

Volume No. 1—Policies & Procedures	TOPIC NO.	20319
Function No. 20000—General Accounting	TOPIC	ELECTRONIC FEDERAL TAX PAYMENTS PROCESSING
Section No. 20300—Cash Disbursements Accounting		November 2015

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Overview

Introduction to EFTPS This topic provides compliance information for remitting certain types of Federal tax payments such as payroll, backup withholding, Federal excise, interest payments, and tax penalties to the Internal Revenue Service (IRS) through the Electronic Federal Tax Payments System (EFTPS). EFTPS is an electronic tax payment system through which tax payment remittance information and the related tax payment are transferred electronically to the IRS.

The Department of Accounts' (DOA) EFTPS process combines features in the Commonwealth's Accounting and Reporting System (CARS) and the Electronic Data Interchange System (EDI) to electronically transmit tax payments and the corresponding remittance information to the IRS's EFTPS system.

Tax Reporting Entity An agency or group of agencies within a single federal tax identification number (TIN) is defined as a tax reporting entity. For purposes of IRS tax reporting, agencies must report tax payments and file tax returns using the appropriate TIN for their Tax Reporting Entity.

Policy *Effective January 1, 2011*, tax-reporting entities must make electronic deposits of all depository taxes using the Electronic Federal Tax Payment System (EFTPS) or by wire transfer.

Failure to do so may result in a 10% penalty *or more*. See **IRS Publication 15**, *(Circular E), Employer's Tax Guide* for additional information.

Agencies are required to follow the procedures and special transaction coding to process the tax payment types specified in this section through EFTPS. These payments must be processed and deposited within the guidelines specified by the IRS for each tax type.

To Enroll in EFTPS To enroll, tax reporting entities can go to www.eftps.gov or call 1-800-555-4477. See also **IRS Publication 966**, *Electronic Choices to Pay All Your Federal Taxes*.

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Overview, Continued

Tax Payment Frequency

The following tax types are identified as payment types, which must be processed through EFTPS. The tax payment frequencies for these tax types are a follows:

TAX FORM	TAX FORM DESCRIPTION	FOR TAX PAYMENT SCHEDULES, SEE:
Form 941	Employer's Quarterly Tax Return OASDI, HI, federal income taxes	Form 941 Instructions and IRS Publication 15
Form 945	Annual Return of Withheld Federal Income Tax Backup withholding taxes	Form 945 Instructions and IRS Publication 15
Form 1042	Annual Withholding Tax for Income of Foreign Persons	Form 1042 Instructions and IRS Publication 515
Form 720	Federal Excise Tax	Form 720 Instructions
Form 990	Organization Exempt Tax	See Form 990 Instructions
Form 990PF	Return of Private Foundation Tax	See Form 990PF Instructions
Form 990T	Exempt Organization Income Tax	See Form 990T instructions
Form 2290	Heavy Vehicle Use Tax	See Form 2290 Instructions
IRS Interest	IRS Interest	Daily/Monthly
IRS Penalties	IRS Penalties	Daily/Monthly

IRS Penalty

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

NOTE: Under certain circumstances, agencies can use the Commonwealth's Integrated Payroll/Personnel System (CIPPS) to process payroll tax adjustments. (Refer to the sub-topic titled "Payment Processing Procedures-Form 941, Employer's Quarterly Federal Tax Return' - Acceptable Uses of CIPPS for further information.)

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return

Introduction

All agencies must use this procedure to process payroll tax payments, which cannot be processed through CIPPS. Tax payments processed through CARS and EDI will be deposited with the IRS through EFTPS on the required due date.

Note: DOA's EFTPS procedure for processing payroll tax deposits includes payments for OASDI, HI, and federal income tax withholding. These payments are processed using CARS and EDI. CARS and EDI cannot be used to process IRS payments for the following:

- Notices of judgment
- IRS levies

Acceptable Uses of CARS and EDI

Under the following circumstances, agencies should use CARS / EDI for payroll tax processing.

- All prior calendar year payroll tax adjustments, and
- Tax-sensitive pre-tax deduction refunds for employees who have terminated from the state payroll.

Acceptable Uses of CIPPS

Under the following circumstances, agencies should use CIPPS for processing current year payroll tax adjustments.

- Adjustments to an employee's masterfile for payments processed outside of CIPPS that are included in the amounts reported on the employee's W-2,
- Adjustments for employees who have terminated from the state payroll; where a non-paid update transaction is required to adjust the employee's taxable fields in CIPPS, and
- Tax-sensitive refunds for active employees, where a paid update transaction is required.

(Refer to CAPP Topic No. 50605, *Tax and Deductions Overrides* and No. 50705, *Employee and Tax Masterfile Updates*, for further information).

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

Form 941 CARS Transaction Codes

The following table summarizes CARS transaction coding for processing Form 941 electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Amt Due Employee	330	901	101	XXXX	1121-1129
Employer P/R Tax Share	330	901	101	YYYY	1112-1113
Total ER/EE Tax Liability	141	101	558	ZZZZ*	Not Allowed

*Enter the same Fund Detail for TC 141, GLA 558 and TC 362, GLA 558 (Refer to Stage 4—Payment to IRS.)

EFTPS Process for Form 941

EFTPS requires agencies to process certain payroll tax transactions in CARS. Five steps are required to create the (a) payment transactions, (b) payment to the IRS for payroll tax withholdings, and (c) the Form 941 reconciliation. For premium conversion refunds, a sixth step is required to adjust the Health Insurance Fund (HIF).

Step	Description
1	Payment to employee
2	Payment for the employer share of payroll taxes
3	Credit for employer/employee taxes withheld
4	Payment to IRS for the employer/employee payroll tax withholding
5	Form 941 reconciliation
6	HIF adjustment

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

Example: Form 941 Employee Joe Smith was terminated on June 15, 2013. His employee record on the HOBES screen (CIPPS) shows the employee in a Status 3 (Inactive) with a termination date of 6/15/2013. However, due to an administrative error made prior to Joe's termination, Joe is due a premium conversion refund. The Department of Human Resource Management (DHRM) has approved Joe's request and authorized a \$300.00 premium conversion refund. For this example, the proper transaction coding will result in Joe Smith receiving a net payment for \$275.15. The net effect on expenditures is \$324.85.

Step 1: Processing CARS Payment to Employee

- Select CARS Screen Option 40, from the CARS Main Menu.
- Enter the batch header information (see CAPP Topic No. 70235, *Input Batching*).
- Select Detail Input Screen 2 and enter the following required fields to create the transaction for "Payment to Employee."
- Steps 1 through 3 must be processed together as a Batch Type 3.
- Press the Enter key.

CARS Data Element	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter Alpha "O" vendor indicator
VENDOR ID	Enter Employee's SSN
SFX	Suffix (Usually "00")
NAME	Employee name
ADDR-1	Employee address
ADDR-2	Employee address (if needed)
City	City
STATE	State
ZIP	Zip
CERTIFIED AMOUNT	Enter calculated net voucher amount
AGY VOUCHER	Uniquely assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	330
AGY	Agency code
FUND	Appropriate Fund detail
FFY	Current fiscal year
PGM	Appropriate program code
OBJ	Object code (1121-1129)
AMT	Amount due employee
INV-DATE	Invoice date
INV-NO	Invoice number

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

**Step 2:
Processing
CARS
Employer
Share of Taxes**

- If Function 'N' is used, most of the required fields are carried forward from the previous CARS screen.
- Enter the following required fields to create the transaction for "Employer Share of Payroll Taxes." You must enter the Transaction Code and Amount.

CARS Data Element	Acceptable CARS Coding for EFTPS
FUNCTION	N
Vendor Ind.	Alpha "O" vendor indicator
Vendor ID	Employee SSN
SFX	Suffix "00"
NAME	Employee name
ADDR-1	Employee address
ADDR-2	Employee address
CITY	City
STATE	State
ZIP	Zip
CERTIFIED AMOUNT	Net voucher amount
AGY VOUCHER	Voucher number
AGY VOUCHER DATE	Voucher date
TC	330
AGY	Agency code
FUND	Appropriate fund
FDET	Appropriate fund detail
FFY	Current fiscal year
PGM	Appropriate program code
OBJ	Object code (1112-1113)
AMT	Employer's share of the taxes
INV-DATE	Invoice date
INV-NO	Invoice number

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

**Step 3:
Processing
CARS
Employee Tax
Withholding
(Credit Trans.)**

- If Function 'N' is used, most of the required fields are carried forward from the previous CARS screen.
- Enter the following required fields to create the transaction for "Employee Tax Withholding (Credit Transaction)." You must enter the Transaction Code and Amount.

CARS Data Element	Acceptable CARS Coding for EFTPS
FUNCTION	N
Vendor Ind.	Alpha "O" vendor indicator
Vendor ID	Employee SSN
SFX	Suffix "00"
NAME	Employee name
ADDR-1	Employee address
ADDR-2	Employee address
CITY	City
STATE	State
ZIP	Zip
CERTIFIED AMOUNT	Net voucher amount
AGY VOUCHER	Voucher number
AGY VOUCHER DATE	Voucher date
TC	141 (new transaction code)
AGY	Agency code
FUND	Appropriate fund
FDET	Appropriate fund detail
FFY	Current fiscal year
PGM	Leave blank
OBJ	Leave blank
AMT	Total payroll taxes withheld (OASDI, HI, & FIT)
INV-DATE	Leave Blank
INV-NO	Leave Blank

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

IRS Payment

The following table summarizes the CARS transaction coding for processing the payment to the IRS.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
EE/ER Taxes paid to IRS	362	558	101	ZZZZ*	Not Allowed

*Enter the same Fund Detail for TC 141, GLA 558 and TC 362, GLA 558.

Step 4: Processing CARS Payment to IRS

- Select CARS Screen Option 40, Batch Header
- Enter the batch header information (see CAPP Topic No. 70235, *Input Batching*)
- Select the Detail Input Screen 2.
- Enter the following required fields to create the transaction for "IRS Payment."
- Press the 'Enter' key.
- Step 4 must be processed as a Batch Type 3.

CARS Data Element	Acceptable CARS Coding for EFTPS
FUNCTION	N
Vendor Ind.	Enter "T" or "G"
Vendor ID	Enter IRS
SFX	Enter suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P O BOX 173788
ADDR-2	
CITY	DENVER
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Calculated voucher amount
AGY VOUCHER	Voucher number
AGY VOUCHER DATE	Voucher date
CUSTOMER ACCOUNT	Enter 9 digit employee SSN
TC	362
AGY	Agency code

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

Step 4:
Processing
CARS Payment
to IRS,
 continued

CARS Data Element	Acceptable CARS Coding for EFTPS
FUND	Enter same fund used for TC 141
FDET	Enter same fund detail used for TC 141
FFY	Current fiscal year
AMT	Enter separate dollar amt for each tax type withheld
INV-DATE	0301YYYY* Enter the appropriate tax period end date.
	0601YYYY
	0901YYYY
	1201YYYY
INV-NO	Enter the appropriate tax type.
	1=OASDI
	2 = HI
	3 = FIT
DES	Enter 94105 for invoice description

*YYYY = Four-digit tax reporting year

Agencies must send DOA's Payroll Tax Coordinator in Payroll Operations the following information to adjust the employee's masterfile record for W-2 reporting purposes:

1. Screen prints of the CARS ACTL0402, *Expenditure Accounting Transaction Input*, for the IRS payment (transaction code 362).
2. Screen print of CIPPS H0ATB, *Employee Tax File Accumulations*.
3. Screen print of CIPPS H0ATC, *Employee and Company Paid Tax Accumulations*.

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

Step 5: Form 941 Reconciliation

A report entitled ACTB 1360, *Report of Federal Tax Payments Made Through EFTPS*, lists all payroll tax deposits made during the calendar quarter. This report includes basic information about the tax payments sent to the IRS, such as:

- Agency code from the transaction,
- Agency TIN,
- Employee SSN,
- Applicable tax period,
- Tax type,
- Amount of tax,
- EDI trace number, and
- Payment date.

This report is used by DOA only to reconcile the quarterly tax deposit information on Form 941.

Step 6: HIF Adjustment

Required only for premium conversion refunds.

- Submit an Inter-Agency Transaction Voucher (IAT) to DOA to recover the agency's healthcare expenses from the HIF. Such adjustments may be prompted when the Department Human Resource Management approves a premium conversion refund for an employee based on an agency's administrative error.
- When requesting an adjustment to the HIF, ensure that a copy of DHRM's approval letter authorizing the premium conversion refund is attached to the monthly healthcare IAT and healthcare reconciliation worksheet submitted to DOA.

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Payment Processing Procedures--Form 941, Employer's Quarterly Federal Tax Return, Continued

Alternative Processing Issues - ATV

If the agency uses an alternative payment method, such as petty cash funds, to process the payment to the employee (Steps 1-3), then only Step 4, payment to the IRS, is required. However, when using **Step 4 only**, the following questions should be considered:

- How is the employee's portion of the OASDI, HI, and Federal income tax withholding taxes going to be recovered from the employee (inactive or active status)?
- If the employee's portion of the taxes have been recovered, has a Deposit Certificate (DC) with the appropriate CARS transaction coding been prepared? The DC should be coded as follows:

Credit Transaction Code 002 and enter GLA 558

- Has an ATV been prepared to properly classify the employer's portion of the taxes as an expenditure? The ATV should be coded as follows:

Credit - Transaction Code 135 System will debit GLA 101 and credit 558

Debit - Transaction Code 380 System will debit GLA 901 and credit 101

- Has the agency made an error in keying the IRS payment which requires correction? If so, the ATV should be coded as follows:

Credit - Transaction Code 135 System will debit GLA 101 and Credit 558

Debit - Transaction Code 386 System will debit 558 and credit 101

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax

Introduction All agencies must use this procedure for backup withholding tax payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS).

Acceptable Uses of CARS/EDI

The following are acceptable uses of CARS/EDI.

- Vendor fails to certify on a Form W-9, *Request for Taxpayer Identification Number and Certification*, that he/she is not subject to backup withholding taxes.
- Vendor fails to complete and return a Form W-9 to the agency within 31 days following the date the form was mailed to the taxpayer.
- Agency received a "B Notice" from the IRS instructing the agency to begin backup withholding for a specific taxpayer.

Form 945 CARS Transaction Codes

The following table summarizes the CARS transactions for processing Form 945 electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Amt Due Vendor	348	901	101	XXXX	1099 Reportable Object Code
Backup Withholding Taxes	148	101	552	YYYY*	Not Allowed
Amt Due IRS	359	552	101	YYYY*	Not Allowed

*Enter the same Fund Detail for TC 148, GLA 552 and TC 359, GLA 552 (Step 3 - Payment to IRS).

EFTPS Process for Form 945

EFTPS processing requires agencies to process Form 945 transactions in CARS. Five steps are required to create the (a) Form 945 transaction records, (b) payment to the IRS for backup withholding taxes, (c) Form 1099 reporting, and (d) Form 945 reporting.

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax, Continued

Step	Description
1	Vendor payment
2	Backup withholding (Credit transaction)
3	IRS payment
4	Form 1099 reporting
5	Form 945 reporting

**Example:
Form 945**

Vendor XYZ was mailed a Form W-9 on June 15, 2013. As of July 16, 2013, the agency has not received a completed Form W-9 from the vendor. On the 31st day, the agency must begin backup withholding at the rate of 28% (effective for 2013 calendar year) of the vendor's total payment. The vendor has just invoiced the agency for \$300.00 for consulting services. For this example, the proper transaction coding will result in Vendor XYZ receiving a payment for \$216.00. The net effect on expenditures is \$300.00.

**Step 1:
Processing
CARS Vendor
Payment (Line
1)**

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (see CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 and enter the following required fields to create the transaction for "Payment to Vendor."
- Process Steps 1 and 2 using a Batch Type 3.
- Press the 'Enter' key.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Alpha indicator "O"
VENDOR ID	Vendor's EIN/SSN
SFX	Vendor suffix (Usually "00")
NAME	Vendor name
ADDR-1	Vendor address
ADDR-2	Vendor address (if needed)
CITY	City
STATE	State
ZIP	Zip
CERTIFIED AMOUNT	Enter calculated net voucher amount

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax, Continued

Step 1:
Processing
CARS Vendor
Payment (Line
1), continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
AGY VOUCHER	Enter a uniquely assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	348
AGY	Agency code
FUND	Appropriate Fund
FDET	Appropriate Fund detail
FFY	Fiscal year
PGM	Program
OBJ	Object code (Must be defined as 1099 reportable)
AMT	Invoice amount (@ 100%)
INV-DATE	Invoice date
INV-NO	Enter Invoice Number
1099-IND*	Enter a Y in the 1099 Indicator if applicable

* Required for agencies participating in DOA's 1099 Adjustment and Reporting System (ARS).

Step 2:
Processing
CARS Backup
Withholding
Payment
(Credit
Transaction)

- If Function 'N' is used, most of the required fields are carried forward from the previous CARS screen.
- You must enter the transaction code and amount to create the transaction for "Backup Withholding Taxes."

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Alpha "O" Vendor Indicator
VENDOR ID	Vendor EIN/SSN
SFX	Appropriate vendor suffix
NAME	Vendor name
ADDR-1	Vendor address
ADDR-2	Vendor address
City	City

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax, Continued

Step 2:
Processing CARS Backup Withholding Payment (Credit Transaction),
 continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
State	State
ZIP	Zip
CERTIFIED AMOUNT	Calculated net voucher amt.
AGY VOUCHER	Voucher number
AGY VOUCHER DATE	Voucher date
* TC	148
Agency Code	Appropriate Code
FUND	Appropriate Fund
FDET	Appropriate Fund Detail
FFY	Current fiscal year
PGM	Leave Blank
OBJ	Leave Blank
* AMT	28 percent of invoice amount is the "Credit" amount
DES	"IRS backup withholding tax"
INV-DATE	Leave Blank
INV-NO	Leave Blank

* Agencies will need to enter data for only these fields.

Step 3:
Processing CARS IRS Payment

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 to create the transaction for "Payment to IRS."
- Process Step 3 using a Batch Type 3.
- Press the Enter key.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter "T" or "G"
VENDOR ID	IRS

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax, Continued

Step 3:
Processing
CARS IRS
Payment,
continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
ADDR-2	
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
CUSTOMER NUMBER	9-digit TIN for the BW vendor
TC	359 (new transaction code)
AGY	Agency code
FUND	Enter same fund used for TC 148
FDET	Enter same fund detail used for TC 148
FFY	Current fiscal year
AMT	Amount for backup withholding taxes (Same as Voucher 1, Line 2-BW payment)
INV-DATE	1201YYYY (where YYYY is tax reporting year)
INV- NO	09455 as invoice number
DES	09455 as the invoice description
1099-IND	1099-IND = Y

**Step 4: Form
1099 Reporting**

All AGENCIES

All agencies must include payments made to the IRS on behalf of the reportable vendor on the appropriate Form 1099 at calendar year-end. Such payments should be reported on Form 1099 in the box specified for backup withholding taxes along with the "gross" amount paid to the vendor for the calendar year.

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Payment Processing Procedures--Form 945, Annual Return of Withheld Federal Income Tax, Continued

DOA's 1099 PARTICIPATING AGENCIES

Agencies participating in DOA's 1099 Adjustment and Reporting System will receive the following calendar year-end files and reports containing payment and backup withholding information:

- Calendar year-end FINDS download file formats
- ACTB3035--*Vendor Payments Subject to Information Returns Reporting*
- ACTB3040--*Vendor Payments Subject to Information Returns by State*
- ACTB3045--*Annual Report of Vendor Backup Withholdings by Agency*

Step 5: Form 945 Reporting

ALL AGENCIES

The IRS requires those taxpayers that process backup withholding taxes report such taxes annually to the IRS on a Form 945. The IRS filing date is on or about January 31 each year for backup withholding tax deposits made during the calendar year.

Agencies can view their backup withholding payments made to Vendor ID "IRS" by selecting CARS Options 65, Vendor Payment Display. Agencies that do not participate in DOA's 1099 Adjustment and Reporting System can screen print their information to document their Form 945 filing. This information must be screen printed as processed. The payment information will be purged from on-line CARS periodically.

DOA's 1099 PARTICIPATING AGENCIES

The ACTB3045, Annual Report of Vendor Backup Withholdings, is available to all agencies participating in DOA's 1099 Adjustment and Reporting Program. This calendar year-end report provides agencies with the necessary information to file Form 945, *Annual Return of Withheld Federal Income Tax*. This report is distributed at calendar year-end to participating agencies with backup withholding.

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Payment Processing Procedures-Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons

Introduction Form 1042 CARS Transaction Codes

All agencies must use this procedure for foreign person withholding tax payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS). The following table summarizes the CARS transactions for processing Form 1042 electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Disb-Foreign Persons Subj WH	337	901	101	XXXX	1121-1129
Disb-Foreign Withholding	171	101	553	YYYY*	Not Allowed
Disb to IRS-Foreign Withholding	363	553	101	YYYY	Not Allowed

*Enter the same Fund Detail for TC 171, GLA 553 and TC 363, GLA 553.

EFTPS Process for Form 1042

EFTPS processing requires agencies to process Form 1042 transactions in CARS. Four steps are required to create the (a) Form 1042 transaction records, (b) IRS payment, and (c) Form 1042 reporting.

Step	Description
1	Vendor payment
2	Backup withholding
3	IRS payment
4	Form 1042 reporting

Example: Form 1042

Foreign Person XYZ is due \$500 for services rendered. Based on the services rendered and the country of residency, a 14% withholding tax is required. For this example, the proper transaction coding will result in the Foreign Person XYZ receiving a payment for \$430.

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Payment Processing Procedures-Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, Continued

**Step 1:
Processing
CARS Payment
to Foreign
Persons**

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (see CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 and enter the following required fields to create the transaction for "Payment to Vendor."
- Process Steps 1 and 2 using a Batch Type 3.
- Press the Enter key.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Alpha indicator "O"
VENDOR ID	Foreign Person's SSN if available
SFX	Suffix (Usually "00")
NAME	Foreign Person's name
ADDR-1	Foreign Person's address
ADDR-2	Foreign Person's address (if needed)
CITY	City
STATE	State or '**' for Foreign Country
ZIP	Zip
CERTIFIED AMOUNT	Enter calculated net voucher amount
AGY VOUCHER	Enter a uniquely assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	337
AGY	Agency code
FUND	Appropriate Fund
FDET	Appropriate Fund detail
FFY	Fiscal year
PGM	Program
OBJ	Object code (1121-1129)
AMT	Invoice amount (@ 100%)
INV-DATE	Invoice date
INV-NO	Enter Invoice Number

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Payment Processing Procedures-Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, Continued

**Step 2:
Processing
CARS Foreign
Person's
Withholding
Payment
(Credit
Transaction)**

- If Function "N" is used most of the required fields are carried forward from the previous CARS screen.
- You must enter the transaction code and amount to create the transaction for withholding taxes (Credit Transaction).

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Alpha "O" Vendor Indicator
VENDOR ID	Foreign Person's SSN if available
SFX	Suffix (Usually "00")
NAME	Foreign Person's name
ADDR-1	Foreign Person's address
ADDR-2	Foreign Person's address (if needed)
CITY	City
STATE	State or "***" for Foreign Country
ZIP	Zip
CERTIFIED AMOUNT	Net calculated Voucher
AGY VOUCHER	Voucher number
AGY VOUCHER DATE	Voucher date
* TC	171
AGY	Agency code
FUND	Appropriate Fund
FDET	Appropriate Fund Detail
FFY	Current fiscal year
PGM	Leave Blank
OBJ	Leave Blank
* AMT	Withholding tax amount **
DES	"Withholding tax"
INV-DATE	Leave Blank
INV-NO	Leave Blank

* Agencies will need to enter data for only these fields.

** Withholding tax varies based on type of services performed and country of origin.

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Payment Processing Procedures-Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, Continued

Step 3: Processing CARS IRS Payment

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*), select Detail Input Screen 2 to create the transaction for "Payment to IRS."
- Press the 'Enter' key. Process Step 3 using a Batch Type 3.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter "T" or "G"
VENDOR ID	IRS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
ADDR-2	
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
CUSTOMER NUMBER	If available, enter the 9-digit SSN for the Foreign Person
TC	363 (new transaction code)
AGY	Agency code
FUND	Enter same fund used for TC 171
FDET	Enter same fund detail used for TC 171
FFY	Current fiscal year
AMT	Amount for withholding taxes
INV-DATE	1201YYYY (where YYYY is tax reporting year)
INV-NO	10425 as invoice number
DES	10425 as the invoice description

Step 4: Form 1042 Reporting

Agencies must report annually all foreign person withholding tax payments to the IRS on Form 1042.

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Payment Processing Procedures--Form 720, Quarterly Federal Excise Tax

Introduction All agencies must use this procedure for Federal Excise tax payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS).

Form 720 CARS Transaction Coding The following table summarizes the CARS transaction coding for processing Form 720 electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Disb-Excise Tax to IRS	470	901	101	XXXX	Varies due to type of excise tax paid

EFTPS Process for Form 720 EFTPS processing requires agencies to process Form 720 transactions in CARS. Two steps are required to create the (a) Payment to the IRS for Federal Excise taxes, and (b) Form 720 reporting.

Step	Description
1	IRS payment
2	Form 720 reporting

Example: Form 720 Based on your agency's quarterly air transportation expenditures, federal excise taxes are due to the IRS in the amount of \$5.00.

Step 1: Processing CARS IRS Payment

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 to create the transaction for "Payment to IRS."
- Press the Enter key. Process Step 1 using a Batch Type 3.

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Payment Processing Procedures--Form 720, Quarterly Federal Excise Tax, Continued

Step 1:
Processing
CARS IRS
Payment,
continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	"T" or "G"
VENDOR ID	IRS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
*ADDR-2	
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	470 (new transaction code)
AGY	Agency code
FUND	Fund
FDET	Fund Detail
FFY	Current fiscal year
PRG	Enter appropriate program
OBJ	Enter appropriate object code
AMT	Enter amount of Federal Excise tax
INV-DATE	0301YYYY*(Enter quarterly tax period end date)
	0601YYYY
	0901YYYY
	1201YYYY
INV-NO	Enter 2 or 3 digit IRS tax type from Form 720
DES	Enter 72005 as the invoice description

*YYYY = tax reporting year

Step 2: Form 720 Reporting

Agencies must report quarterly, all Federal Excise tax payments to the IRS on Form 720.

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Payment Processing Procedures--Forms 990, Exempt Organization Tax, 990PF, Return of Private Foundation Tax, and 990T, Exempt Organization Income Tax

Introduction All agencies and institutions must use this procedure for Forms 990, 990PF, and/or 990T tax payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS).

Forms 990, 990PF, and/or 990T CARS Transaction Coding The following table summarizes the CARS transaction coding for processing Forms 990, 990PF, and/or 990T electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Disb-Other Misc Fed Tax to IRS	489	901	101	XXXX	Varies due to type of tax paid

EFTPS Process for Form 990, 990PF, and/or 990T EFTPS processing requires agencies to process Forms 990, 990PF, and/or 990T transactions in CARS. Two steps are required to create the (a) Payment to the IRS, and (b) Forms 990, 990PF, and/or 990T reporting.

Step	Description
1	IRS payment
2	Forms 990, 990PF, and/or 990T reporting

Example: Forms 990, 990PF, and/or 990T A State University and has a private foundation, is required to file a Form 990PF, *Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation* and pay the associated federal taxes to the IRS in accordance with the schedules in the Form 990PF Instructions.

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Payment Processing Procedures--Forms 990, Exempt Organization Tax, 990PF, Return of Private Foundation Tax, and 990T, Exempt Organization Income Tax, Continued

Step 1: Processing CARS IRS Payment

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 to create the transaction for "Payment to IRS."
- Press the Enter' key.
- Process Step 1 using a Batch Type 3.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter "T" or "G"
VENDOR ID	IRS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	489 (new transaction code)
AGY	Agency code
FUND	Fund
FDET	Fund Detail
FFY	Current fiscal year
PRG	Enter appropriate program
OBJ	Enter appropriate object code
AMT	Enter amount of federal tax
INV-DATE	Enter monthly tax period end date (MMDDYYYY)
DES	Enter 09907 for Form 990; 99036 for Form 990PF, 99046 for Form 990T

*YYYY = tax reporting year

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Payment Processing Procedures--Forms 990, Exempt Organization Tax, 990PF, Return of Private Foundation Tax, and 990T, Exempt Organization Income Tax, Continued

Step 2: Forms 990, 990 PF, and/or 990T Reporting

Agencies must report all exempt organization and private foundations tax payments to the IRS on the appropriate Forms 990, 990PF and/or 990T in accordance with the schedules in the Instructions for the respective Forms.

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Payment Processing Procedures--Form 2290, Heavy Highway Vehicle Use Tax Return

Introduction All agencies must use this procedure for Form 2290 *Heavy Highway Vehicle Use Tax Return* payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS)

Form 2290 CARS Transaction Coding The following table summarizes the CARS transaction coding for processing Form 2290 electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Disb-Other Misc Fed Tax to IRS	489	901	101	XXXX	Varies due to type of tax paid

EFTPS Process for Form 2290 EFTPS processing requires agencies to process Form 2290 transactions in CARS. Two steps are required to create the (a) Payment to the IRS for Heavy Highway Vehicle Use taxes, and (b) Form 2290 reporting.

Step	Description
1	IRS payment
2	Form 2290 reporting

Example: Form 2290 A State agency, who purchase and operates heavy equipment, is required to file a Form 2290, Heavy Vehicle Use Tax, and pay the associated federal taxes to the IRS monthly.

- Step 1: Processing CARS IRS Payment**
- Select CARS Screen Option 40, CARS Main Menu
 - Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*)
 - Select Detail Input Screen 2 to create the transaction for "Payment to IRS."
 - Press the Enter key.
 - Process Step 1 using a Batch Type 3.

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Payment Processing Procedures--Form 2290, Heavy Highway Vehicle Use Tax Return , Continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter "T" or "G"
VENDOR ID	IRS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
ADDR-2	
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	489 (new transaction code)
AGY	Agency code
FUND	Fund
FDET	Fund Detail
FFY	Current fiscal year
PRG	Enter appropriate program
OBJ	Enter appropriate object code
AMT	Enter amount of federal tax
INV-DATE	Enter monthly tax period end date (MMDDYYYY)
DES	Enter 22907

*YYYY = tax reporting

Step 2: Form 2290 Reporting

Agencies must report monthly, all Heavy Highway Vehicle Use tax payments to the IRS on Form 2290.

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Payment Processing Procedures--IRS Interest and Penalty Payments

Introduction All agencies must use this procedure for IRS interest and penalty payments processed through CARS and EDI and passed to the IRS via the Electronic Federal Tax Payments System (EFTPS).

IRS Interest and/or Penalty CARS Transaction Coding The following table summarizes the CARS transaction coding for processing IRS interest and penalty electronic payments.

Description	Trans Code	Debit GLA	Credit GLA	Fund Detail	Expenditure Object Code
Disb-Fed Int/Penalty to IRS	478	901	101	XXX X	Varies due to interest or penalty paid

EFTPS Process for IRS Interest and/or Penalty Payments EFTPS processing requires agencies to process IRS interest and penalties in CARS. Two steps are required to create the (a) Payment to the IRS, and (b) Reporting of interest and/or penalties.

Step	Description
1	IRS payment
2	Interest/penalty reporting

Example: Interest and Penalty Payments In June of the following year, the IRS notifies Agency XYZ that the some of the payroll tax deposits for the third quarter of the previous year were made after the required deposit due date. The IRS has assessed the agency both a penalty for late filing and interest due on the amount of unpaid taxes due.

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Payment Processing Procedures--IRS Interest and Penalty Payments, Continued

**Step 1:
Processing
CARS IRS
Payment**

- Select CARS Screen Option 40, CARS Main Menu
- Enter the batch header information (See CAPP Topic No. 70235, *Input Batching*)
- Select Detail Input Screen 2 to create the transaction for "Payment to IRS."
- Press the Enter key.
- Process Step 1 using a Batch Type 3.

CARS Data Elements	Acceptable CARS Coding for EFTPS
FUNCTION	N
VENDOR IND	Enter "T" or "G"
VENDOR ID	IRS
SFX	Suffix "00"
NAME	EFTPS, Enrollment
ADDR-1	P. O. Box 173788
ADDR-2	
CITY	Denver
STATE	CO
ZIP	80217-3788
CERTIFIED AMOUNT	Voucher amount
AGY VOUCHER	Uniquely-assigned voucher number
AGY VOUCHER DATE	Voucher date
TC	478 (new transaction code)
AGY	Agency code
FUND	Fund
FDET	Fund Detail
FFY	Current fiscal year
PRG	Enter appropriate program
OBJ	Enter appropriate object code
AMT	Enter interest or penalty amt assessed by IRS
INV-DATE	Enter monthly tax period end date (MMDDYYYY)*

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Payment Processing Procedures--IRS Interest and Penalty Payments, Continued

Step 1:
Processing
CARS IRS
Payment,
continued

CARS Data Elements	Acceptable CARS Coding for EFTPS
INV-DATE (cont.)	0801YYYY
INV-NO	Enter XXXX8 - Interest (First four positions are the tax type, i.e. 0941 <u>8</u> for interest paid on Form 941), or Enter XXXX9 - Penalties (First four positions are the tax type, i.e. 0941 <u>9</u> for penalties paid on Form 941.)

*YYYY = tax reporting year

**Step 2: IRS
Interest and
Penalty
Reporting**

Agencies must pay interest and penalty payments assessed by the IRS, unless otherwise abated. To avoid paying interest and penalties, agencies must receive official written IRS verification stating that the interest and penalties have been abated.

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Miscellaneous Tax Reporting

Tax Reporting A report entitled ACTB1361, *Report of Miscellaneous Federal Tax Payments Made Through EFTPS*, lists all miscellaneous tax deposits made during the calendar quarter. This report includes basic information about the tax payments sent to the IRS, such as:

- Agency code from the transaction
- CARS Batch ID
- Transaction code
- Tax Form Code
- Tax Deposit Type
- Tax Period Date
- Amount of tax
- EDI trace number, and
- Settlement date.

This report will be used by agencies to report tax deposit information to the IRS on the appropriate tax form.

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Records Retention

Maintenance The following documents and forms must be maintained for at least five years from the date of filing a tax return with the IRS.

- Signed Form W-9, *Request for Taxpayer Identification Number and Certification*
 - Original work papers, reports, or microfiche referencing the payment information and identifying the employee/vendor for whom the tax deposit was made
 - IRS Forms W-2, W-2C, 720, 941, 941-C, 945, 990, 990PF, 990T, 1042, 1099, and 2290
 - IRS penalty and interest notices, abatement letters, and documentation for payment.
 - Any other documentation and internal procedures supporting your agency's actions.
-

DOA Contacts

Form 941 Contact State Payroll Operations
Voice: (804) 225-2245
FAX: (804) 225-3499
E-mail: payroll@doa.virginia.gov

Other Tax Payment Inquiries Contact Financial Reporting
Voice: (804) 225-3804
FAX: (804) 225-2430
E-mail: 1099@doa.virginia.gov
