

Talking Points

FEDERAL TAX DEPOSIT PENALTY REFUND OFFER PILOT

What is it? The IRS Federal Tax Deposit penalty refund offer is a national pilot project. It offers paper coupon users who were assessed a federal tax deposit penalty in the third or fourth quarter of 2001 the opportunity to receive a one-time refund of the assessed penalty. However, the taxpayer must use EFTPS (Electronic Federal Tax Payment System) for one year (four quarters) to make all Form 941 tax deposits.

Why is the IRS doing it? The Service is conducting the test to determine whether the one-time penalty refund offer will assist in migrating paper coupon users to EFTPS. In 2000, 1.2 million notices were issued indicating that the paper coupons were submitted with an error or not completely filled out. By using EFTPS 90% of these deposit errors could be eliminated.

Who is eligible to participate? Publication 04048, Special IRS Penalty Refund Offer, was mailed in mid-July 2002 to approximate 600 taxpayers who were randomly selected by a statistical sampling. To be selected for the test, the penalty had to be full-paid. The test period will end September 2003. If successful, we anticipate making this tax payment option available to all taxpayers in 2003.

How does it work? In addition to Publication 04048, the selected taxpayers received a Form 9779, EFTPS Business Enrollment Form and an EFTPS brochure, Publication 966, Now A Full Range of Electronic Choices to Pay ALL Your Federal Taxes. To claim a one-time penalty refund, the taxpayer will enroll in EFTPS, use the system for one year (four quarters), and deposit all Form 941 taxes on time. After using EFTPS for one year, the taxpayer will request the penalty refund by sending a letter or copy of their penalty notice to IRS-TEC, 550 Main Street, Room 7-024-FTD/EFTPS, Cincinnati, OH 45202-5204. The IRS will verify that the taxpayer meets the qualifications and refund the penalty.

For more information... If taxpayers or their practitioners have any questions regarding the Penalty Refund Program, they may call 1-513-263-5200 (toll charge) between 8:00 a.m. and 5:30 p.m. ET. In addition, pilot participants may email questions to nerohiocincytec@irs.gov.