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

Medicare - Employer

Soc. Sec. - Employer

Medicare Withholding - Employee

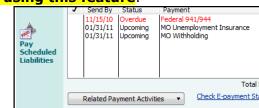
Soc.Sec. Withholding - Employee

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



Federal Tax

Federal Tax

Federal Tax

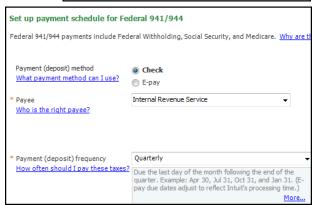
Federal Tax

Federal Tax

1,459

1.459

6.29



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

Payroll changes 2011 March 29, 2011 Page **1** of **2**

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.

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

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

Payroll changes 2011 March 29, 2011 Page **2** of **2**