

From the Journal of Accountancy¹: The IRS has issued proposed regulations that would eliminate paper coupons for deposits of employment taxes, corporate income and estimated taxes, and many other taxes (REG- 153340-09). The paper coupon payment system will be shut down at the end of this year.

With this change, taxpayers will be required to use the IRS' Electronic Federal Tax Payment System (EFTPS) to make federal tax deposits of various withheld and estimated taxes. The preamble to the proposed regulations notes that over 97.5% of all federal tax deposits are already deposited electronically through EFTPS.

The proposed regulations do continue the exception for businesses that are depositing a minimal amount of withheld income and FICA taxes. Businesses that qualify can make payments with their tax returns. Employers with a deposit liability of less than \$2,500 for a return period can remit employment taxes with their quarterly or annual return.

The proposed regulations will require the following taxes to be deposited electronically:

1. Corporate income and corporate estimated taxes;
2. Unrelated business income taxes of tax-exempt organizations;
3. Private foundation excise taxes;
4. Taxes withheld on nonresident aliens and foreign corporations;
5. Estimated taxes on certain trusts;
6. FICA taxes and withheld income taxes
7. Railroad retirement taxes;
8. Non-payroll taxes, including backup withholding;
9. Federal Unemployment Tax Act (FUTA) taxes; and
10. Excise taxes reported on Form 720, *Quarterly Federal Excise Tax Return*.



As proposed, the new rules would be effective for payments made on or after the date the final regulations are published in the *Federal Register*, but no earlier than Jan. 1, 2011, and the IRS says it expects to finalize the regulations before then.

If you have not registered your company to allow for tax payments to be made through EFTPS, please contact our office as soon as possible so that we may assist you in being compliant with these new federal tax regulations.

Stewart, Archibald & Barney, LLP | 7881 W. Charleston, Las Vegas, NV 89117 | ph (702) 579-7000 | fax (702) 876-7946

To ensure compliance with Treasury Department regulations, we wish to inform you that any tax advice that may be contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.

Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

¹ (August 21, 2010). IRS Expands Use of Electronic Payments, Discontinues Paper Coupons. *Journal of Accountancy*, August 2010. Retrieved from <http://www.journalofaccountancy.com/Web/20103240.htm>