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2011 ANNOUNCEMENT



Bring in the New Year – Mandatory Electronic Payment of Retirement Plan Federal Tax Withholding

For the year of 2010 and in prior years, the IRS accepted the Form 8109/8109-B payment coupon for payments made to the Federal Tax Depository on federal tax withholding as reflected on the Form 945 (Annual Return of Withheld Federal Income Tax). Beginning 1 January 2011, payment using the 8109/8109-B coupon is no longer an acceptable option.

The IRS has issued proposed regulations under section 6302 which state that all payments made to the Federal Tax Depository for federal tax withholding as filed on the Form 945 must be sent electronically to the Federal Tax Depository via the Electronic Federal Tax Payment System (EFTPS) effective 1 January 2011. Use of the Form 8109/8109-B payment coupon is prohibited after 31 December 2010. **Any payments made to the Federal Tax Depository in a manner other than electronically via the EFTPS may incur a 10% penalty.**

There is an exception to the above requirement, for those taxpayers with a federal tax withholding deposit of less than \$2,500.00 for the return period. The return period for the Form 945 (Annual Return of Withheld Federal Income Tax) is an annual return. As such, plans with income tax withholding of less than \$2,500.00 on an annual basis may continue to pay the taxes by check when filing Form 945.

This rule should be used with caution. Failure to make tax deposits when required may result in IRS penalties. If the plan sponsor assumes federal tax withheld for the return period won't meet the \$2,500.00 threshold and doesn't remit withholding deposits on an ongoing basis, then prior amounts withheld will become due before the due date for the annual return if that threshold is exceeded.

Do not confuse the 945 deposits with the taxes paid by the company reported on Form 941. The Form 941 reports taxes paid using your company's employer identification number (EIN). The 945 deposits should be made using your qualified plan's trust EIN. If you have not received an IRS pre-enrollment notice, you may not have made tax withholding deposits for the plan in the last few years, or your financial institution makes your 945 deposits and thus it is not necessary for you to be set up to make electronic deposits for the plan. If you make tax withholding deposits and do not know your trust EIN, please contact LDSCO before attempting to register to make electronic deposits in the name of your plan.

For additional information regarding the EFTPS or how to enroll in the EFTPS, please visit the EFTPS website at www.eftps.gov or call 1-800-555-4477. You may also request the publication 966, "The Secure Way to Pay Your Federal Taxes."