

DISCONTINUATION OF FEDERAL TAX DEPOSIT (FTD) PROCESSING

FREQUENTLY ASKED QUESTIONS

What is changing? How does this affect my institution?

Effective January 1, 2011, coupons will no longer be processed or presented.

The proposed rule relates to all tax types (941, 945, 720, 1120, etc) that currently may be paid with a Treasury Tax & Loan (TT&L) coupon (Form 8109). Businesses that currently use coupons can schedule their own payments at www.eftps.gov, via the Voice Response System (VRS), or they can authorize a trusted third party such as a financial institution, payroll service, or tax professional to initiate the payment for them. Or, if they prefer and you offer this option, you can make a same-day wire payment on their behalf.

If the customer makes his or her own automated clearing house (ACH) Debit payment via the Electronic Federal Tax Payment System (EFTPS), there is nothing for you to do. We do encourage you to help your customers make the transition to electronic payment, but after transition, unless you are making payments on your customers' behalf, there would not be a role for financial institutions in customers' federal tax payments.

When will the final rule be published?

The final rule has not yet been published. The final rule will be published after the Internal Revenue Service (IRS) reviews the comments it received on this proposed rule. The public comment period ended September 22, 2010, with fewer than three dozen comments and no requests for a public hearing. The final rule is now being circulated for approval before publication.

Should we tell our customers about this, or wait for a final rule?

The comment period for the proposed regulation has now closed and IRS is preparing a final regulation for publication, but **as Treasury advised during webinars held in September 2010, you are encouraged to educate your customers and your staff about electronic payments now. Free marketing materials are available for ordering at ww.fms.treas.gov/eftps/marketing.html.**

Can I still order Advice of Credit (AOC) supplies?

The IRS stopped accepting new orders for AOCs on October 22, 2010. AOC supplies can be shared between branches if a financial institution misses the cut-off date to order additional AOC supplies. Your local IRS service center or the Federal Reserve Bank of St. Louis, which operates the TT&L processing system on Treasury's behalf, may have a limited number of blank AOCs available after that date.

Do we have to tell Treasury if we stop taking coupons before December 31, 2010?

A financial institution may stop accepting coupons at any time. While there is no requirement that you share that date with Treasury, it is helpful if you let the Financial Management Service (FMS) know via an e-mail to Melanie.rigney@fms.treas.gov as they keep a listing of when financial institutions are stopping so that the EFTPS call center may be best prepared to help your customers.

What if a customer brings in a coupon and the system has been shut down?

- Financial institutions will be able to process on the following banking day of any coupons received on December 31, 2010. If a teller accepts and stamps a coupon after the TT&L system is no longer available, under your TT&L agreement with Treasury, your financial institution may face penalties because the taxpayer gave you a payment in good faith and you were unable to process it. If the customer mailed a coupon or left one in a night drop box and it was not accepted and stamped, you would return it to the customer and you would not be liable for penalties.
- FMS plans to make available guidance for financial institutions on options that may be presented to customers if they bring in a coupon after December 31, 2010. Options would include:
 - Offering to execute a same-day tax wire on their behalf

- Suggesting the customer contact his or her tax professional or the IRS to determine whether he or she is eligible to mail a check with a quarterly or annual return
- Scheduling a payment via phone or the Internet if the customer is enrolled in EFTPS

What about collateral? What about returns and adjustments?

- The Treasury Support Center (TSC) will issue procedures related to closing or reclassifying TT&L accounts; collateral; stale and undated coupons; and returns and adjustments following publication of a final rule.

How do we make a same-day tax wire payment for customers, and can we charge a fee?

- Financial institutions may charge a fee for executing a same-day tax wire if they charge a fee for other wires.
- Treasury does not require financial institutions to initiate same-day tax wires for your customers.
- Same-day wires are intended only for extraordinary circumstances in which a payment cannot be scheduled earlier or for high dollar tax payments.
- The “Same-day Payment Worksheet” lists the information you need from a customer to process a wire and is available in the *Downloads* section of the www.eftps.gov web site.
- Your NACHA rulebook provides specifics on sending a wire as does the “Financial Institution Handbook” located in the *Downloads* section of the www.eftps.gov web site. Briefly, any Fedwire® Participant financial institution can make a same-day tax wire payment. Wires (Fedwire Typecode 1000) must be received by 5 p.m. ET on the due date to be timely with the IRS. Please be sure your own deadline is earlier so you have time to prepare the wires.

How do we make an ACH Credit payment for customers, and can we charge a fee?

- Typically, financial institutions provide ACH Credit services via their own software or services or those developed by a third party, such as the Federal Reserve Bank’s FedLine Advantage® access solution, and transmitting CCD+TXP files to EFTPS.

- Financial institutions that charge a fee for other ACH Credit payments may charge a fee for ACH Credit tax payments. Treasury does not require financial institutions to initiate ACH Credit payments.
- If the customer can prove ACH Credit instructions were delivered to the financial institution by its deadline and the payment was not sent, the IRS may abate the customer’s penalty. Treasury also may make a value-of-funds adjustment on the financial institution due to the delay.
- Your NACHA rulebook provides specifics on formatting ACH credits for tax payments as does the “Financial Institution Handbook” located in the *Downloads* section of the www.eftps.gov website. For more information about ACH Credit basics, talk with your ACH operations team or your vendor. For further assistance with EFTPS and ACH Credit, contact the EFTPS Financial Institution Helpline at (800) 605-9876.

What will customers receive as part of the EFTPS pre-enrollment mailing? / Can we see it?

- In late October 2010, EFTPS plans to pre-enroll all businesses that have used a coupon for any tax type on the coupon in the past 18 months.
- Businesses will receive a personal identification number (PIN) in the mail. Then, they can enter their banking account information using the EFTPS VRS, and begin scheduling payments that day via the VRS or www.eftps.gov. (They will need to call an automated line for a password, but that takes just seconds). The packet will include a letter from the IRS stating the intent to stop coupon processing on December 31, 2010. Treasury will share that letter when it is available, but encourages you not to wait for receipt of the letter to begin helping your customers transition to electronic payment.
- If a customer does not receive a letter or wishes to enroll now, it takes approximately seven days to receive a PIN from EFTPS if the customer enrolls at www.eftps.gov.
- The IRS will provide separate, additional notification to taxpayers upon publication of a final rule. The timing of that mailing is not known at this time.

When will your free marketing materials include information related to the transition?

- Additional items will be made available for order at www.fms.treas.gov/eftps/marketing.html upon publication of a final rule. The materials currently available are accurate and may be used.
- In addition to the materials at the web site, you may be interested in downloading the fact sheet located in the *Downloads* section of the www.eftps.gov web site.
- Please send an e-mail to Melanie.rigney@fms.treas.gov if you would like a high-resolution EFTPS logo and possible verbiage to put a link to www.eftps.gov on your site (just as you might link to the local Chamber of Commerce, for example; this is not a connection within your online banking software).

How will we know if a customer can mail a check with return instead of paying electronically?

The customer should contact his or her tax professional or the IRS Business and Specialty Tax Line at (800) 829-4933. While generally businesses with a

quarterly federal tax liability of less than \$2,500 may be able to pay via this method, this is not an aspect of tax law on which financial institutions should attempt to provide guidance.

What is the financial institution's liability if an EFTPS payment initiated by a customer is returned for insufficient funds?

NACHA rules apply; there is nothing different about tax payments. EFTPS presents a payment only once.

Should we recommend our customers use online bill pay to pay their federal taxes?

No. Bill pay processors do not guarantee delivery of tax payments through their service offerings. Further, it has been Treasury's experience that taxpayers who try to use bill pay end up confused and facing errors and penalties because third party providers hold the funds or deliver them to the IRS rather than Treasury, resulting in a delay.

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Source: http://www.frbservices.org/files/serviceofferings/pdf/ttl_faq_102610.pdf.

KEY DATES AFFECTING FEDERAL TAX DEPOSIT PROCESSING

- December 31, 2010** The last day taxpayers will be allowed to pay their federal taxes with a paper Federal Tax Deposit (FTD) coupon – and therefore, also the last day financial institutions can accept FDT coupons.
- January 3, 2011** The last day financial institutions can submit an Advice of Credit representing the dollars collected from paper FTD coupon payments. At 5 p.m. Eastern Time, the functionality for submitting Advices of Credit will no longer be accessible in the TT&L Plus application.
- February 28, 2011** The last day financial institutions can submit Advice of Credit adjustment requests to the Treasury Support Center. By promptly reconciling their records after January 3, 2011, as well as after each IRS adjustment is processed to their TT&L accounts, banks will ensure sufficient time remains for submission of pertinent adjustment requests.