You Can Win This Game - Avoid Penalties on Your Form 941

Everything Counts in Payroll
You Can Win This Game - Avoid Penalties on Your Form 941

Presented by:

David Wakeling, CPP
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Agenda

◆ Form 941
◆ Payroll tax deposits
◆ Depositor classification
◆ Reconciliations
◆ How to complete Form 941 to avoid trigger errors
Agenda

◆ Adjustments
◆ Checklist
Unites States Treasury

Payroll Taxes

Other Taxes

25%

75%
Poll #1

What is your experience in preparing Form 941?

a. None

b. I use an outsource provider

c. I am attending this workshop for a refresher
Payroll firm leaves clients in the lurch

Small businesses put their trust in LA Payroll. Now their money and the owner are missing.

By Ron Collins

Expectations have crashed forJapanese, 40, said he personally oversee the last update accounts. "We offered a few more accounts. "I lost $80,000 myself. For a small business, it's not easy to recover."

People who worked for Japanese, 40, said he personally oversee the last update accounts. "We offered a few more accounts. "I lost $80,000 myself. For a small business, it's not easy to recover."

By Ron Collins

They were crony and cronyists, hard-liners and holdouts, above all merchants, owners selling Southern California.

An old-timer in pay and accounts, said "I expected to lose the money. It was a bad deal." And people are hurt," said Vito Oriello, in Los Angeles.

The money in their lunch accounts will go. A former House member, said "We expected to lose the money. It was a bad deal." And people are hurt," said Vito Oriello, in Los Angeles.

By Ron Collins

A bear market for animal wranglers

Set vendors blame}

and Robert Melzer of the My City children's fitness franchise in L.A. She said the firm's clients first noticed something was amiss when the first of the 100 or so letters, LA Payroll's employment's account, was returned.

The money in their lunch accounts will go. A former House member, said "We expected to lose the money. It was a bad deal." And people are hurt," said Vito Oriello, in Los Angeles.

By Ron Collins

A bear market for animal wranglers

Set vendors blame
Ensuring Your Form 941 Avoids Penalties

You can transfer responsibility,
However, you cannot transfer accountability.
Ensuring Your Form 941 Avoids Penalties
Ensuring Your Form 941 Avoids Penalties

◆ Purpose of Form 941, *Employer’s Quarterly Federal Tax Return*?
  • Basic tax return filed by most employers
Purpose of Form 941, Employer’s Quarterly Federal Tax Return?

- Provides IRS with a report of:
  - Employer’s taxable wages
  - Payroll tax liability

- Matched to employer’s:
  - Record of tax deposits,
  - Form W-3, and
  - Employees’ Form W-2
Changes for 2016:

• Social security tax:
  ➢ Remains the same as 2015:
    ➢ Wage base - $118,500
    ➢ Rate remains the same – 6.2%

• Medicare tax:
  ➢ Remains same as 2015:
    ➢ 1.45% with no wage base
    ➢ 0.9% for employees earning in excess of $200,000
      ➢ No employer match
Ensuring Your Form 941 Avoids Penalties

◆ Who must file?
  • All employers who:
    ➢ Withhold FIT
    ➢ Withhold and subject to payment of:
      ◆ Social Security, and
      ◆ Medicare taxes
Ensuring Your Form 941 Avoids Penalties

◆ Who must file?

• Exceptions:
  ➢ Employers with agricultural employees
  ➢ Employers of household employees
  ➢ Employers with history of annual tax liabilities of ≥ $1,000
Payments Made With Form 941

- Employers required to deposit withheld income and employment taxes through the Electronic Federal Tax Payment System (EFTPS)

- If total tax liability less than $2,500:
  - Deposit by due date, or
  - Pay it with Form 941 using:
    - Form 941-V, *Form 941 Payment Voucher*
Payments Made With Form 941

- Form 941-V, *Form 941 Payment Voucher* must include the following:
  - Employer identification number (EIN)
  - Amount of payment
  - Tax period – darken the oval for the quarter for which the tax payment is made
  - Employer’s name and address
When must a Form 941 be filed?

• Each quarter until the employer
  - Permanently stops paying wages
Filing Form 941

◆ When must a Form 941 be filed?
  • Each quarter until the employer
    ➢ Permanently stops paying wages
Form 941 due by the last day of the first month following the end of each calendar quarter

If all of the deposits made timely, receive an automatic extension to the 10th day of the next month
### Form 941 Due Dates - 2016

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>941 Due</th>
<th>Timely Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31st</td>
<td>April 30</td>
<td>May 10th</td>
</tr>
<tr>
<td>June 30th</td>
<td>July 31st</td>
<td>August 10th</td>
</tr>
<tr>
<td>Sept. 30th</td>
<td>Oct. 31st</td>
<td>Nov. 10th</td>
</tr>
<tr>
<td>Dec. 31st</td>
<td>Jan. 31st</td>
<td>Feb. 10th</td>
</tr>
</tbody>
</table>

If due date falls on a weekend or legal holiday, the return must be filed on the next business day.
Form 941 Due Dates

Larry The Cable Guy
“Git-R-Done”
When to File Form 941

- If due date falls on Saturday, Sunday or legal Federal holiday, due date next business day
- Employers going out of business file by the due date of the quarter ceased paying wages
When to File Form 941

◆ When are mailed forms considered filed?
  
  • Date of the U.S. Postal Service postmark
  
  • Best Practice
    
    ➢ Registered or Certified Mail – as of the registration date
When to File Form 941

◆ Private delivery services authorized by the IRS:

- Federal Express
- UPS
Where to File Form 941

◆ File with IRS location per the Form 941 instructions
Payroll Tax Deposits

◆ Payroll tax deposits
Ensuring Your Form 941 Avoids Penalties

◆ What details are needed to complete Form 941?

  o Schedule of deposits and liability dates
  o Federal taxable wages and withholdings
  o Social Security taxable wages and withholdings
  o Medicare taxable wages and withholdings
  o Description of adjustments
Payroll Tax Deposits

◆ Payroll tax deposits
Payroll Tax Deposits

◆ One method only:
  • All payroll taxes paid electronically through the Electronic Federal Tax Payment System (EFTPS)
Payroll Tax Deposits

- Depositing taxes timely
Depositor Classification

◆ Two types of depositors:
  • Monthly
  • Semiweekly

◆ One-Day Deposit Rule
Lookback Period

- Determination of **monthly** or **semiweekly** depositor depends on “lookback period”

- “Lookback period” looks back over a 12-month period

- The lookback period is the 12-month period from 7/01 of the second previous year through 6/30 of the previous year
Lookback Period For New Employer

Start of Business
★March 18, 2015

2016

June 30, 2015★

Lookback Period
Based on 941 Quarterly Taxes (FIT, social security and Medicare) deposited 3rd and 4th Quarter of 2014, and 1st and 2nd Quarter of 2015

During this time if:

• $50,000 or less was deposited, you are a Monthly Depositor
• If more than $50,000 was deposited you are a Semiweekly Depositor
Monthly Depositor

◆ If liability for lookback period is $50,000 or less you are a Monthly Depositor:

• Deposit is due on or before the 15th day of the following month
Monthly Depositor

- Tax liability - $100,000 or more on any given day
  - Deposit next banking day

Monthly depositor becomes semiweekly depositor remainder of year and following year.
Deposit for lookback period exceeds $50,000

• Liability occurs Saturday – Tuesday:
  ➢ Deposit on or before the following Friday
• Liability occurs Wednesday – Friday:
  ➢ Deposit on or before the following Wednesday

One-Deposit Rule

• If any accumulation of employment taxes exceeds $100,000 or more during any semiweekly deposit period, the deposit is due by the end of the next banking day
Semiweekly Depositor

Saturday, Sunday, Monday, and/or Tuesday to be deposited the following Friday

Wednesday, Thursday, and/or Friday to be deposited the following Wednesday
Liabilities incurred covering two quarters in one semiweekly period require multiple deposits to identify the correct quarters.

- Note: If employer pays wages on two different days in different quarters during the semiweekly pay period, the employer will have two separate deposit obligations.
Fashion Designs, Inc., a semiweekly depositor, pays wages on Wednesday, March 30, with an employment tax liability of $32,000. Quarterly bonuses are then paid on Friday, April 1, and an employment tax liability of $6,000 is incurred.

Rather than a total deposit obligation of $38,000, Carson has two separate obligations of $32,000 and $6,000. Why?

• Because the quarter ended Thursday, March 31 during the semiweekly deposit period.

• Each deposit must be made separately by Wednesday, April 6 with each deposit indicating the proper quarter during which the liability was incurred.
One-Day Deposit Rule

Overland Express, Inc., is a semiweekly depositor. On Monday, the company accumulates an employment tax liability of $110,000, and must deposit this amount on Tuesday, the next business day. On Tuesday, it pays quarterly bonuses with an employment tax liability of $30,000.

Note:

• The $30,000 is not added to the previous $110,000 incurred in the same semiweekly period, and is less than $100,000.

• Therefore, Overland Express, Inc. must deposit the $30,000 by Friday following the semiweekly deposit schedule.
One-Day Deposit Rule

If the same situation was reversed and Overland Express, Inc. accumulates taxes of $30,000 on Monday, and $110,000 on Tuesday, when must the total deposit of $140,000 be deposited?

By Wednesday – Next business day.
Manual Checks (Off-Cycle)

◆ Tax liability must be deposited for the period the payment was made.

© American Payroll Association
Banking Holidays

◆ Monthly and One-Day
  • Next banking day after holiday

◆ Semiweekly
  • Three banking days
<table>
<thead>
<tr>
<th>Holiday</th>
<th>Day Observed – 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Year’s Day</td>
<td>Friday, January 1</td>
</tr>
<tr>
<td>Martin Luther King Jr.’s Day</td>
<td>Monday, January 18</td>
</tr>
<tr>
<td>Presidents Day</td>
<td>Monday, February 15</td>
</tr>
<tr>
<td>Emancipation Day</td>
<td>Friday, April 15</td>
</tr>
<tr>
<td>Memorial Day</td>
<td>Monday, May 30</td>
</tr>
<tr>
<td>Independence Day</td>
<td>Monday, July 4</td>
</tr>
<tr>
<td>Labor Day</td>
<td>Monday, September 5</td>
</tr>
<tr>
<td>Columbus Day</td>
<td>Monday, October 10</td>
</tr>
<tr>
<td>Veterans Day</td>
<td>Friday, November 11</td>
</tr>
<tr>
<td>Thanksgiving Day</td>
<td>Thursday, November 24</td>
</tr>
<tr>
<td>Christmas Day</td>
<td>Monday, December 26</td>
</tr>
</tbody>
</table>
Ensuring Your Form 941 Avoids Penalties

◆ Late deposit penalties
# Failure to Deposit Penalties

<table>
<thead>
<tr>
<th>NUMBER OF DAYS LATE</th>
<th>PERCENT OF UNDEPOSITED TAX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>2%</td>
</tr>
<tr>
<td>6 - 15</td>
<td>5%</td>
</tr>
<tr>
<td>15</td>
<td>10%</td>
</tr>
<tr>
<td>10+ Days of IRS delinquency notice</td>
<td>15%</td>
</tr>
<tr>
<td>Trust Fund Recovery Act (willful failure to withhold and deposit taxes)</td>
<td>100%</td>
</tr>
</tbody>
</table>
The Reconciliation Process
The Reconciliation Process

- IRS and SSA partner to detect and correct errors
The Reconciliation Process

- Forms W-2 and W-3 sent to SSA
The Reconciliation Process

- Employment tax returns (e.g., Forms 941, 943, 944, 941-X) sent to IRS
The Reconciliation Process

◆ SSA compare Form 941/W-3 for the following amounts
  • Social security wages
  • Social security tips
  • Medicare wages and tips
The Reconciliation Process

◆ Discrepancies

• Form 941 totals > then Forms W-2/W-3:
  ➢ SSA sends notice to employer

• Form 941 totals < than Forms W-2/W-3:
  ➢ IRS send notice to employer
The Employer’s Tax Return
Form 941 FORM 941

FILING FORM 941
Ensuring Your Form 941 Avoids Penalties

◆ Successful preparation of a Form 941 begins with:
  • The very first payroll in January

[Payroll Reconciliation.xls]
The Reconciliation Process

<table>
<thead>
<tr>
<th>941 Items</th>
<th>Quarter 1</th>
<th>Quarter 1 W-2 Audit Report</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Income Tax W/H</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Tax W/H</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Tips</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Wages and Tips</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Tax Withheld</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Medicare Wages &amp; Tips</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Medicare Tax W/H</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## The Reconciliation Process

<table>
<thead>
<tr>
<th>941/W-2/W-3 Items</th>
<th>YTD Quarter 3</th>
<th>Quarter 4</th>
<th>Total</th>
<th>YTD Quarter 4 W-2 Audit Report</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Income Tax W/H</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Wages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Tax W/H</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security Tips</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Wages and Tips</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Tax Withheld</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Medicare Wages &amp; Tips</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Medicare Tax W/H</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ensuring Your Form 941 Avoids Penalties

◆ Quarterly W-2 Audit Reports
Form W-3

<table>
<thead>
<tr>
<th>ID</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS</td>
<td>Social Security wages</td>
</tr>
<tr>
<td>MT</td>
<td>Medicare wages and tips</td>
</tr>
<tr>
<td>ST</td>
<td>Social security tips</td>
</tr>
<tr>
<td>DR</td>
<td>Deferred compensation</td>
</tr>
<tr>
<td>PO</td>
<td>For third-party sick pay use only</td>
</tr>
<tr>
<td>IO</td>
<td>Income tax withheld by payer of third-party sick pay</td>
</tr>
<tr>
<td>LO</td>
<td>Local income tax</td>
</tr>
</tbody>
</table>

Under penalties of perjury, I declare that I have examined this return and accompanying documents and, to the best of my knowledge and belief, they are true, correct and complete.

Signature: ____________________________
Title: ____________________________
Date: ____________________________

Transmittal of Wage and Tax Statements

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA).

Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Reminder: See the 2016 General Instructions for Forms.
Form W-2

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Employee's social security number</td>
<td>1 Wages, tips, other compensation</td>
</tr>
<tr>
<td>b Employer Identification number (EIN)</td>
<td>2 Federal income tax withheld</td>
</tr>
<tr>
<td>c Employer's name, address, and ZIP code</td>
<td>3 Social security wages</td>
</tr>
<tr>
<td>d Control number</td>
<td>4 Social security tax withheld</td>
</tr>
<tr>
<td>e Employee's first name and Initial Last name</td>
<td>5 Medicare wages and tips</td>
</tr>
<tr>
<td>f Employee's address and ZIP code</td>
<td>6 Medicare tax withheld</td>
</tr>
<tr>
<td></td>
<td>7 Social security tips</td>
</tr>
<tr>
<td></td>
<td>8 Allocated tips</td>
</tr>
<tr>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>10 Dependent care benefits</td>
</tr>
<tr>
<td>11 Nonqualified plans</td>
<td>12a See Instructions for box 12</td>
</tr>
<tr>
<td>12b</td>
<td>13 Statutory employee retirement plan Third-party sick pay</td>
</tr>
<tr>
<td>14 Other</td>
<td>12c</td>
</tr>
<tr>
<td></td>
<td>12d</td>
</tr>
<tr>
<td>15 State Employer's state ID number</td>
<td>16 State wages, tips, etc.</td>
</tr>
<tr>
<td>17 State income tax</td>
<td>18 Local wages, tips, etc.</td>
</tr>
<tr>
<td>19 Local income tax</td>
<td>20 Locality name</td>
</tr>
</tbody>
</table>

Form W-2 Wage and Tax Statement

For Social Security Administration — Send this entire page: Form W-3 to the Social Security Administration; photocopies are not acceptable.

Do Not Cut, Fold, or Staple Forms on This Page
SSA Reconciliation Points

◆ Compare the amounts to be reported to SSA on Form W-3 to the sum of the amounts reported to the IRS on Form 941

● The following amounts should match

<table>
<thead>
<tr>
<th>Item</th>
<th>W-2 Box</th>
<th>941 Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security Wages</td>
<td>3</td>
<td>5a</td>
</tr>
<tr>
<td>Social Security Tips</td>
<td>7</td>
<td>5b</td>
</tr>
<tr>
<td>Medicare Wages/Tips</td>
<td>5</td>
<td>5c</td>
</tr>
<tr>
<td>Additional Medicare Wages/Tips</td>
<td>5</td>
<td>5d</td>
</tr>
<tr>
<td>Federal Income Tax Withheld</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
## Items Reconciled

<table>
<thead>
<tr>
<th>Social Security</th>
<th>Medicare</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Wages</td>
<td>• Wages</td>
</tr>
<tr>
<td>• Tips</td>
<td>• Tips</td>
</tr>
<tr>
<td>• Tax Withheld</td>
<td>• Tax Withheld</td>
</tr>
</tbody>
</table>

Federal Income Tax Withheld

- If the W-2s are **less** than 941 – SSA sends notice
- If the W-2s are **more** than 941 – IRS sends notice
Poll #2

How many of you prepare a quarterly reconciliation worksheet as well as each payroll?

a. Yes  

b. No  

c. Unsure  

d. No, but I will start immediately
Poll #3

How many of you send an employee social security number reconciliation to the SSA?

a. Never
b. Annually
c. Quarterly
d. Every payroll
Ensuring Your Form 941 Avoids Penalties
Completing FORM 941
941 for 2016: Employer’s QUARTERLY Federal Tax Return

Department of the Treasury — Internal Revenue Service

Employer identification number (EIN) 12-3456789

Name (not your trade name) Eastbridge Denim

Trade name (if any)

Address 12121 Denim Street

Eastbridge Denim Street VA 34567

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)

2. Wages, tips, and other compensation

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

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

Column 1

5a Taxable social security wages 135000.00

5b Taxable social security tips

5c Taxable Medicare wages & tips 150000.00

5d Taxable wages & tips subject to Additional Medicare Tax withholding 250000.00

Column 2

5e Add Column 2 from lines 5a, 5b, 5c, and 5d 213150.00

5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions) 438150.00

6 Total taxes before adjustments. Add lines 3, 5e, and 5f 438150.00

7 Current quarter’s adjustment for fractions of cents

8 Current quarter’s adjustment for sick pay

9 Current quarter’s adjustments for tips and group-term life insurance

10 Total taxes after adjustments. Combine lines 6 through 9 438150.00

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (FR), 944-X, or 944-X (SP) filed in the current quarter 438150.00

12 Balance due. If line 10 is more than line 11, enter the difference and see instructions

13 Overpayment. If line 11 is more than line 10, enter the difference

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

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.
**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.

- **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:**

  - **You were a monthly schedule depositor for the entire quarter.** Enter your tax liability for each quarter 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.**

- **X** 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**

Daniel Hatter

Print your name here: Daniel Hatter

Print your title here: President

Date: 02 / 02 / 2016

Best daytime phone:

**Paid Preparer Use Only**

Preparer's name:

Preparer's signature:

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

Address:

City: State: ZIP code:

Check if you are self-employed:  . . .

FTIN:

Date: / / 

EIN:

Phone:

ZIP code:
Form 941 Line-By-Line Reporting Requirements
Student Visas

◆ Nonresident aliens with:
  ● F-1, J-1, M-1 or Q-1 visas
  ➢ Not subject to social security or Medicare taxes

Jose Quickly Flees to Mexico.
Third Party Sick Pay

- Third Party Agent transfers reporting of sick pay and payment of employer taxes to employer
- Employer reports this information on the 4th Quarter Form
Form 941 Line-By-Line Reporting Requirements

No parentheses
Schedule B (Form 941)

◆ Schedule B of Form 941, “Employer's Record of Federal Tax Liability,” is a record of an employer's tax liability.

◆ NOTE: *It should not be used to report the date a particular deposit was made.*
**Schedule B (Form 941):**

**Report of Tax Liability for Semiweekly Schedule Depositors**

(Rev. January 2014)

Department of the Treasury — Internal Revenue Service

**Employer identification number (EIN):**

123456789

**Name (not your trade name):**

Eastbridge Clothiers

**Calendar year:**

2016

(Also check quarter)

Use this schedule to show your TAX LIABILITY for the quarter. DO NOT use it to show your deposits. When you file this form with Form 941 or Form 941-SS, DO NOT change your tax liability by adjustments reported on any Forms 941-X or 944-X. You must fill out this form and attach it to Form 941 or Form 941-SS if you are a semiweekly schedule depositor and you have an accumulated tax liability on any day between 1:00,000 or more. Write your daily tax liability on the numbered space that corresponds to the date wages were paid. See Section 11 of Pub. 15 (Circular E), Employer’s Tax Guide, for details.

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**Tax liability for Month 1:**

189000.00

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**Tax liability for Month 2:**

126000.00

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**Tax liability for Month 3:**

123150.00

**Total liability for the quarter:**

438150.00

For Paperwork Reduction Act Notice, see separate instructions.
Employers who are required to file a Schedule B along with their Forms 941 include:

- Semi-weekly depositors; and
- Monthly depositors accumulating at least $100,000 employment tax liability during a month

Note: Most errors occur on this form
Schedule B (Form 941)

IRS Matches

Payroll Deposits

Payroll Tax Liability
FORM 941 - SCHEDULE B

Schedule B contains three sections:

• One for each month of the quarter
• Each section has 31 blocks where employers record the tax liability (not dates of deposit) incurred on each day of the quarter
Schedule B (Form 941):
Report of Tax Liability for Semiweekly Schedule Depositors

[Text in the image is not fully legible, but it appears to be a form for reporting tax liability for semiweekly deposits with sections for different months and tax liabilities.]
NOTE: Total on Schedule B must tie to total taxes on Form 941 (Line 10)
New corporation normally will file the Form 941 for wages paid by both corporations.

Attach a statement to Form 941 indicating the:

- Change that has taken place
- Date of the change
- Former corporation’s name, address, and EIN
Both previous and new owner will file a 941 for the employees they each paid during the quarter.

Attach a statement indicating:
- New owners name
- Whether business is a sole proprietorship, partnership, or corporation
- Was it a sale or transfer
- The date the change occurred
Penalties
Penalties

Penalties for Late Reporting and Paying Tax

- Penalty and Interest notices from IRS must include details as to how they were determined.
Additional Penalties:

- Late filing of employment tax returns
  - 5% of the amount of tax reported reduced by any timely deposits for each month or fraction of a month that the return is late, up to a maximum of 25%.
  - 15% per month, up to 75% if late filing is fraudulent.
Penalties

◆ Additional Penalties:

• **Failure to pay employment taxes**
  - 0.5% of
    ◆ Any unpaid tax shown on the return for each month or fraction of a month that the payment is late
      - Up to 25%.
  - Additional 0.5% per month of
    ◆ any unpaid tax not shown on the return but for which IRS has issued a notice and demand.
◆ Additional Penalties:

• **Failure to pay employment taxes continued:**

  ➢ Penalties increase to 1% of the unpaid tax for each month beginning:

    ✓ 10 days after the employer is notified by IRS of the intent to levy employers assets.

    ✓ On the day after the day the employer is notified by the IRS of the demand for immediate payment.
Additional Penalties:

- **Failure to file and pay**

  In any month where an employer is subject to additions to tax both for a failure to file an employment tax return and a failure to pay tax, the addition for failure to file is reduced by 0.5% of the unpaid tax.
Penalties

◆ Additional Penalties:

  • **Criminal Penalties**

    ➢ For the willful failure to file a return, pay tax or keep records

      ◆ Up to $25k ($100k for corporations) and/or imprisonment for up to one year.

    ➢ For the willful delivery to the IRS of a tax return known to be fraudulent,

      ◆ Up to $10k ($50k for corporations) and/or imprisonment for up to one year.
Additional Penalties:

- **Criminal Penalties (continued)**
  - For the willful attempt to evade the payment of any tax
    - Up to $100k ($50k for corporations) and/or
    - Imprisonment for up to five years.
  - For signing any return, statement, or other document under the penalty of perjury without believing it to be true
    - Up to $100k ($50k for corporations) and/or
    - Imprisonment for up to three years.
Poll #4

Do you prepare a Form 941 Quarterly Checklist?

a. I am not sure
b. Yes
c. No
d. I am going to start using one
Checklist to Avoid Form 941 Errors
Quarter Ending: ____________

☐ Download the latest Form 941 version from irs.gov
☐ Verify that the employer identification number (EIN) and name on both Form 941 and Schedule B (Form 941) match the name of your business and the EIN number assigned by the IRS
☐ Make certain the employer’s name and other business identifying information is entered correctly at the top of Page 1, and that the employer’s name and EIN are entered at the top of Page 2
☐ Prepare a quarterly reconciliation worksheet by payroll
  ☐ Verify that the Quarterly Form W-2 Audit Report totals tie to the Form 941 reconciliation worksheet
  ☐ Verify that there are no negative wages in the Quarterly Form W-2 Audit Report
☐ Use a 12-point Courier font for all entries if a typewriter or computer is used to complete the form
☐ Omit dollar signs
☐ Negative amounts should have a minus (-) sign, not parentheses
☐ Enter dollars to the left of the pre-printed decimal points and cents to the right
☐ Even though the use of commas is optional, best practice is not to use them
☐ Leave blank any data field with a value of zero
☐ Enter the employer’s name and EIN on all pages and attachments
☐ Verify that the appropriate quarter has been checked in the Report for this Quarter of 2015 box on both Form 941 and Schedule B (Form 941)
☐ Complete the Calendar Year box on Schedule B (Form 941). Never assume that the IRS will figure it out.
☐ Report separately:
  ☐ The taxable social security wages and the social security tax on Lines 5a, Column 1 and 5a, Column 2
  ☐ The taxable social security tips and the social security tax on Lines 5b, Column 1 and 5b, Column 2
  ☐ The taxable Medicare wages and tips and the Medicare tax on Lines 5c, Column 1 and 5c, Column 2
  ☐ The Additional taxable Medicare wages and tips on Lines 5d, Column 1 and 5d, Column 2
☐ Verify the calculations:
  ☐ Social security tax on Line 5a, Column 2 (12.4% x social security wages)
  ☐ Medicare tax on Line 5c (2.9% x Medicare wages and tips); and
  ☐ Additional Medicare tax on Line 5d, Column 2 (0.9% x Medicare wages in excess of $200,000)
☐ Verify that Line 10 equals the total of lines 6, 7, 8, and 9
☐ Never submit a form with an entry on both Lines 12 and 13; an employer cannot have both a balance due and an overpayment
☐ At year end, always check totals on Forms 941 and W-3 to make sure they match
☐ Always sign the return and print the employer’s name and title in the space provided

Signed: ________________  Date: __________
All Form 941 adjustments for employment taxes for prior quarters

- Must be:
  - Accompanied by FORM 941-X *Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund*, and
  - Explain the adjustment
Form 941-X: Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

Read the instructions before completing this form. Use this form to correct errors you made on Form 941 or 941-SS for one quarter only. Type or print within the boxes. This return must be filed on or before the due date of the return due for the quarter being corrected. You cannot split one quarter into two separate quarters.

**Part 1: Select ONLY one process.**

1. Adjusted employment tax return. Check this box if you underreported amounts. Check this box if you overreported amounts and you would like to use the adjustment process to correct the errors. You must check this box if you are correcting both underreported and overreported amounts on this form. The amount shown on line 20, if less than zero, may only be applied as a credit to your Form 941, Form 941-SS, Form 944, or Form 944-S for the tax period in which you are filing this form.

2. Claim. Check this box if you overreported amounts only and you would like to use the claim process to ask for a refund or abatement of the amount shown on line 20. Do not check this box if you are correcting ANY underreported amounts on this form.

**Part 2: Complete the certifications.**

3. I certify that I have filed or will file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, as required.

   Note: If you are correcting underreported amounts only, go to Part 3 on page 2 and skip lines 4 and 5.

4. You must check at least one box. I certify that:
   a. I repaid or reimbursed each affected employee for the overcollected federal income tax for the current year and the overcollected social security and Medicare tax for current and prior years. For adjustments of employee social security and Medicare tax overcollected in prior years, I have a written statement from each employee stating that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
   b. The adjustment of social security tax and Medicare tax is for the employer's share only. I could not find the affected employees or each employee did not give me a written statement that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
   c. The adjustment is for federal income tax, social security tax, and Medicare tax that I did not withhold from employee wages.

5. You must check at least one box. I certify that:
   a. I repaid or reimbursed each affected employee for the overcollected social security and Medicare tax. For claims of employee social security and Medicare tax overcollected in prior years, I have a written statement from each employee stating that he or she has not claimed (or the claim was rejected) and will not claim a refund or credit for the overcollection.
   b. I have a written consent from each affected employee stating that I may file this claim for the employee's share of social security and Medicare tax. For returns of employee social security and Medicare tax overcollected in prior years, I also have a written.
Making Adjustments and Corrections

◆ Must follow IRS procedures

• If discovered:
  - Before Form 941 is filed, make correction and report on Form 941
  - After Form 941 is filed, must file Form 941-X
Undercollected Taxes

**Undercollected** FIT, social security and Medicare taxes:

- Discovered **before** Form 941 filed:
  - Report and pay the adjustment with the 941 on the next Form 941. Must also file Form 941-X
Undercollected Taxes

**Undercollected** FIT, social security and Medicare taxes:

- Discovered after Form 941 filed:
  - FIT undercollected, but in **same** year:
    - Report as an adjustment on the next Form 941 no later than the 4th quarter
    - Collect from employee in the same year that error occurred
  - **Social security and Medicare**
    - Report as an adjustment on the next Form 941. Must also file Form 941-X
Overcollected Taxes

◆ Discovered **before** Form 941 filed:

- Do not have to report if repay employee by due date of Form 941
  - FIT must be repaid by December 31 even though Form 941 for that quarter is not due until January 31 of the following year
  - Overpaid amounts must be reported on the Form 941 with a statement explaining the overcollection
Ensuring Your Form 941 Avoids Penalties

References
Q&A

What

Where

When

Why

How
Summary

◆ Form 941
◆ Payroll tax deposits
◆ Depositor classification
◆ Reconciliations
◆ How to complete Form 941 to avoid trigger errors
◆ Adjustments