



Required Electronic Filing for Tax Withholding

by: Anne Keehn, QKA



When a plan participant takes a distribution from the plan that requires federal tax withholding, the custodian that processes the distribution will usually take care of forwarding the withholding to the IRS and preparing the necessary reporting forms. However, for some smaller employers or employers who use brokerage accounts for which this service is not provided by the brokerage firm, the plan trustee is responsible for making sure the proper reporting is done and the tax withholding gets paid timely.

Up until now, many depositors accomplished this by completing a paper 8109 coupon and manually submitting the coupon and the withholding check to their local bank or mailing them to the Federal Reserve. ***However, effective as of the end of 2010, the Federal Tax Deposit Coupon 8109 and 8109-B payment system has been shut down.*** Depositors may no longer use paper coupons to make federal tax payments.

Depositors must now use Electronic Funds Transfer (EFT) to make their federal tax deposits. In defending the decision to require mandatory electronic deposits, the Treasury indicated that many banks had already stopped accepting the paper coupons and that their own research has shown that employers who pay electronically are 31 times less likely to make an error than employers who use paper coupons.

With EFT, depositors may make deposits online with a computer or by telephone. To enroll with the Electronic Federal Tax Payment System (EFTPS), depositors may go online at www.EFTPS.gov or call 1-800-555-4477. The IRS also provides Publication 966, "The Secure Way to Pay Your Federal Taxes". On the EFTPS website, depositors will enter their banking information for ACH purposes. Confirmation material will be mailed within 7 business days, including a PIN and instructions on how to obtain a password. Once the account is established, future deposits may be made by using the website or the voice response system. There is no cost for using EFTPS.

If you have been paying tax withholding for retirement plan distributions via the 8109 coupons, you must now enroll for electronic payment via EFTPS. If you need assistance with getting set up for electronic payments, please contact your Account Executive at RMS.