

■ New Requirements for Electronic Funds Transfers

TO: Taxpayers

Illinois taxpayers with the largest tax liabilities will be required to pay their taxes to us by means of electronic funds transfer (EFT) beginning October 1, 1993.

Taxes for which EFT will be required are withholding income taxes, sales and use taxes, individual income taxes, business income taxes and replacement taxes.

EFT will be required for estimated, accelerated, or extension payments.

The threshold that determines whether you have to pay by EFT will decrease over each of the next two years, bringing additional participants into the program.

Even if you are not required to use EFT, you may apply to participate in the EFT program.

What is electronic funds transfer?

Electronic funds transfer involves payment of your periodic tax liabilities electronically instead of by check. In short, you authorize money to be deducted from your bank account and credited to ours. This amount will then be applied to your tax account.

Electronic funds transfer should not be confused with electronic filing. EFT changes only the manner in which certain types of tax payments are made. EFT does not change how or when tax returns are filed. Tax payments that accompany returns (and amended returns) may not be made by EFT.

Who is required to pay taxes electronically?

- If your Illinois tax liability for calendar year 1992 was \$1.8 million or more, you must begin making your payments by electronic funds transfer on October 1, 1993.
- If your Illinois tax liability for calendar year 1993 is \$1.2 million or more, you must begin making your payments by electronic funds transfer on October 1, 1994.
- If your Illinois tax liability for calendar year 1994 is \$600,000 or more, you must begin making your payments by electronic funds transfer on October 1, 1995.

See the rules in our Electronic Funds Transfer Guidelines for additional details.

How does the Department of Revenue determine whether my previous year's tax liability is over the threshold?

The threshold that determines whether you must use EFT applies to the amount you owe for each tax type — not for the total for all tax types. For example, if you are over the threshold for withholding taxes and under for sales taxes, you are required to use EFT only for withholding taxes.

How will I know if I have to pay by EFT?

We will notify all mandatory EFT payers before August 1 of the year for which they are required to pay by EFT.

Will I still have to file a paper payment document if I pay electronically?

No. All payment information normally contained in the paper documents you have been submitting will accompany the electronic funds transfer. However, you must continue to file the appropriate tax returns and pay any tax you owe with the return in the conventional manner.

For example, if you are an accelerated sales and use tax filer and you are required to use EFT, you must make your RR-3 payments by EFT. (You do not need to send in the RR-3 paper form.) You must, however, continue to file your conventional "paper" ST-1 returns and pay any amounts due by check with your returns.

What payment options do I have?

You have two choices. You can make your EFT payments by

- Automated Clearing House Debit (ACH debit) or
- Automated Clearing House Credit (ACH credit).

As an emergency backup, we will allow payment by Fedwire in time to avoid penalties when you fail because of unusual circumstances to initiate ACH credit or ACH debit.

We will provide you with more information on all options.

What will EFT cost me?

Your call to our data center is free when using the ACH debit option. We pay the processing costs.

You must pay the ACH credit charges imposed by your bank.

You pay the initiator's fees associated with Fedwire.

What Illinois tax payments can I make electronically?

You can file the following payment forms electronically:

- IL-501, Employer's Illinois Withholding Tax Payment Form
- RR-3, Sales and Use Tax Quarter-Monthly Payment (for accelerated sales and use tax filers)
- IL-1040-ES, Estimated Income Tax Payments for Individuals
- IL-505-I, Payment of Automatic Extension (for individuals)
- IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations
- IL-505-B, Payment of Automatic Extension (for businesses)

Are there penalties for late payment?

The penalties for late payment and for underpayment of taxes are the same for EFT payees as for those who pay by other means.

When must I make my EFT payments?

The due dates for your EFT payments are the same as those for traditional payers. To ensure that we receive your payments by their corresponding due dates, you must initiate your payments at least one business day before they are due.

Can I participate if I am below those limits?

We encourage taxpayers to apply to make tax payments by EFT voluntarily. For information, contact us at the telephone numbers or address at the bottom of this bulletin.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.



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