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Dec. 13, 2015



The **Internal Revenue Service** has launched a new initiative designed to more quickly identify employers who are falling behind on their payroll or employment taxes and then help them get caught up on their payment and reporting responsibilities. The effort is called the Early Interaction Initiative.

The initiative is designed to help employers stay in compliance and avoid needless

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spiral out of control.

“Employers play a key role in our tax system, and we want to offer them the information and assistance they need to carry out that responsibilities,” said IRS Commissioner John Koskinen. “With early interaction, we will be able to offer help weeks or even months sooner, when it can often do the most good.”

Two-thirds of federal taxes are collected through the payroll tax system. By law, employers must withhold federal income, Social Security and Medicare taxes from employees' wages.

Shortly after employees are paid, employers typically must turn over withheld amounts, along with employer-matching contributions, to the federal government. Though payment schedules vary, these payments, known as federal tax deposits (FTDs), are made electronically through the Electronic Federal Tax Payment System EFTPS. These FTDs are later reported on a return , usually filed quarterly, with the IRS.

Employers, especially those facing liquidity difficulties, sometimes inappropriately divert funds withheld from employees' pay for working capital or other purposes. Even when well-intentioned, such diversions can quickly result in mounting tax liabilities for the employer, along with interest and penalties, potentially threatening the employer's financial viability.

Also, employers may have a payroll processor or others handling their payroll, withholding, matching, remittance, and/or reporting responsibilities, which sometimes leads to miscommunication between the parties and may result in tax deposits and reporting not being made as required. Such miscommunication may also quickly result in mounting tax liabilities, interest and penalties that are costly and risky to the business.

To help employers avoid these problems, the new IRS initiative will monitor deposit

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