

March 30, 2010

Electronic Payment of Taxes

In response to the budget crisis in California, the state legislature has enacted several measures to raise revenues, including an increase in sales and use tax and income tax rates, higher penalties, stricter enforcement, and the accelerated collection of certain taxes and fees.

One of the lesser-known changes being implemented by California may change the way you remit tax payments going forward. This new law requires that tax payments be made electronically and applies to all taxpayers other than fiduciaries, trusts, and estates. It imposes a penalty for noncompliance equal to 1% of the tax payment made. The requirement to electronically remit payments is triggered when one of the following thresholds is met for a taxable year beginning in 2010:

- You make an estimated tax or extension payment greater than \$20,000
- You file an original return with a tax liability over \$80,000

Once the requirement is triggered, all subsequent payments must also be made electronically.

Although the first payment triggering the mandatory electronic payment requirement does not have to be made electronically and the noncompliance penalties for 2010 have been waived, we recommend that you consider making your payments electronically as this will be the requirement for many in the near future.

You may submit electronic payments to the Franchise Tax Board via *Web Pay* at the following website: <http://www.ftb.ca.gov/online/webpay/index.asp>.

While California has started requiring certain taxpayers to make tax payments electronically, the Internal Revenue Service currently has a voluntary electronic payment system called the *Electronic Federal Tax Payment System* (EFTPS) that you may register for. If you would prefer to submit IRS payments electronically, please visit: <http://www.eftps.gov> and note that once your initial registration has been processed, it may take several weeks before you receive the enrollment confirmation through mail and are able to utilize the IRS payment system.

If you have any questions, please let us know.

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