

TAX PRACTICE & PROCEDURE

# IRS Expands Electronic Payment Options

**W**ith tax season about to start, practitioners should be aware of the various electronic payment options the IRS has introduced in recent years.

## EFTPS

The IRS' free Electronic Federal Tax Payment System (EFTPS) allows businesses and individuals to pay federal taxes via the Internet or over the phone. Tax payments can be made securely from home or office, 24 hours a day, seven days a week, and can be scheduled up to 120 days in advance for businesses and 365 days in advance for individuals, including estimated tax payments. The standard service requires enrollment, and the funds are withdrawn from an enrolled bank account. Another payment option, available only to business taxpayers, requires an arrangement with a financial institution to initiate the tax payments to the system.

The EFTPS is available for the payment of tax due on individual and business returns and can also be used to pay estate or gift taxes and to make installment payments (for taxpayers who have an IRS-approved installment agreement).

Taxpayers can enroll in the EFTPS online at [eftps.gov/eftps](http://eftps.gov/eftps). New businesses applying for employer identification numbers and indicating that they will have federal deposit obligations are automatically enrolled in EFTPS, but they must activate their enrollment.

## ELECTRONIC FUNDS WITHDRAWAL

Even if clients do not register for EFTPS, they can still make electronic withdrawals from their accounts for tax balances due with their e-filed business or individual tax returns, including estimated tax payments and extensions. This payment option is available through most tax preparation software. By providing the financial institution's routing number and the account number for a checking or savings account, the taxpayer can have the withdrawal made on a scheduled date. If the scheduled payment date is a weekend or a bank holiday, the payment will be withdrawn on the next business day.

The IRS does not charge a fee for payments by electronic funds

withdrawal, but clients should check with their financial institution to see if it charges for electronic withdrawal or if such withdrawals are permitted.

## CREDIT OR DEBIT CARD PAYMENTS

Taxpayers can make tax payments by debit or credit card with or without e-filing the tax return. The payment can be made at the time of e-filing over the telephone or online. Paying by credit card allows the taxpayer to pay the taxes now while paying the credit card company later. Link2Gov Corp. and Official Payments Corp. are the two service providers the IRS uses to process credit card payments.

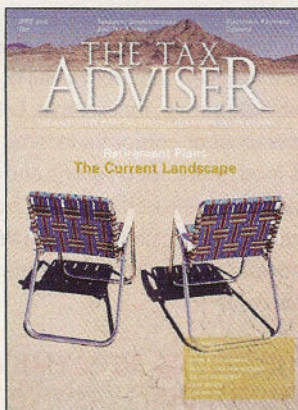
**Caution:** The service providers charge a convenience fee of 2.49% of the tax payment for credit card payments. For debit card payments, they charge a flat fee of \$3.95. While the Taxpayer Relief Act of 1997, PL 105-34, prohibits the IRS from paying fees to the service providers for processing these transactions, the Service has authorized the third-party processing companies, through a nonmonetary agreement, to

charge the fees.

More and more taxpayers are paying their taxes electronically due to the number of available payment options. While each option has its pros and cons, depending upon the taxpayer's or the practitioner's needs, the options are safe and secure and give the taxpayer a streamlined way to pay taxes.

For a detailed discussion of the issues in this area, see "An Overview of IRS Electronic Payment Options," by Kristy Hurr, CPA, in the December 2009 issue of *The Tax Adviser*.

—Alistair M. Nevius, editor-in-chief  
The Tax Adviser



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