

Nonprofit Notes

America's Bank Account is Officially Digitized

What That Means for NFPs This Tax Season: No More Paper Checks

By Benjamin Strauss, CPA, Manager and Tracy Cai, CPA, Director

As a result of Executive Order 14247, signed last year, all federal government payments — including IRS refunds and tax payments — must now be made electronically. The goal of this order is to eliminate paper checks, reduce check fraud and streamline government disbursements to remove unnecessary costs, delays and security risks.

Summarized in this article are the key impacts for not-for-profit organizations (NFPs), along with steps you can take and tips to help your organization transition.

What “No Paper Checks” Means

If The IRS and other federal agencies are now directed by Order 14247 to eliminate payments to or from them by paper checks. Here are key details regarding this directive to go digital.

- **IRS Tax Refunds:** The IRS will no longer mail paper refund checks. You must have a bank account or other qualified electronic direct-deposit method on file with the IRS.
- **IRS Tax Payments:** Payments to the IRS must now be made electronically, via:
 - **Direct Pay** through IRS.gov
 - **Electronic Federal Tax Payment System® (EFTPS)**
 - **ACH/Wire transfers (including Fedwire)**
 - **Credit/debit card processors**
- **Third-Party Payment Services:** Services that still mail checks on behalf of your NFP may be phased out and become non-compliant.

Four Steps Your NFP Should Take

Since paper checks will cease — for both payments to and from the IRS — we share four sound steps your organization can take to transition to the new electronic payment protocols:

1. **Enroll in EFTPS:** The Electronic Federal Tax Payment System (EFTPS) tax payment service is provided for free by the U.S. Department of the Treasury.
 - You can register at <https://www.eftps.gov/>
 - After you've enrolled and received your credentials, you can pay any tax due to the IRS using this system.
 - **Note:** It may take up to two weeks to receive your PIN via mail.
2. **Set Up a Reliable Bank Account for Refunds:** Ensure the IRS has your current bank routing and account number to prevent refund delays.

3. **Ensure You Have a Valid Bank Account for Direct Deposit:** Paper-check payments will cease. If your organization receives payments or refunds from the IRS or obtains any form of federal funding, you must have a valid bank account on file.
4. **Submit All Payments Electronically (to the IRS or other Federal Agencies):** Payments include unrelated business income, excise or payroll taxes, etc.
 - Submit through either:
 - EFTPS
 - Same-Day Wire Transfer
 - **NOTE:** This pertains to any third party that still pays by check on your behalf. Engage those parties to ensure they also transition to electronic payments.

Our EFTPS Tips for You

Some NFPs — including smaller organizations or those with limited banking or staffing resources — may require additional planning to establish electronic payment processes. We offer the below tips to help ease any NFP's transition:

- **Keep Your EFTPS Account Active:** EFTPS accounts become inactive after 13 months of no activity, including login credentials (user ID, password, PIN).
 - Log in at least once or twice a year, even if you do not need to make a payment.
 - Review payment history or verify your banking details (these actions count as account activity).
 - **NOTE:** If your EFTPS account becomes inactive, you will need to re-enroll and obtain a new login PIN (which may take up to two weeks to receive the new PIN via mail).
- **EFTPS Passwords Expire Every 13 Months (regardless of account activity):** Make sure to update your password regularly or when prompted.
 - If your password expires, contact the EFTPS Help Desk to reset (1-800-555-4477).
 - Your EFTPS enrollment number and PIN are needed to reset.

Contact Us

If you have any questions or need assistance transitioning to electronic payments, our [Exempt Organizations Tax and Advisory Services](#) team is here to help. Please contact your PKF O'Connor Davies client service team or:

[Garrett M. Higgins](#), CPA
Partner-in-Charge
Exempt Organizations Tax and Advisory Services
ghiggins@pkfod.com

[Melissa Modelson](#), CPA
Partner
mmodelson@pkfod.com

[Joseph Connolly](#), EA
Director
jconnolly@pkfod.com

[Louis Pastina](#)
Director
lpastina@pkfod.com

[Eva Mruk](#), CPA
Partner
emruk@pkfod.com

[Tracy Cai](#), CPA
Director
tcai@pkfod.com

[Sacha Richards](#), CPA
Director
srichards@pkfod.com

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