

Good-bye, FEDTAX II;

Hello,

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)



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Overview

- **FEDTAX II**
 - History
 - Existing System Functionality
 - Reasons for Transition
- **Electronic Federal Tax Payment System (EFTPS)**
 - History
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- **The Transition Process**
 - How EFTPS Works for Federal Agencies
 - Making the Transition

About the Financial Management Service

- Bureau of the United States Department of the Treasury
- U.S. government's money manager, providing centralized payment, collection, and reporting services for the government
- FMS is staffed by approximately 2,100 career civil servants and oversees the daily cash flow of nearly \$60 billion into and out of federal accounts

FEDTAX II: History

- In 1993, FMS and the Internal Revenue Service (IRS) implemented FEDTAX to manage the electronic payment of payroll and withholding taxes by Federal agencies. This system automated agencies' tax payments and filing of Form 941 (Employer's Quarterly Federal Tax Return).
- In July 1998, FEDTAX was succeeded by FEDTAX II, the world's first Web-native application to automate the payment of payroll tax payments and reports.

FEDTAX II: Existing Functionality

- Agencies access FEDTAX II via the Internet (<https://www.fedtaxii.com/ft2>) or a Virtual Private Network (VPN) using a local dial-up telephone number.
- Funds settlement occurs between the account of the paying agency and the IRS at 8:00 p.m. ET every business day. FEDTAX II creates a debit voucher for each Agency Location Code/Employer Identification Number reporting Federal tax payments. A debit voucher and deposit ticket information are reported to Treasury through CA\$HLINK II.
- FEDTAX II produces an electronic Form 941 filing based on payments made throughout the quarter for the agency's review and approval. Agencies use Personal Identification Numbers (PINs) to "sign" the return and transmit the form to the IRS via FEDTAX II. The IRS is then verifies the PIN and accepts or declines the return.

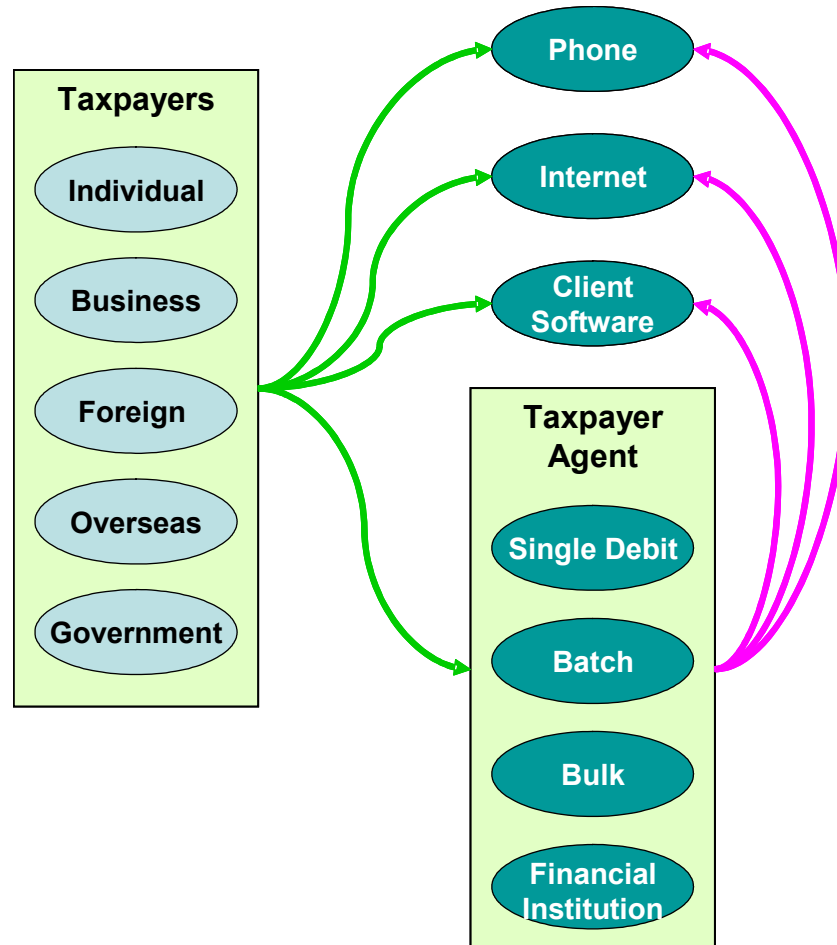
FEDTAX II: Reasons for Transition

- Maintenance of seldom-used applications and interfaces into EFTPS increases the cost of tax code compliance and results in significant overhead expenses.
- The Collections and Cash Management Modernization (CCMM) enterprise architecture initiative affects most FMS programs that involve agency collections.
 - CCMM eliminates duplication of data, applications, products, interfaces, and technologies.
 - End state will be achieved by the end of 2010.
 - As part of CCMM, redundant tax collection systems are being transitioned to EFTPS:
 - RRBLINK (2008)
 - PATAX (2009)
 - FEDTAX II (2009)

EFTPS: History

- EFTPS is a joint initiative of FMS and IRS. It was developed in response to a Congressional mandate to establish an electronic funds transfer system for the collection of 94 percent of all depository taxes.
- EFTPS launched in 1996 with a telephone payment channel; EFTPS.gov was added in 2001. Other channels include:
 - Desktop software for tax professionals
 - Payroll provider
 - Financial institution-initiated ACH Credit or wire
- The service's objectives are to reduce costs and improve efficiency by:
 - Maximizing the percentage of tax collections received electronically by the Federal government
 - Reducing the cost to the government of processing Federal tax payments
 - Providing a 24 x 7 x 365 mechanism to collect Federal tax revenue

Major EFTPS User Interfaces



EFTPS: A Track Record of Success

- Since 1996, EFTPS has processed more than 780 million payments totaling more than \$18 trillion.
- FY2007 Statistics:
 - 90 million payments were processed through EFTPS, an 8.3 percent increase over FY2006.
 - More than \$2.1 trillion was collected, a 8.3 percent increase over FY2006.
- December 17, 2007, represented the service's peak collection day: more than \$94 billion.

How EFTPS Works for Federal Agencies

- Many Federal agencies already use EFTPS.
- Agencies can make payments to settle the same day by meeting the 8:00 PM ET deadline or by scheduling payments up to 120 days in advance.
- Federal agency tax payments are processed through CA\$HLINK II only and are driven by ALC.
- Once agencies begin using EFTPS.gov, up to sixteen months of filing and payment history can be viewed.
- Agencies can use EFTPS.gov to check the status of 941 tax forms.

Making the Transition

- Enrollment is a prerequisite to payment via EFTPS.
- Any arm of the Federal government that makes payments for 941, 945, CT-1, 720, or 1042 tax forms or that electronically files 941 forms should enroll in EFTPS.
 - 945 and CT-1 tax forms may be completed and printed at EFTPS.gov, then mailed to the IRS.
- To enroll in EFTPS as a Federal Agency, users will need their Employer Identification Number (EIN), Business Name(i.e., Internal Revenue Service, Bureau of Public Debt), Agency Location Code (ALC), and Agency's contact information:
 - Taxpayer Phone Number, Primary Contact Name, Primary Contact Address, Primary Contact Phone Number, and Primary Contact E-mail (optional)
- Enrollment takes ten to fifteen days to complete, including delivery via US Postal Service of enrollment confirmation information. All enrollment information will be mailed to the contact address provided.

Making the Transition

- Existing FEDTAX II information will not be available after the system is decommissioned. Agencies will need to save this data on another medium (paper, disk, etc.). The historical information may include:
 - Enrollment information
 - Payment activity
 - Filing activity
 - Wage data

Making the Transition

- In early 2009, when the date for transition is established, agencies that use FEDTAX II will receive information about how to enroll in EFTPS via mail and at the FEDTAX II Web site.
 - Agencies also will be able to download a document explaining how to use EFTPS.
- EFTPS customer service is available 24 x 7. Customer service provides status on EFTPS payments, supports enrollment problems, and provides general Web site assistance.

Questions?

For more information as it becomes available, please visit:

www.EFTPS.gov or www.fedtaxii.com.

Or, contact:

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