

## If this total equals..

- \$50,000 or less follow the monthly deposit schedule. This means that for any given month, you have until the 15th day of the following month to make your deposit of accumulated payroll liabilities.
- \$50,001 or more follow the semi-weekly deposit schedule. The last date you can make a timely deposit is determined by the date you pay your employees.
  - if your pay date falls on a Wednesday, Thursday, and/or Friday, your deposit is due on or before the following Wednesday.
  - if your pay date falls on a Saturday, Sunday, Monday, and/or Tuesday, your deposit is due on or before the following Friday.

Regardless of whether you follow the monthly or semi-weekly deposit schedule, **at the time your accumulated payroll tax liability for the deposit period reaches \$100,000 or more**, you must make a deposit the next day. From that point forward you must follow the semi-weekly deposit schedule.

New employers generally follow the monthly deposit schedule their first year.

## How Can I Avoid Receiving FTD Penalties?

If you make a deposit:

- late (after the deposit due date), or
- of an incorrect amount (less than 100% or the applicable safe harbor amount), or
- in an incorrect manner (to an unauthorized financial institution, directly to the IRS, or not through an electronic funds transfer, if required),

you will be subject to a FTD penalty. The penalty rate increases according to the number of days the tax liability remains unpaid.

Taking a few extra minutes to make sure that the deposit matches the amount of the payroll liability, that it is made timely, and in the correct manner will save you the expense of FTD penalties.

If you receive an FTD penalty despite having used ordinary and necessary business practices, you may be eligible for penalty relief. Call the toll-free number listed on your notice or call your local IRS office to discuss why a penalty was assessed.

## Responsibility For The Correctness of the Deposit

The courts have held that the taxpayer is responsible for correctly depositing taxes and filing returns. Delegating the task of depositing or filing to an employee or a third party does not relieve you of this responsibility.

### For more information

**Publication 15, Circular E, The Employers Tax Guide**, is available free from the Internal Revenue Service. This publication explains in detail the reporting and deposit rules for most employers and also provides withholding charts.

For additional help, you may want to utilize the IRS Website address: [www.irs.gov](http://www.irs.gov)

### IRS Numbers

Forms 1-800-829-3676

Teletax (*recorded tax information*)  
1-800-829-4477

Business & Specialty Tax  
1-800-829-4933



Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

Publication 1932 (Rev. 1-2005)  
Catalog Number 22693P

# How To Make Correct Federal Tax Deposits

## How Do I Get Started?

When you figure your payroll each pay period, you are required to:

- withhold certain amounts from each employee's wages (federal income tax, social security tax, etc.)
- contribute certain amounts for each employee (a portion of the social security tax, etc.)

The total of the two amounts is your payroll liability or the amount of federal tax to be deposited for that payroll.

Use the tables in **Publication 15, Circular E, Employers Tax Guide**, to determine these amounts.

## How Do I Make My Deposits?

Deposits must be made by using:

- electronic funds transfer (EFT), or
- the Federal Tax Deposits (FTD) coupon, Form 8109.

### **No other payment method is considered a deposit.**

Transferring funds electronically is an easy and convenient alternative to using deposit coupons. By enrolling in EFTPS, taxpayers make their federal tax payments conveniently from the office or home using EFTPS-Online or EFTPS-Phone. EFTPS is a free service provided by the Department of Treasury.

Some taxpayers may be required to deposit electronically.

**Electronic deposit requirement:** You must make electronic deposits of all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) if:

- Your total "aggregate deposits" for the second preceding calendar year exceeds \$200,000. (For example, in year 2003 if your aggregate deposits were more than \$200,000, you are required to use EFTPS in 2005.)

- Aggregate deposits mean businesses must consider deposits of all types made during the year to determine if they exceeded the \$200,000 threshold.

Once required, all subsequent deposits for all tax returns must be made electronically. You may no longer use FTD coupons to make your business deposits.

If you are required to use EFTPS and fail to do so, you may be subject to a 10% penalty.

If you are not required to use EFTPS, you may participate voluntarily. To obtain more information or to enroll in EFTPS, call 1-800-555-4477. You can also visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov).

EFTPS continues to enhance their features:

- Payment history feature expanded from 160 days to 16 months with enhanced search capabilities.
- You can search by date, type, amount, tax form, and EFT acknowledgment number.
- Express enrollment feature allows editing of financial institution information.
- Select a pin on-line when changing bank account numbers and begin making payments immediately.

EFTPS offers tax practitioners, accountants, and payroll companies a great way to enroll clients and make federal tax deposits for them.

**Beginning January 2004**, new employers that have a Federal tax obligation will be pre-enrolled in EFTPS. You will receive only one FTD coupon (Form 8109) with the Employer Identification Number (EIN) package. To continue to make your FTD payments, you may either:

- Call the toll-free number located in your EIN Package to activate your enrollment in EFTPS, or
- If you would like to receive a Federal Tax Deposit (FTD) booklet, call 1-800-829-4933. Allow 5 to 6 weeks for delivery.

### **Most larger banks are authorized to accept FTD coupons.**

- Check with your bank, prior to the due date of your first deposit, to make sure it is authorized to accept FTD deposit coupons.
- Make sure you have clearly marked on your coupon the tax period and tax return for which you are making this deposit.

## When is my Deposit Due?

Deposit coupons or electric transmissions can be made as soon as you figure your payroll. Deposit due dates reflect the last possible date a deposit can be made and still be timely. A deposit can be made anytime between the pay date and the deposit due date.

You need to be aware of your bank's business day cutoff time. An FTD deposit must be received by the bank before the bank's business day cutoff or the receipt will (correctly) carry the next business day's calendar date.

For EFTPS deposits to be timely, you must initiate the transaction at least one business day before the date the deposit is due.

**Deposit period:** The term **deposit period** refers to the period during which tax liabilities are accumulated for each required deposit due date. **For monthly schedule depositors**, the deposit period is a **calendar month**. The deposit periods for **semiweekly schedule depositors** are **Wednesday through Friday** and **Saturday through Tuesday**.

**EXAMPLE:** To determine which deposit schedule you should follow during calendar year 2004, you would add the total employment taxes reported on your returns for the quarters ending September 2002, December 2002, March 2003, and June 2003.