

Clarification of new EFT rules

There has been much confusion about when the electronic fund transfer (EFT) requirement kicks in. We have received new information from the FTB on when an individual is subject to EFT.

All payments made by an individual on or after January 1, 2009, regardless of taxable year or amount, must be remitted electronically to the FTB after the individual either:

- Has made a single estimated tax or extension payment greater than \$20,000 for a taxable year beginning on or after January 1, 2009; or
 - Has filed an original return with a tax liability greater than \$80,000 for a taxable year beginning on or after January 1, 2009. (AB 1389 (Ch. 08-751); R&TC §19011.5)

Examples of estimated tax payments

1. Teresa makes her 2008 4th quarter estimated tax payment of \$23,000 on January 15, 2009, and makes her 2009 1st quarter payment of \$21,000 on April 14, 2009. Teresa is not required to use EFT for her 2008 4th quarter estimated tax payment, nor the 2009 1st quarter payment using EFT. But, she must use EFT to make any subsequent payments.

Had Teresa made her 2009 1st quarter payment of \$21,000 on April 14, 2009, and her 2008 balance due payment of \$23,000 on May 1, 2009, she would be required to make the 2008 balance due payment electronically. This is because Teresa would have triggered the EFT requirement by having a 2009 payment greater than \$20,000.

2. Ken makes his 2009 1st quarter estimated tax payment of \$21,000 on April 15, 2009; on April 16, 2009, he gets a \$2,000 bill from the FTB resulting from an audit of his 2005 taxable year. Ken is not required to make his 2009 1st quarter estimated tax payment electronically, but is required to make his payment of the \$2,000 bill electronically.

What is EFT? Taxpayers may make the required EFT payment by:

- FTB's Web Pay;
- Electronic funds withdrawal (EFW) when e-filing;
- Telephone (available approximately July 2009); or
- Credit card.