessments;
- Increased ease and efficiency in scheduling and processing future payments; and
- Scheduling of payments up to four months in advance.

The proposed changes would apply to the following types of tax payment deposits:

- Corporate income and estimated taxes;
- Unrelated business income taxes of tax-exempt organizations;
- Private foundation excise taxes;
- Taxes withheld on nonresident aliens and foreign corporation;
- Estimated taxes on certain trusts;
- FICA taxes and withheld income taxes;
- Railroad retirement taxes;
- Backup withholding;
- Federal Unemployment Tax Act (FUTA) taxes;
- Excise taxes reported on Form 720, Quarterly Federal Excise Tax Return; and
- Businesses with any quarterly federal tax liability in excess of \$2,500 must remit payment electronically, rather than mailing a check with the tax return.

Organizations making the types of tax payments noted above, if not currently enrolled in EFTPS, may want to act promptly in order to transfer their current paper coupon payment function to the EFTPS payment system well in advance of December 31, 2010—the end of the federal deposit paper coupon system.

## **For Further Information**

If you would like more information about this topic or your own unique situation, please contact [Steven M. Packer](#) or the practitioner with whom you are regularly in contact.

*As required by United States Treasury Regulations, you should be aware that this communication is not intended by the sender to be used, and it cannot be used, for the purpose of avoiding penalties under United States federal tax laws.*