

American Payroll Association

Payroll Practice Fundamentals

2016 Supplement

In the preparation of this text, every effort has been made to offer the most current, correct, and clearly understandable information possible. Nonetheless, inadvertent errors can occur, and tax rules and regulations are constantly changing.

This text is intended to provide authoritative information in regard to the subject matter covered and can be used as a training tool. As such, it is not an evaluation device upon which to base performance reviews and/or promotions.

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Changes Coming to FLSA White Collar Exemption Regulations in 2016

In 2014 President Obama directed the U.S. Secretary of Labor to update the overtime regulations that have been in place since 2004. On July 15, 2015, the U.S. Department of Labor (DOL) issued proposed regulations that would amend the minimum salary level for the FLSA white collar exemption for executive, administrative, professional, outside sales, and computer professional employees.

Under the current regulations, an executive, administrative, or professional employee must be paid at least \$455 per week (\$23,660 per year) in order to come within the standard FLSA exemption; in order to come within the exemption for highly compensated employees, such an employee must earn at least \$100,000 in total annual compensation. The DOL considers the salary level test to be the best single test of exempt status and reasons that if left at the same amount over time the effectiveness of the salary level test as a means of determining exempt status diminishes.

Under the proposed regulations the DOL would set the standard salary level equal to the 40th percentile of earnings for full-time salaried workers (\$921 per week, or \$47,892 per year). The DOL has also proposed to set the annual compensation level for highly compensated employees equal to the 90th percentile of earnings for full-time salaried workers (\$122,148). The DOL relied on 2013 data in developing the proposed regulations and the dollar figures in the final regulations will change.

Final regulations are expected to be issued some time in 2016 and are anticipated for July.

Page 1-16:

Proposed Regulations Issued Requiring Paid Sick Leave for Federal Contractors

On February 22, 2016, the DOL issued proposed regulations that would require certain government contractors to provide their employees with up to seven days of paid sick leave annually, including paid leave allowing for family care.

The proposed regulations were issued pursuant to an Executive Order issued by President Obama on September 10, 2015, directing that business that contract with the federal government provide paid sick leave to their employees. The Executive Order applies to covered contracts where the solicitation for the contract is issued on or after January 1, 2017, or where the contract is awarded outside the solicitation process on or after that date. Under the Executive Order the Secretary of Labor was directed to issue regulations by September 30, 2016, implementing the order. Agencies were also ordered to take steps to ensure that covered contracts entered into after January 1, 2017, comply with the order.

IRS Releases Form 941 for 2016

The IRS has released Form 941, *Employer's Quarterly Federal Tax Return*, for tax year 2016, together with the 2016 *Instructions for Form 941*. The form (unchanged) and instructions (with updated tips for navigating IRS.gov) are available on the APA website at www.americanpayroll.org/members/Forms-Pubs/#tax.

What's new

- ***Future developments.*** For the latest information about developments related to Form 941 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form941.
- ***Social security and Medicare tax for 2016.*** The social security tax rate is 6.2% each for the employee and employer, unchanged from 2015. The social security wage base limit is \$118,500 (see page 3-12).
 - In 2016, the Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2015. There is no wage base limit for Medicare tax (see page 3-12).
 - Social security and Medicare taxes apply to the wages of household workers who are paid \$2,000 or more in 2016 and election workers who are paid \$1,700 or more in 2016, with both increasing \$100 from the 2015 amounts.
- ***Additional Medicare Tax withholding.*** In addition to withholding Medicare tax at 1.45%, an employer must withhold a 0.9% Additional Medicare Tax from wages paid to an employee in excess of \$200,000 in a calendar year. An employer must begin withholding Additional Medicare Tax in the pay period in which it pays wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold (see page 3-12).
- ***Work opportunity tax credit for qualified tax-exempt organizations hiring qualified veterans extended.*** The work opportunity tax credit is available for eligible unemployed veterans who began work after December 31, 2014, and before January 1, 2020. Qualified tax-exempt organizations that hired eligible unemployed veterans can claim the credit against their payroll tax liability using Form 5884-C, *Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans*.

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Form **941 for 2016: Employer's QUARTERLY Federal Tax Return**
 (Rev. January 2016) Department of the Treasury — Internal Revenue Service

950114
 OMB No. 1545-0029

Employer identification number (EIN) -

Name (not your trade name)

Trade name (if any)

Address
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2016
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Instructions and prior year forms are available at www.irs.gov/form941.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)* **1**

2 Wages, tips, and other compensation **2**

3 Federal income tax withheld from wages, tips, and other compensation **3**

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

	Column 1		Column 2
5a Taxable social security wages . . .	<input type="text"/>	x .124 =	<input type="text"/>
5b Taxable social security tips . . .	<input type="text"/>	x .124 =	<input type="text"/>
5c Taxable Medicare wages & tips . . .	<input type="text"/>	x .029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	x .009 =	<input type="text"/>
5e Add Column 2 from lines 5a, 5b, 5c, and 5d . . .			<input type="text"/>
5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) . . .			<input type="text"/>
6 Total taxes before adjustments. Add lines 3, 5e, and 5f . . .			<input type="text"/>
7 Current quarter's adjustment for fractions of cents . . .			<input type="text"/>
8 Current quarter's adjustment for sick pay . . .			<input type="text"/>
9 Current quarter's adjustments for tips and group-term life insurance . . .			<input type="text"/>
10 Total taxes after adjustments. Combine lines 6 through 9 . . .			<input type="text"/>
11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter . . .			<input type="text"/>
12 Balance due. If line 10 is more than line 11, enter the difference and see instructions . . .			<input type="text"/>
13 Overpayment. If line 11 is more than line 10, enter the difference <input type="text"/>			<input type="text"/>

Check one: Apply to next return. Send a refund.

▶ You MUST complete both pages of Form 941 and SIGN it. **Next** ▶

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 1-2016)

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950214

Name (not your trade name)

Employer identification number (EIN)

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

14 Check one: Line 10 on this return is less than \$2,500 or line 10 on the return for the prior quarter was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. If line 10 for the prior quarter was less than \$2,500 but line 10 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter Total must equal line 10.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

15 If your business has closed or you stopped paying wages Check here, and enter the final date you paid wages / / .

16 If you are a seasonal employer and you do not have to file a return for every quarter of the year . . . Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS.

No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.



Sign your name here

Print your name here

Print your title here

Date / /

Best daytime phone

Paid Preparer Use Only

Check if you are self-employed

Preparer's name

PTIN

Preparer's signature

Date / /

Firm's name (or yours if self-employed)

EIN

Address

Phone

City

State

ZIP code

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**Form 941-V,
Payment Voucher**

Purpose of Form

Complete Form 941-V if you are making a payment with Form 941. We will use the completed voucher to credit your payment more promptly and accurately, and to improve our service to you.

Making Payments With Form 941

To avoid a penalty, make your payment with Form 941 **only if:**

- Your total taxes after adjustments for either the current quarter or the preceding quarter (Form 941, line 10) are less than \$2,500, you didn't incur a \$100,000 next-day deposit obligation during the current quarter, and you are paying in full with a timely filed return; or
- You are a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule. See section 11 of Pub. 15 for details. In this case, the amount of your payment may be \$2,500 or more.

Otherwise, you must make deposits by electronic funds transfer. See section 11 of Pub. 15 for deposit instructions. Don't use Form 941-V to make federal tax deposits.



Use Form 941-V when making any payment with Form 941. However, if you pay an amount with Form 941 that should have been deposited, you may be subject to a penalty. See Deposit Penalties in section 11 of Pub. 15.

Specific Instructions

Box 1—Employer identification number (EIN). If you don't have an EIN, you may apply for one online. Go to IRS.gov and type "EIN" in the search box. You may also apply for an EIN by faxing or mailing Form SS-4 to the IRS. If you haven't received your EIN by the due date of Form 941, write "Applied For" and the date you applied in this entry space.

Box 2—Amount paid. Enter the amount paid with Form 941.

Box 3—Tax period. Darken the circle identifying the quarter for which the payment is made. Darken only one circle.

Box 4—Name and address. Enter your name and address as shown on Form 941.

- Enclose your check or money order made payable to "United States Treasury." Be sure to enter your EIN, "Form 941," and the tax period on your check or money order. Don't send cash. Don't staple Form 941-V or your payment to Form 941 (or to each other).

- Detach Form 941-V and send it with your payment and Form 941 to the address in the Instructions for Form 941.

Note: You must also complete the entity information above Part 1 on Form 941.

✂ ▼ **Detach Here and Mail With Your Payment and Form 941.** ▼ ✂

<p>Form 941-V Department of the Treasury Internal Revenue Service</p>	<p>Payment Voucher</p> <p>▶ Don't staple this voucher or your payment to Form 941.</p>	<p>OMB No. 1545-0029</p> <p style="font-size: 2em; font-weight: bold;">2016</p>				
<p>1 Enter your employer identification number (EIN).</p>	<p>2 Enter the amount of your payment. ▶ Make your check or money order payable to "United States Treasury"</p>	<table style="width: 100%; border: none;"> <tr> <td style="border: none; width: 70%;">Dollars</td> <td style="border: none; width: 30%;">Cents</td> </tr> </table>	Dollars	Cents		
Dollars	Cents					
<p>3 Tax Period</p> <table style="width: 100%; border: none;"> <tr> <td style="border: none; width: 50%; text-align: center;"> <input type="radio"/> 1st Quarter </td> <td style="border: none; width: 50%; text-align: center;"> <input type="radio"/> 3rd Quarter </td> </tr> <tr> <td style="border: none; text-align: center;"> <input type="radio"/> 2nd Quarter </td> <td style="border: none; text-align: center;"> <input type="radio"/> 4th Quarter </td> </tr> </table>	<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	<input type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	<p>4 Enter your business name (individual name if sole proprietor).</p> <hr/> <p>Enter your address.</p> <hr/> <p>Enter your city, state, and ZIP code or your city, foreign country name, foreign province/county, and foreign postal code.</p>	
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter					
<input type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter					

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Form 941 (Rev. 1-2016)

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on Form 941 to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes on wages and provides for income tax withholding. Form 941 is used to determine the amount of taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you. Section 6109 requires you to provide your identification number. If you fail to provide this information in a timely manner, or provide false or fraudulent information, you may be subject to penalties.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of

Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 941 will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	11 hr.
Learning about the law or the form	47 min.
Preparing, copying, assembling, and sending the form to the IRS	1 hr.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 941 simpler, we would be happy to hear from you. You can send us comments from www.irs.gov/formspubs. Click on *More Information* and then click on *Give us feedback*. Or you can send your comments to Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Don't** send Form 941 to this address. Instead, see *Where Should You File?* in the Instructions for Form 941.

Instructions for Form 941 (Rev. January 2016)



Department of the Treasury
Internal Revenue Service

Employer's QUARTERLY Federal Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 941 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form941.

What's New

Social security and Medicare tax for 2016. The social security tax rate is 6.2% each for the employee and employer, unchanged from 2015. The social security wage base limit is \$118,500.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2015. There is no wage base limit for Medicare tax.

Social security and Medicare taxes apply to the wages of household workers you pay \$2,000 or more in cash or an equivalent form of compensation in 2016. Social security and Medicare taxes apply to election workers who are paid \$1,700 or more in cash or an equivalent form of compensation in 2016.

Work opportunity tax credit for qualified tax-exempt organizations hiring qualified veterans extended. The work opportunity tax credit is now available for eligible unemployed veterans who begin work after December 31, 2014, and before January 1, 2020. Qualified tax-exempt organizations that hire eligible unemployed veterans can claim the work opportunity tax credit against their payroll tax liability using Form 5884-C. For more information, visit IRS.gov and enter "work opportunity tax credit" in the search box.

Reminders

COBRA premium assistance credit. Effective for tax periods beginning after December 31, 2013, the credit for COBRA premium assistance payments can't be claimed on Form 941. Instead, after filing your Form 941, file Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, to claim the COBRA premium assistance credit. Filing a Form 941-X before filing a Form 941 for the quarter may result in errors or delays in processing your Form 941-X. For more information, visit IRS.gov and enter "COBRA" in the search box.



If you are entitled to claim the COBRA premium assistance credit, but aren't otherwise required to file Form 941, file a Form 941 with -0- entered on line 12 before filing a Form 941-X to claim the credit.

Additional Medicare Tax withholding. In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. You are required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only

imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

For more information on what wages are subject to Medicare tax, see the chart, *Special Rules for Various Types of Services and Payments*, in section 15 of Pub. 15, Employer's Tax Guide. For more information on Additional Medicare Tax, visit IRS.gov and enter "Additional Medicare Tax" in the search box.

Aggregate Form 941 filers. Agents must complete Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, when filing an aggregate Form 941. Aggregate Forms 941 are filed by agents approved by the IRS under section 3504. To request approval to act as an agent for an employer, the agent files Form 2678 with the IRS.

Correcting a previously filed Form 941. If you discover an error on a previously filed Form 941, make the correction using Form 941-X. Form 941-X is filed separately from Form 941. For more information, see the Instructions for Form 941-X, section 13 of Pub. 15, or visit IRS.gov and enter "correcting employment taxes" in the search box.

Employers can choose to file Forms 941 instead of Form 944. Employers that would otherwise be required to file Form 944, Employer's ANNUAL Federal Tax Return, can notify the IRS if they want to file quarterly Forms 941 instead of annual Form 944. To request to file quarterly Forms 941 to report your social security and Medicare taxes for the 2016 calendar year, you must either call the IRS at 1-800-829-4933 between January 1, 2016, and April 1, 2016, or send a written request postmarked between January 1, 2016, and March 15, 2016. After you contact the IRS, the IRS will send you a written notice that your filing requirement has been changed to Forms 941. You must receive written notice from the IRS to file Forms 941 instead of Form 944 before you may file these forms. If you don't receive this notice, you must file Form 944 for calendar year 2016. See Rev. Proc. 2009-51, 2009-45 I.R.B. 625, available at www.irs.gov/irb/2009-45_IRB/ar12.html.

Requesting to file Form 944 instead of Forms 941. If you are required to file Forms 941 but believe your employment taxes for the calendar year will be \$1,000 or less, you may request to file Form 944 instead of Forms 941 by calling the IRS at 1-800-829-4933 between January 1, 2016, and April 1, 2016, or sending a written request postmarked between January 1, 2016, and March 15, 2016. After you contact the IRS, the IRS will send you a written notice that your filing requirement has been changed to Form 944. You must receive written notice from the IRS to file Form 944 instead of Forms 941 before you may file this form. If you don't receive this notice, you must file Forms 941 for calendar year 2016. See Rev. Proc. 2009-51, 2009-45 I.R.B. 625, available at www.irs.gov/irb/2009-45_IRB/ar12.html.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax

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deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS). If you don't want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of Treasury. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

For more information on making federal tax deposits, see section 11 of Pub. 15. To get more information about EFTPS or to enroll in EFTPS, visit www.eftps.gov, or call 1-800-555-4477 or 1-800-733-4829 (TDD). Additional information about EFTPS is also available in Pub. 966.



For an EFTPS deposit to be on time, you must submit the deposit by 8 p.m. Eastern time the day before the date the deposit is due.

Same-day wire payment option. If you fail to submit a deposit transaction on EFTPS by 8 p.m. Eastern time the day before the date a deposit is due, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS). To use the same-day wire payment method, you will need to make arrangements with your financial institution ahead of time. Please check with your financial institution regarding availability, deadlines, and costs. Your financial institution may charge you a fee for payments made this way. To learn more about the information you will need to provide your financial institution to make a same-day wire payment, visit the IRS website at www.irs.gov/payments and click on *Same-day wire*.

Timeliness of federal tax deposits. If a deposit is required to be made on a day that isn't a business day, the deposit is considered timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. The term "legal holiday" for deposit purposes includes only those legal holidays in the District of Columbia. Legal holidays in the District of Columbia are provided in Pub. 15.

Electronic filing and payment. Now, more than ever before, businesses can enjoy the benefits of filing tax returns and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, the IRS offers you convenient programs to make filing and paying easier. Spend less time and worry on taxes and more time running your business. Use e-file and EFTPS to your benefit.

- For e-file, visit the IRS website at www.irs.gov/efile for additional information.
- For EFTPS, visit www.eftps.gov, or call EFTPS Customer Service at 1-800-555-4477 or 1-800-733-4829 (TDD) for additional information.



If you are filing your tax return or paying your federal taxes electronically, a valid employer identification number (EIN) is required at the time the return is filed or the payment is made. If a valid EIN isn't provided, the return or payment won't be processed. This may result in penalties.

Electronic funds withdrawal (EFW). If you file Form 941 electronically, you can e-file and e-pay (EFW) the balance due in a single step using tax preparation software or through a tax professional. However, don't use EFW to make federal tax deposits. For more information on paying your taxes

using EFW, visit the IRS website at www.irs.gov/payments. A fee may be charged to file electronically.

Credit or debit card payments. Employers can pay the balance due shown on Form 941 by credit or debit card. Don't use a credit or debit card to make federal tax deposits. For more information on paying your taxes with a credit or debit card, visit the IRS website at www.irs.gov/payments.

Online payment agreement. You may be eligible to apply for an installment agreement online if you have a balance due when you file your return. For more information, see *What if you can't pay in full*, later.

Paid preparers must sign Form 941. Paid preparers must complete and sign the paid preparer's section of Form 941.

Outsourcing payroll duties. You are responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. If you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and income taxes) to a third-party payer, such as a payroll service provider or reporting agent, visit IRS.gov and enter "outsourcing payroll duties" in the search box for helpful information on this topic.

Where can you get telephone help? For answers to your questions about completing Form 941 or tax deposit rules, you can call the IRS at 1-800-829-4933 or 1-800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability), Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time).

Photographs of missing children. The IRS is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions:

Purpose of Form 941

These instructions give you some background information about Form 941. They tell you who must file Form 941, how to complete it line by line, and when and where to file it.

If you want more in-depth information about payroll tax topics relating to Form 941, see Pub. 15 or visit IRS.gov and enter "employment taxes" in the search box.

Federal law requires you, as an employer, to withhold certain taxes from your employees' pay. Each time you pay wages, you must withhold – or take out of your employees' pay – certain amounts for federal income tax, social security tax, and Medicare tax. You must also withhold Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. Under the withholding system, taxes withheld from your employees are credited to your employees in payment of their tax liabilities.

Federal law also requires you to pay any liability for the employer's portion of social security and Medicare taxes. This portion of social security and Medicare taxes isn't withheld from employees.

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Who Must File Form 941?

Use Form 941 to report the following amounts.

- Wages you have paid.
- Tips your employees reported to you.
- Federal income tax you withheld.
- Both the employer's and the employee's share of social security and Medicare taxes.
- Additional Medicare Tax withheld from employees.
- Current quarter's adjustments to social security and Medicare taxes for fractions of cents, sick pay, tips, and group-term life insurance.

Don't use Form 941 to report backup withholding or income tax withholding on nonpayroll payments such as pensions, annuities, and gambling winnings. Report these types of withholding on Form 945, Annual Return of Withheld Federal Income Tax.

After you file your first Form 941, you must file a return for each quarter, even if you have no taxes to report, unless you file a final return or one of the exceptions listed next applies.

Exceptions

Special rules apply to some employers.

- **Seasonal employers** don't have to file a Form 941 for quarters in which they have no tax liability because they have paid no wages. To tell the IRS that you won't file a return for one or more quarters during the year, check the box on line 16 every quarter you file Form 941. See section 12 of Pub. 15 for more information.
- Employers of **household employees** don't usually file Form 941. See Pub. 926 and Schedule H (Form 1040) for more information.
- Employers of **farm employees** don't usually file Form 941. See Form 943 and Pub. 51 for more information.



If none of the above exceptions applies and you haven't filed a final return, you must file Form 941 each quarter even if you didn't pay wages during the quarter. Use IRS e-file, if possible.

What if You Reorganize or Close Your Business?

If You Sell or Transfer Your Business . . .

If you sell or transfer your business, you and the new owner must each file a Form 941 for the quarter in which the transfer occurred. Report only the wages you paid.

When two businesses merge, the continuing firm must file a return for the quarter in which the change took place and the other firm should file a final return.

Changing from one form of business to another—such as from a sole proprietorship to a partnership or corporation—is considered a transfer. If a transfer occurs, you may need a new EIN. See section 1 of Pub. 15. Attach a statement to your return with:

- The new owner's name (or the new name of the business);
- Whether the business is now a sole proprietorship, partnership, or corporation;
- The kind of change that occurred (a sale or transfer);
- The date of the change; and
- The name of the person keeping the payroll records and the address where those records will be kept.

Instructions for Form 941 (Rev. 1-2016)

If Your Business Has Closed . . .

If you go out of business or stop paying wages to your employees, you must file a final return. To tell the IRS that Form 941 for a particular quarter is your final return, check the box on line 15 and enter the date you last paid wages. Also attach a statement to your return showing the name of the person keeping the payroll records and the address where those records will be kept.

See the General Instructions for Forms W-2 and W-3 for information about earlier dates for the expedited furnishing and filing of Forms W-2, Wage and Tax Statement, when a final Form 941 is filed.

If you participated in a statutory merger or consolidation, or qualify for predecessor-successor status due to an acquisition, you should generally file Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations. See the Instructions for Schedule D (Form 941) to determine whether you should file Schedule D (Form 941) and when you should file it.

When Must You File?

File your initial Form 941 for the quarter in which you first paid wages that are subject to social security and Medicare taxes or subject to federal income tax withholding. See the table titled *When To File Form 941*, later.

Then you must file for every quarter after that—every 3 months—even if you have no taxes to report, unless you are a seasonal employer or are filing your final return. See *Seasonal employers* and *If Your Business Has Closed* above.

File Form 941 only once for each quarter. If you filed electronically, don't file a paper Form 941. For more information about filing Form 941 electronically, see *Electronic filing and payment*, earlier.

When To File Form 941

Your Form 941 is due by the last day of the month that follows the end of the quarter.		
The Quarter Includes . . .	Quarter Ends	Form 941 Is Due
1. January, February, March	March 31	April 30
2. April, May, June	June 30	July 31
3. July, August, September	September 30	October 31
4. October, November, December	December 31	January 31

For example, you generally must report wages you pay during the first quarter—which is January through March—by April 30. If you made timely deposits in full payment of your taxes for the quarter, you may file by the 10th day of the second month that follows the end of the quarter. For example, you may file Form 941 by May 10 if you made timely deposits in full payment of your taxes for the first quarter.

If we receive Form 941 after the due date, we will treat Form 941 as filed on time if the envelope containing Form 941 is properly addressed, contains sufficient postage, and is postmarked by the U.S. Postal Service on or before the due date, or sent by an IRS-designated private delivery service on or before the due date. If you don't follow these guidelines, we generally will consider Form 941 filed when it

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is actually received. See Pub. 15 for more information on IRS-designated private delivery services.

If any due date for filing falls on a Saturday, Sunday, or legal holiday, you may file your return on the next business day.

How Should You Complete Form 941?

Type or print your EIN, name, and address in the spaces provided. Also enter your name and EIN on the top of page 2. Don't use your social security number (SSN) or individual taxpayer identification number (ITIN). Generally, enter the business (legal) name you used when you applied for your EIN on Form SS-4. For example, if you are a sole proprietor, enter "Haleigh Smith" on the "Name" line and "Haleigh's Cycles" on the "Trade name" line. Leave the "Trade name" line blank if it is the same as your "Name."

Employer identification number (EIN). To make sure businesses comply with federal tax laws, the IRS monitors tax filings and payments by using a numerical system to identify taxpayers. A unique nine-digit EIN is assigned to all corporations, partnerships, and some sole proprietors. Businesses needing an EIN must apply for a number and use it throughout the life of the business on all tax returns, payments, and reports.

Your business should have only one EIN. If you have more than one and aren't sure which one to use, write to the IRS office where you file your returns (using the *Without a payment* address under *Where Should You File*, later) or call the IRS at 1-800-829-4933.

If you don't have an EIN, you may apply for one online. Go to IRS.gov and enter "EIN" in the search box. You may also apply for an EIN by faxing or mailing Form SS-4 to the IRS. If you haven't received your EIN by the due date of Form 941, write "Applied For" and the date you applied in this entry space.



If you are filing your tax return electronically, a valid EIN is required at the time the return is filed. If a valid EIN isn't provided, the return won't be accepted. This may result in penalties.



Always be sure the EIN on the form you file exactly matches the EIN the IRS assigned to your business. Don't use your SSN or ITIN on forms that ask for an EIN. Filing a Form 941 with an incorrect EIN or using another business's EIN may result in penalties and delays in processing your return.

If you change your business name, business address, or responsible party... Notify the IRS immediately if you change your business name, business address, or responsible party.

- Write to the IRS office where you file your returns (using the *Without a payment* address under *Where Should You File*, later) to notify the IRS of any business name change. See Pub. 1635 to see if you need to apply for a new EIN.
- Complete and mail Form 8822-B to notify the IRS of a business address or responsible party change. Don't mail Form 8822-B with your Form 941. For a definition of "responsible party" see the Form 8822-B instructions.

Check the Box for the Quarter

Under "Report for this Quarter of 2016" at the top of Form 941, check the appropriate box of the quarter for which you are filing. Make sure the quarter checked is the same as

shown on any attached Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors.

Completing and Filing Form 941

Make entries on Form 941 as follows to enable accurate scanning and processing.

- Use 10-point Courier font (if possible) for all entries if you are typing or using a computer to complete your form. Portable Document Format (PDF) forms on IRS.gov have fillable fields with acceptable font specifications.
- Don't enter dollar signs and decimal points. Commas are optional. Enter dollars to the left of the preprinted decimal point and cents to the right of it.
- Leave blank any data field (except lines 1, 2, and 10) with a value of zero.
- Enter negative amounts using a minus sign (if possible). Otherwise, use parentheses.
- Enter your name and EIN on all pages and attachments.
- Staple multiple sheets in the upper left corner when filing.

Required Notice to Employees About the Earned Income Credit (EIC)

To notify employees about the EIC, you must give the employees one of the following items.

- Form W-2 which has the required information about the EIC on the back of Copy B.
- A substitute Form W-2 with the same EIC information on the back of the employee's copy that is on Copy B of Form W-2.
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC).
- Your written statement with the same wording as Notice 797.

For more information, see section 10 of Pub. 15 and Pub. 596.

Reconciling Forms 941 and Form W-3

The IRS matches amounts reported on your four quarterly Forms 941 with Form W-2 amounts totaled on your yearly Form W-3, Transmittal of Wage and Tax Statements. If the amounts don't agree, you may be contacted by the IRS or the Social Security Administration (SSA). The following amounts are reconciled.

- Federal income tax withholding.
- Social security wages.
- Social security tips.
- Medicare wages and tips.

For more information, see section 12 of Pub. 15 and the Instructions for Schedule D (Form 941).

Where Should You File?

Where you file depends on whether you include a payment with Form 941.

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If you are in . . .	Without a payment . . .	With a payment . . .
Connecticut	New Jersey	Department of the Treasury
Delaware	New York	Treasury
District of Columbia	North Carolina	Internal Revenue Service
Florida	Ohio	Internal Revenue Service
Georgia	Pennsylvania	Cincinnati, OH
Illinois	Rhode Island	45999-0005
Indiana	South Carolina	
Kentucky	Tennessee	
Maine	Vermont	
Maryland	Virginia	
Massachusetts	West Virginia	
Michigan	Wisconsin	
New Hampshire		
Alabama	Missouri	Department of the Treasury
Alaska	Montana	Treasury
Arizona	Nebraska	Internal Revenue Service
Arkansas	Nevada	Service
California	New Mexico	Ogden, UT
Colorado	North Dakota	84201-0005
Hawaii	Oklahoma	
Idaho	Oregon	
Iowa	South Dakota	
Kansas	Texas	
Louisiana	Utah	
Minnesota	Washington	
Mississippi	Wyoming	
No legal residence or principal place of business in any state	Internal Revenue Service	Internal Revenue Service
	P.O. Box 409101	P.O. Box 37941
	Ogden, UT 84409	Hartford, CT
		06176-7941
Special filing addresses for exempt organizations; federal, state, and local governmental entities; and Indian tribal governmental entities; regardless of location	Department of the Treasury	Internal Revenue Service
	Internal Revenue Service	P.O. Box 37941
	Ogden, UT	Hartford, CT
	84201-0005	06176-7941

monthly rules so you won't be subject to failure to deposit penalties.

• **If your total taxes (line 10) are \$2,500 or more for the current quarter and the preceding quarter.** You must make deposits according to your deposit schedule. See section 11 of Pub. 15 for information and rules about federal tax deposits.

You may reduce your deposits during the quarter by the amount of the COBRA premium assistance credit that will be reflected on your Form 941-X, only if you use the claim process and not the adjustment process to claim the COBRA premium assistance credit on your Form 941-X for the quarter.

The COBRA premium assistance credit is treated as a credit on the first day of the return period (that is, January 1, April 1, July 1, or October 1). However, because the credit is now claimed on Form 941-X filed after submission of the Form 941, an employer that reduces its required deposits in anticipation of the credit will receive a system-generated notice reflecting a balance due and associated penalties and interest, if applicable. The balance due, including any related penalties and interest, resulting from the reduction in deposits in anticipation of the credit will be abated when the credit is applied. Such abatement will generally occur without any further action from the employer.

Alternatively, to prevent triggering a system-generated balance due notice, the employer can make its deposits without a reduction in anticipation of the COBRA premium assistance credit and follow the ordinary procedures for filing a claim for refund or adjusted return using Form 941-X.

When Must You Deposit Your Taxes?


Determine if You Are a Monthly or Semiweekly Schedule Depositor for the Quarter


The IRS uses two different sets of deposit rules to determine when businesses must deposit their social security, Medicare, and withheld federal income taxes. These schedules tell you when a deposit is due after you have a payday.

Your deposit schedule isn't determined by how often you pay your employees. Your deposit schedule depends on the total tax liability you reported on Form 941 during the previous four-quarter lookback period (July 1 of the second preceding calendar year through June 30 of the preceding calendar year). See section 11 of Pub. 15 for details. If you filed Form 941 in either 2014 or 2015, your lookback period is the 2014 calendar year.


Before the beginning of each calendar year, determine which type of deposit schedule you must use.

- If you reported \$50,000 or less in taxes during the lookback period, you are a **monthly schedule depositor**.
- If you reported more than \$50,000 of taxes during the lookback period, you are a **semiweekly schedule depositor**.

 **If you are a monthly schedule depositor and accumulate a \$100,000 tax liability on any day during the deposit period, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year. See \$100,000 Next-Day Deposit Rule in section 11 of Pub. 15 for more information.**

 **Your filing address may have changed from that used to file your employment tax return in prior years. Don't send Form 941 or any payments to the SSA. Private delivery services can't deliver to P.O. boxes.**

Depositing Your Taxes

 **You must deposit all depository taxes electronically by EFT. For more information, see Federal tax deposits must be made by electronic funds transfer (EFT) under Reminders.**

Must You Deposit Your Taxes?

You may have to deposit the federal income taxes you withheld and both the employer and employee social security taxes and Medicare taxes.

• **If your total taxes (line 10) are less than \$2,500 for the current quarter and the preceding quarter, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter.** You don't have to make a deposit. To avoid a penalty, you must pay the amount in full with a timely filed return or you must deposit the amount timely. For more information on paying with a timely filed return, see the instructions for line 12, later. If you aren't sure your total tax liability for the current quarter will be less than \$2,500 (and your liability for the preceding quarter wasn't less than \$2,500), make deposits using the semiweekly or

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What About Penalties and Interest?

Avoiding Penalties and Interest

You can avoid paying penalties and interest if you do all of the following.

- Deposit or pay your taxes when they are due.
- File your fully completed Form 941 on time.
- Report your tax liability accurately.
- Submit valid checks for tax payments.
- Furnish accurate Forms W-2 to employees.
- File Form W-3 and Copy A of Forms W-2 with the SSA on time and accurately.

Penalties and interest are charged on taxes paid late and returns filed late at a rate set by law. See sections 11 and 12 of Pub. 15 for details.

Use Form 843 to request abatement of assessed penalties or interest. Don't request abatement of assessed penalties or interest on Form 941 or Form 941-X.



If amounts that must be withheld aren't withheld or aren't deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is the full amount of the unpaid trust fund tax. This penalty may apply to you if these unpaid taxes can't be immediately collected from the employer or business.

The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. For more information, see section 11 of Pub. 15.

Adjustment of Tax on Tips

If, by the 10th of the month after the month you received an employee's report on tips, you don't have enough employee funds available to withhold the employee's share of social security and Medicare taxes, you no longer have to collect it. Report the entire amount of these tips on line 5b (Taxable social security tips), line 5c (Taxable Medicare wages and tips), and, if the withholding threshold is met, line 5d (Taxable wages and tips subject to Additional Medicare Tax withholding). Include as an adjustment on line 9 the total uncollected employee share of the social security and Medicare taxes.

Specific Instructions:

Part 1: Answer These Questions for This Quarter

1. Number of Employees Who Received Wages, Tips, or Other Compensation This Quarter

Enter the number of employees on your payroll for the pay period including March 12, June 12, September 12, or December 12, for the quarter indicated at the top of Form 941. Don't include:

- Household employees,
- Employees in nonpay status for the pay period,
- Farm employees,
- Pensioners, or
- Active members of the Armed Forces.



If you enter "250" or more on line 1, you must file Forms W-2 electronically. For details, call the SSA at 1-800-772-6270 or visit SSA's Employer W-2 Filing Instructions & Information website at www.socialsecurity.gov/employer.

2. Wages, Tips, and Other Compensation

Enter amounts on line 2 that would also be included in box 1 of your employees' Forms W-2. Include sick pay paid by a third party if you were given timely notice of the payments and the third party transferred liability for the employer's taxes to you. See the General Instructions for Forms W-2 and W-3 for details.

If you are a third-party payer of sick pay, don't include sick pay that you paid to policyholders' employees here if you gave the policyholders timely notice of the payments.

3. Federal Income Tax Withheld From Wages, Tips, and Other Compensation

Enter the federal income tax you withheld (or were required to withhold) from your employees on this quarter's wages, tips, taxable fringe benefits, and supplemental unemployment compensation benefits. Don't include any income tax withheld by a third-party payer of sick pay even if you reported it on Forms W-2. You will reconcile this difference on Form W-3. Also include here any excise taxes you were required to withhold on golden parachute payments (section 4999).

If you are a third-party payer of sick pay, enter the federal income tax you withheld (or were required to withhold) on third-party sick pay here.

4. If No Wages, Tips, and Other Compensation are Subject to Social Security or Medicare Tax . . .

If no wages, tips, and other compensation on line 2 are subject to social security or Medicare tax, check the box on line 4. If this question doesn't apply to you, leave the box blank. For more information about exempt wages, see section 15 of Pub. 15 and section 4 of Pub. 15-A, Employer's Supplemental Tax Guide.



If you are a government employer, wages you pay aren't automatically exempt from social security and Medicare taxes. Your employees may be covered by law or by a voluntary Section 218 Agreement with the SSA. For more information, see Pub. 963, Federal-State Reference Guide.

5a–5e. Taxable Social Security and Medicare Wages and Tips

5a. Taxable social security wages. Enter the total wages, sick pay, and taxable fringe benefits subject to social security taxes you paid to your employees during the quarter. For this purpose, sick pay includes payments made by an insurance company to your employees for which you received timely notice from the insurance company. See section 6 in Pub. 15-A for more information about sick pay reporting.

Enter the amount before deductions. Don't include tips on this line. For information on types of wages subject to social security taxes, see section 5 of Pub. 15.

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For 2016, the rate of social security tax on taxable wages is 6.2% (.062) each for the employer and employee or 12.4% (.124) for both. Stop paying social security tax on and entering an employee's wages on line 5a when the employee's taxable wages (including tips) reach \$118,500 for the year. However, continue to withhold income and Medicare taxes for the whole year on wages and tips even when the social security wage base of \$118,500 has been reached.

$$\begin{array}{r} \text{line 5a (column 1)} \\ \times \quad .124 \\ \hline \text{line 5a (column 2)} \end{array}$$

5b. Taxable social security tips. Enter all tips your employees reported to you during the quarter until the total of the tips and wages for an employee reach \$118,500 for the year. Include all tips your employee reported to you even if you were unable to withhold the employee tax of 6.2%.

Your employee must report cash tips to you by the 10th day of the month after the month the tips are received. The report should include charged tips (for example, credit and debit card charges) you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement. Both directly and indirectly tipped employees must report tips to you. No report is required for months when tips are less than \$20. Employees may use Form 4070 (available only in Pub. 1244), or submit a written statement or electronic tip record.

Don't include allocated tips on this line. Instead, report them on Form 8027. Allocated tips aren't reportable on Form 941 and aren't subject to withholding of federal income, social security, or Medicare taxes.

$$\begin{array}{r} \text{line 5b (column 1)} \\ \times \quad .124 \\ \hline \text{line 5b (column 2)} \end{array}$$

5c. Taxable Medicare wages & tips. Enter all wages, tips, sick pay, and taxable fringe benefits that are subject to Medicare tax. Unlike social security wages, there is no limit on the amount of wages subject to Medicare tax.

The rate of Medicare tax is 1.45% (.0145) each for the employer and employee or 2.9% (.029) for both. Include all tips your employees reported during the quarter, even if you were unable to withhold the employee tax of 1.45%.

$$\begin{array}{r} \text{line 5c (column 1)} \\ \times \quad .029 \\ \hline \text{line 5c (column 2)} \end{array}$$

For more information on tips, see section 6 of Pub. 15.

5d. Taxable wages & tips subject to Additional Medicare Tax withholding. Enter all wages, tips, sick pay, and taxable fringe benefits that are subject to Additional Medicare Tax withholding. You are required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are

subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

For more information on what wages are subject to Medicare tax, see the chart, *Special Rules for Various Types of Services and Payments*, in section 15 of Pub. 15. For more information on Additional Medicare Tax, visit IRS.gov and enter "Additional Medicare Tax" in the search box.

Once wages and tips exceed the \$200,000 withholding threshold, include all tips your employees reported during the quarter, even if you were unable to withhold the employee tax of 0.9%.

$$\begin{array}{r} \text{line 5d (column 1)} \\ \times \quad .009 \\ \hline \text{line 5d (column 2)} \end{array}$$

5e. Total social security and Medicare taxes. Add the column 2 amounts on lines 5a–5d. Enter the result on line 5e.

5f. Section 3121(q) Notice and Demand—Tax Due on Unreported Tips

Enter the tax due from your Section 3121(q) Notice and Demand on line 5f. The IRS issues a Section 3121(q) Notice and Demand to advise an employer of the amount of tips received by employees who failed to report or underreported tips to the employer. An employer isn't liable for the employer share of the social security and Medicare taxes on unreported tips until notice and demand for the taxes is made to the employer by the IRS in a Section 3121(q) Notice and Demand. The tax due may have been determined from tips reported to the IRS on employees' Forms 4137, Social Security and Medicare Tax on Unreported Tip Income, or other tips that weren't reported to their employer as determined by the IRS during an examination. For additional information, see Rev. Rul. 2012-18, 2012-26 I.R.B. 1032, available at www.irs.gov/irb/2012-26_IRB/ar07.html.

Deposit the tax within the time period required under your deposit schedule to avoid any possible deposit penalty. The tax is treated as accumulated by the employer on the "Date of Notice and Demand" as printed on the Section 3121(q) Notice and Demand. The employer must include this amount on the appropriate line of the record of federal tax liability (Part 2 of Form 941 for a monthly schedule depositor or Schedule B (Form 941) for a semiweekly schedule depositor).

6. Total Taxes Before Adjustments

Add the total federal income tax withheld from wages, tips, and other compensation (line 3), the total social security and Medicare taxes before adjustments (line 5e), and any tax due under a Section 3121(q) Notice and Demand (line 5f). Enter the result on line 6.

7–9. Tax Adjustments

Enter tax amounts on lines 7–9 that result from current quarter adjustments. Use a minus sign (if possible) to show an adjustment that decreases the total taxes shown on line 6 instead of parentheses. Doing so enhances the accuracy of our scanning software. For example, enter "-10.59" instead of "(10.59)." However, if your software only allows for parentheses in entering negative amounts, you may use them.

Current quarter's adjustments. In certain cases, you must adjust the amounts you entered as social security and

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Medicare taxes in column 2 of lines 5a–5d to figure your correct tax liability for this quarter's Form 941. See section 13 of Pub. 15.

7. Current quarter's adjustment for fractions of cents. Enter adjustments for fractions of cents (due to rounding) relating to the employee share of social security and Medicare taxes withheld. The employee share of amounts shown in column 2 of lines 5a–5d may differ slightly from amounts actually withheld from employees' pay due to the rounding of social security and Medicare taxes based on statutory rates.

8. Current quarter's adjustment for sick pay. Enter the adjustment for the employee share of social security and Medicare taxes that were withheld and deposited by your third-party sick pay payer with regard to sick pay paid by the third-party. These wages should be included on line 5a, line 5c, and, if the withholding threshold is met, line 5d. If you are the third-party sick pay payer, enter the adjustment for any employer share of these taxes required to be paid by the employer.

9. Current quarter's adjustments for tips and group-term life insurance. Enter adjustments for:

- Any uncollected employee share of social security and Medicare taxes on tips, and
- The uncollected employee share of social security and Medicare taxes on group-term life insurance premiums paid for former employees.

Prior quarter's adjustments. If you need to correct any adjustment reported on a previously filed Form 941, complete and file Form 941-X. Form 941-X is an adjusted return or claim for refund and is filed separately from Form 941. See section 13 of Pub. 15.

10. Total Taxes After Adjustments

Combine the amounts shown on lines 6–9 and enter the result on line 10.

- **If line 10 is less than \$2,500 or line 10 on the preceding quarterly return was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter.** You may pay the amount with Form 941 or you may deposit the amount. To avoid a penalty, you must pay the amount in full with a timely filed return or you must deposit the amount timely. For more information on paying with a timely filed return, see the instructions for line 12 below.
- **If line 10 is \$2,500 or more and line 10 on the preceding quarterly return was \$2,500 or more, or if you incurred a \$100,000 next-day deposit obligation during the current quarter.** You must make deposits according to your deposit schedule. The amount shown on line 10 must equal the "Total liability for quarter" shown on line 14 or the "Total liability for the quarter" shown on Schedule B (Form 941).

For more information and rules about federal tax deposits, see *Depositing Your Taxes*, earlier, and section 11 of Pub. 15.



If you are a semiweekly depositor, you must complete Schedule B (Form 941). If you fail to complete and submit Schedule B (Form 941), the IRS may assert deposit penalties based on available information.

11. Total Deposits for This Quarter

Enter your deposits for this quarter, including any overpayment from a prior quarter. Also include in the amount shown any overpayment that you applied from filing Form 941-X, 941-X (PR), 944-X, or 944-X (SP), in the current quarter.

12. Balance Due

If line 10 is more than line 11, enter the difference on line 12. Otherwise, see *Overpayment*, later.

Never make an entry on both lines 12 and 13.

You don't have to pay if line 12 is under \$1. Generally, you should have a balance due only if your total taxes (line 10) for the current quarter or preceding quarter are less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. However, see section 11 of Pub. 15 for information about payments made under the accuracy of deposits rule.

If you were required to make federal tax deposits, pay the amount shown on line 12 by EFT. If you weren't required to make federal tax deposits, you may pay the amount shown on line 12 by EFT, credit card, debit card, check, money order, or EFW. For more information on electronic payment options, visit the IRS website at www.irs.gov/payments.

If you pay by EFT, credit card, or debit card, file your return using the *Without a payment* address under *Where Should You File*, earlier, and don't file Form 941-V, Payment Voucher.

If you pay by check or money order, make it payable to the "United States Treasury." Enter your EIN, Form 941, and the tax period on your check or money order. Complete Form 941-V and enclose with Form 941.

If line 10 is \$2,500 or more and you have deposited all taxes when due, the balance due on line 12 should be zero, unless you have reduced your deposits in anticipation of filing a Form 941-X to claim COBRA premium assistance credits. See *Depositing Your Taxes*, earlier.



If you are required to make deposits and instead pay the taxes with Form 941, you may be subject to a penalty. See *Must You Deposit Your Taxes*, earlier.

What if you can't pay in full? If you can't pay the full amount of tax you owe, you can apply for an installment agreement online. You can apply for an installment agreement online if:

- You can't pay the full amount shown on line 12,
- The total amount you owe is \$25,000 or less, and
- You can pay the liability in full in 24 months.

To apply using the Online Payment Agreement Application, go to IRS.gov, click on *Tools*, then click on *Online Payment Agreement*.

Under an installment agreement, you can pay what you owe in monthly installments. There are certain conditions you must meet to enter into and maintain an installment agreement, such as paying the liability within 24 months, and making all required deposits and timely filing tax returns during the length of the agreement.

If your installment agreement is accepted, you will be charged a fee and you will be subject to penalties and interest on the amount of tax not paid by the due date of the return.

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13. Overpayment

If line 11 is more than line 10, enter the difference on line 13. **Never make an entry on both lines 12 and 13.**

If you deposited more than the correct amount for the quarter, you can choose to have the IRS either refund the overpayment or apply it to your next return. Check only one box on line 13. If you don't check either box or if you check both boxes, generally we will apply the overpayment to your account. We may apply your overpayment to any past due tax account that is shown in our records under your EIN.

If line 13 is under \$1, we will send a refund or apply it to your next return only if you ask us in writing to do so.

Complete Both Pages

You must complete both pages of Form 941 and sign on page 2. Failure to do so may delay processing of your return.

Part 2: Tell Us About Your Deposit Schedule and Tax Liability for This Quarter

14. Tax Liability for the Quarter

- **De minimis exception.** If line 10 is less than \$2,500 or line 10 on the preceding quarterly return was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter, check the appropriate box on line 14 and go to Part 3.



If you meet the de minimis exception based on the prior quarter and line 10 for the current quarter is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule on line 14. If you are a semiweekly schedule depositor, attach Schedule B (Form 941).

- If you reported \$50,000 or less in taxes during the lookback period, you are a monthly schedule depositor unless the *\$100,000 Next-Day Deposit Rule* discussed in section 11 of Pub. 15 applies. Check the appropriate box on line 14 and enter your tax liability for each month in the quarter. Add the amounts for each month. Enter the result in the *Total liability for quarter* box.

Note that your total tax liability for the quarter must equal your total taxes shown on line 10. If it doesn't, your tax deposits and payments may not be counted as timely. Don't change your tax liability on line 14 by adjustments reported on any Forms 941-X.

You are a monthly schedule depositor for the calendar year if the amount of your Form 941 taxes reported for the lookback period is \$50,000 or less. The lookback period is the four consecutive quarters ending on June 30 of the prior year. For 2016, the lookback period begins July 1, 2014, and ends June 30, 2015. For details on the deposit rules, see section 11 of Pub. 15. If you filed Form 941 in either 2014 or 2015, your lookback period is the 2014 calendar year.



The amounts entered on line 14 are a summary of your monthly tax liability, not a summary of deposits you made. If you don't properly report your liabilities when required or if you are a semiweekly schedule depositor and enter your liabilities on line 14 instead of on Schedule B (Form 941), you may be assessed an "averaged"

failure-to-deposit (FTD) penalty. See Deposit Penalties in section 11 of Pub. 15 for more information.

- If you reported more than \$50,000 of taxes for the lookback period, you are a semiweekly schedule depositor. Check the appropriate box on line 14.

You must complete Schedule B (Form 941) and submit it with your Form 941. Don't use Schedule B (Form 941) if you are a monthly schedule depositor.

Don't change your tax liability on Schedule B (Form 941) by adjustments reported on any Forms 941-X.

Part 3: Tell Us About Your Business

In Part 3, answer only those questions that apply to your business. If the questions don't apply, leave them blank and go to Part 4.

15. If Your Business Has Closed . . .

If you go out of business or stop paying wages, you must file a final return. To tell the IRS that a particular Form 941 is your final return, check the box on line 15 and enter the date you last paid wages in the space provided. For additional filing requirements, see *If Your Business Has Closed*, earlier.

16. If You are a Seasonal Employer . . .

If you hire employees seasonally—such as for summer or winter only—check the box on line 16. Checking the box tells the IRS not to expect four Forms 941 from you throughout the year because you haven't paid wages regularly.

Generally, we won't ask about unfilled returns if you file at least one return showing tax due each year. However, you must check the box every time you file a Form 941.

Also, when you complete Form 941, be sure to check the box on the top of the form that corresponds to the quarter reported.

Part 4: May We Speak With Your Third-party Designee?

If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 941 with the IRS, check the "Yes" box in Part 4. Enter the name, phone number, and the five-digit personal identification number (PIN) of the specific person to speak with—not the name of the firm that prepared your tax return. The designee may choose any five numbers as his or her PIN.

By checking "Yes," you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your return. You also authorize your designee to do all of the following.

- Give us any information that is missing from your return.
- Call us for information about processing your return.
- Respond to certain IRS notices that you have shared with your designee about math errors and return preparation. The IRS won't send notices to your designee.

You aren't authorizing your designee to bind you to anything (including additional tax liability) or to otherwise represent you before the IRS. If you want to expand your designee's authorization, see Pub. 947.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your Form 941. If you or your designee want to terminate the

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authorization, write to the IRS office for your location using the *Without a payment* address under *Where Should You File*, earlier.

Part 5: Sign Here (Approved Roles)

Complete all information in Part 5 and sign Form 941. The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship**— The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)**— The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**— A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes**— The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate**— The fiduciary.

Form 941 may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form 941 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, at www.irs.gov/irb/2005-28_IRB/ar16.html.

Paid Preparer Use Only

A paid preparer must sign Form 941 and provide the information in the *Paid Preparer Use Only* section of Part 5 if the preparer was paid to prepare Form 941 and isn't an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you are a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, visit the IRS website at www.irs.gov/ptin. You can't use your PTIN in place of the EIN of the tax preparation firm.

Generally, don't complete this section if you are filing the return as a reporting agent and have a valid Form 8655 on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, advising the client on determining whether its workers are employees or independent contractors for federal tax purposes.

How to Order Forms, Instructions, and Publications from the IRS



Visit www.irs.gov/orderforms.

Other IRS Forms, Notices, and Publications You May Need

- Form SS-4, Application for Employer Identification Number
- Form W-2, Wage and Tax Statement
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Form W-4, Employee's Withholding Allowance Certificate
- Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return
- Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees
- Form 944, Employer's ANNUAL Federal Tax Return
- Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund
- Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips
- Form 8655, Reporting Agent Authorization
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC)
- Pub. 15, Employer's Tax Guide
- Pub. 15-A, Employer's Supplemental Tax Guide
- Pub. 15-B, Employer's Tax Guide to Fringe Benefits
- Pub. 596, Earned Income Credit
- Pub. 1244, Employee's Daily Record of Tips and Report to Employer
- Pub. 926, Household Employer's Tax Guide
- Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors
- Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations
- Schedule H (Form 1040), Household Employment Taxes
- Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers