New IRS Initiative Highlights Trust Fund Tax Compliance Issues

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The IRS has begun a new initiative focused on payroll tax compliance for employers, and specifically the timely deposit of withheld payroll and income taxes. Those taxes, which are withheld from an employee's paycheck and then turned over to the IRS by employers, are known as "trust fund" taxes. Employers who fail to timely submit their trust fund taxes may be subject to civil or criminal liability, as well as personal liability for those individuals who are responsible for collecting and depositing the trust fund taxes.

Throughout 2015, the IRS has reviewed ways in which its Federal Tax Deposit (FTD) Alert program can be used more efficiently. For many years, the FTD Alerts have been sent to employers whose payroll tax deposits have declined. Under a new initiative announced earlier this month, the IRS will now take a more proactive approach to dealing with unusual payroll tax deposits. This new IRS initiative, called the Early Interaction Initiative, will **monitor deposit patterns and identify employers whose payments decline or are late**. Employers identified under this initiative may receive a letter reminding them of their payroll tax responsibilities and asking that they contact the IRS to discuss the situation. Where appropriate, an IRS revenue officer will also contact some of these employers at their place of business.

The new initiative should not have much of an impact on employers who are current with their payroll tax obligations. Those who are contacted by the IRS, however, should promptly work to resolve any issues with their deposits. Correcting potential problems before they get out of hand will allow the employers to avoid the more serious consequences that will result if trust fund taxes do not get deposited with the IRS.
