

## Federal Tax Payment changes for 2011

Local banks are no longer accepting the monthly tax payment for Federal income, Social Security, and Medicare taxes.

The Internal Revenue Service (IRS) has advised that the employer may pay the federal taxes, using one of two methods. Review excerpts from the Employer's Publication 15 at the end of this document.

### Method 1 - Pay the federal taxes quarterly instead of monthly.

This method may be used only if the Payroll Tax Liability amount for the quarter is **less than \$2,500**.

- **Change the federal payroll items to change the payroll vendor name.**

- Select **List** from the menu bar.
- Select **Payroll Item list**
- Right click **Federal Withholding**
- Left click **Edit Payroll Item**
- Click **Next**
- Change the **Agency name** to Internal Revenue Service. Select from the vendor list.
- Select **Next**, **Next**, then **Finish**.
- The Medicare and Social Security payroll items automatically will change to Internal Revenue Service.

Federal Withholding	Federal Tax	
Medicare - Employer	Federal Tax	1.45%
Medicare Withholding - Employee	Federal Tax	1.45%
Soc. Sec. - Employer	Federal Tax	6.2%
Soc.Sec. Withholding - Employee	Federal Tax	4.2%

- **Change the Schedule for the Federal Taxes if you are using this feature.**

- Open the **Employee Center**
- Select the **Payroll** tab
- Under Pay Scheduled liabilities, select **Related Payment Activities**.
- Select **Edit Payment Due Dates/Methods**
- Under Schedule Payments, select **Federal 941/944**
- Select **Edit** button
- **Change payee to IRS**, if not already displayed.
- Change payment frequency to **Quarterly**
- Select **Finish** button
- Select **Finish Later** button

Send By	Status	Payment
11/15/10	Overdue	Federal 941/944
01/31/11	Upcoming	MO Unemployment Insurance
01/31/11	Upcoming	MO Withholding

Total \$

Related Payment Activities [Check E-payment Sta](#)

Set up payment schedule for Federal 941/944

Federal 941/944 payments include Federal Withholding, Social Security, and Medicare. [Why are th](#)

Payment (deposit) method  Check  E-pay  
[What payment method can I use?](#)

\* Payee [Who is the right payee?](#) Internal Revenue Service

\* Payment (deposit) frequency [How often should I pay these taxes?](#) Quarterly  
Due the last day of the month following the end of the quarter. Example: Apr 30, Jul 31, Oct 31, and Jan 31. (E-pay due dates adjust to reflect Intuit's processing time.) [More...](#)

- **Printing the Tax Liability check**

- One check is created for the 3 months. **Attach quarterly check to the quarterly 941 form.** The federal tax withholdings are held in the council's checking account until the end of the quarter.

### Method 2 – Pay Federal Tax Payment online

Effective January 1, 2011, employers must use the electronic funds transfer to make all federal tax deposits if the quarterly tax liability is \$2,500 or greater.

The procedure for the online Federal tax payment is located at

[http://extension.missouri.edu/acctmanual/Payroll/Federal\\_Tax\\_Online.pdf](http://extension.missouri.edu/acctmanual/Payroll/Federal_Tax_Online.pdf)

## Excerpts from Federal Document regarding Tax Deposits

### Employer's Publication 15

#### 11. Depositing Taxes

In general, you must deposit federal income tax withheld and both the employer and employee social security and Medicare taxes. You must use electronic funds transfer to make all federal tax deposits. See [How To Deposit](#) on page 23 for information on electronic deposit requirements.

Here it states that "you must use electronic funds..."

**Payment with return.** You may make a payment with Form 941 or Form 944 instead of depositing, without incurring a penalty, if one of the following applies.

- Your Form 941 total tax liability for either the current quarter or the preceding quarter is less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. If you are not sure your total tax liability for the current quarter will be less than \$2,500, (and your liability for the preceding quarter was not less than \$2,500), make deposits using the semi-weekly or monthly rules so you won't be subject to failure to deposit penalties.

However, the key phrase is "less than \$2,500."