

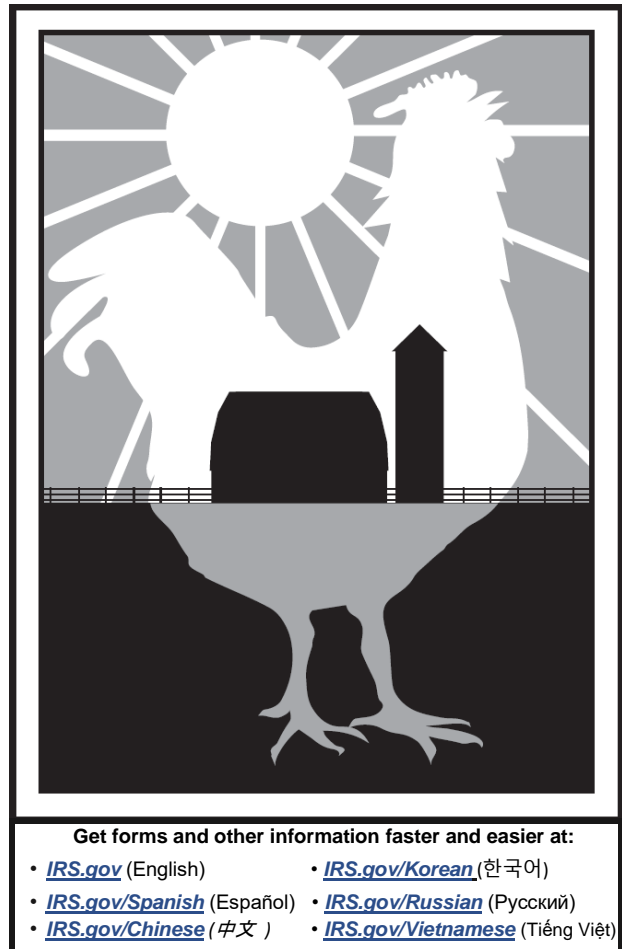
Publication 225

Farmers Tax Guide

For use in preparing

2024 Returns

Volume 9 of 11



Publication 225 (Rev 2024) Catalog Number 39248W
Department of the Treasury **Internal Revenue Service** www.irs.gov



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Weather-related conditions. If, because of drought, flood, or other weather-related conditions, it isn't feasible for you to reinvest the insurance money or other proceeds in property similar or related in service or use to the livestock, you can treat other property (excluding real property) used for farming purposes as property similar or related in service or use to the livestock you disposed of.

Example. Each year, you normally sell 25 cows from your beef herd. However, this year you had to sell 50 cows. This is because a severe drought significantly reduced the amount of hay and pasture yield needed to feed your herd for the rest of the year. Because, as a result of the severe drought, it isn't feasible for you to use the proceeds from selling the extra cows to buy new cows, you can treat other property (excluding real property) used for farming purposes as

property similar or related in service or use to the cows you sold.

Standing crop destroyed by casualty. If a storm or other casualty destroyed your standing crop and you use the insurance money to acquire either another standing crop or a harvested crop, this purchase qualifies as replacement property. The costs of planting and raising a new crop qualify as replacement costs for the destroyed crop only if you use the crop method of accounting (discussed in chapter 2). In that case, the costs of bringing the new crop to the same level of maturity as the destroyed crop qualify as replacement costs to the extent they are incurred during the replacement period.

Timber loss. Standing timber (not land) you bought with the proceeds from the sale of timber downed as a result of a casualty, such as high winds, earthquakes, or volcanic eruptions, qualifies as replacement property. If you bought the standing timber within the

replacement period, you can postpone reporting the gain.

Business or income-producing property located in a federally declared disaster area. If your destroyed business or income-producing property was located in a federally declared disaster area, any tangible replacement property you acquire for use in any business is treated as similar or related in service or use to the destroyed property. For more information, see *Disaster Area Losses* in Pub. 547.

Substituting replacement property. Once you have acquired qualified replacement property and have designated it as replacement property in a statement attached to your tax return, you can't substitute other qualified replacement property. This is true even if you acquire the other property within the replacement period. However, if you discover that the original replacement property wasn't qualified replacement

property, you can, within the replacement period, substitute the new qualified replacement property.

Basis of replacement property. You must reduce the cost basis of your replacement property by the amount of postponed gain. In this way, tax on the gain is postponed until you dispose of the replacement property. Amounts paid for replacement property that exceed the amount of the gain postponed can be depreciated.

Example. In 2024, you sold 50 cows with a \$0 basis due to severe drought. This is more than the 25 cows you normally sell each year. The proceeds from the sale of the additional 25 cows are \$31,250. Because of the severe drought, it isn't feasible for you to use these proceeds to buy replacement cows. Instead, you use the proceeds to buy a hay baler for \$40,000. You choose to postpone reporting the \$31,250 gain (\$31,250 – \$0) from the

sale of the cows. Therefore, the basis of the hay baler is \$8,750 (\$40,000 – \$31,250).

Replacement Period

To postpone reporting your gain, you must buy replacement property within a specified period of time. This is the replacement period.

The replacement period begins on the date your property was damaged, destroyed, stolen, sold, or exchanged. The replacement period generally ends 2 years after the close of the first tax year in which you realize any part of your gain from the involuntary conversion.

Example. You are a calendar year taxpayer. Farm equipment that cost \$2,200 was stolen from your farm. You discovered the theft when you returned to your farm on November 11, 2023. Your insurance company investigated the theft and didn't settle your claim until January 3, 2024, when they paid you \$3,000. You first realized a gain from the

reimbursement for the theft during 2024, so you have until December 31, 2026, to replace the property.

Main home in disaster area. For your main home (or its contents) located in a federally declared disaster area, the replacement period ends 4 years after the close of the first tax year in which you realize any part of your gain from the involuntary conversion. See Disaster Area Losses, later.

Weather-related sales of livestock in an area eligible for federal assistance. For the sale or exchange of livestock due to drought, flood, or other weather-related conditions in an area eligible for federal assistance, the replacement period ends 4 years after the close of the first tax year in which you realize any part of your gain from the sale or exchange. The IRS may extend the replacement period on a regional basis if the weather-related conditions continue for longer than 3 years.

For information on extensions of the replacement period because of persistent drought, see Notice 2006-82, 2006-39 I.R.B. 529, available at https://www.irs.gov/irb/2006-39_IRB#NOT-2006-82. For a list of counties for which exceptional, extreme, or severe drought was reported during the 12 months ending August 31, 2024, see Notice 2024-70, available at <https://www.irs.gov/pub/irs-drop/n-24-70.pdf>.

Condemnation. The replacement period for a condemnation begins on the earlier of the following dates.

- The date on which you disposed of the condemned property.
- The date on which the threat of condemnation began.

The replacement period generally ends 2 years after the close of the first tax year in which any part of the gain on the

condemnation is realized. But see Main home in disaster area, earlier, for an exception.

Business or investment real property. If real property held for use in a trade or business or for investment (not including property held primarily for sale) is condemned, the replacement period ends 3 years after the close of the first tax year in which any part of the gain on the condemnation is realized.

Extension. You can apply for an extension of the replacement period. You should apply for the extension before the end of the replacement period. Ordinarily, requests for extensions aren't made or granted until near the end of the replacement period or the extended replacement period.

About the extension. Extensions are usually limited to a period of not more than 1 year. The high market value or scarcity of replacement property isn't sufficient grounds for granting an extension. If your

replacement property is being constructed and you clearly show that the construction can't be completed within the replacement period, you may be granted an extension of the period.

Making your request. You can request an extension of the replacement period by faxing your written request to 877-477-9193 or mailing your request to: Internal Revenue Service, 985 Michigan Ave, Stop 16, Detroit, MI 48226. The submission should include a cover sheet with the following information.

- Date.
- Your name, title, phone number, and address.
- Attention: SB/SE Field Examination Area Director [Your State].
- Subject: 1033 Extension Request for Replacement Period of Involuntarily Converted Property.

- Number of pages faxed (inclusive of cover sheet).

What to include in your request. Your request must contain all the details describing why you need the extension. Include:

1. The name, address, and taxpayer identification number of the taxpayer,
2. A detailed description of the property converted,
3. Date the property was converted,
4. Adjusted basis of the property converted,
5. Date(s) and amount(s) of the payments received,
6. Copy of the return with the involuntary conversion of property at a gain and related deferral of the gain, and
7. A description of the actions taken to replace the property.

Filing after the replacement period. You can file an application within a reasonable time after the replacement period ends if you can show a good reason for the delay. An extension may be granted if you can show that there is a reasonable cause for not making the replacement within the replacement period.

How To Postpone Gain

You postpone reporting your gain by reporting your choice on your tax return for the year you have the gain. You have the gain in the year you receive insurance proceeds or other reimbursements that result in a gain.

Required statement. You should attach a statement to your return for the year you have the gain. This statement should include all the following information.

- The date and details of the casualty, theft, or other involuntary conversion.

- The insurance or other reimbursement you received.
- How you figured the gain.

Replacement property acquired before return filed. If you acquire replacement property before you file your return for the year you have the gain, your statement should also include detailed information about all the following items.

- The replacement property.
- The postponed gain.
- The basis adjustment that reflects the postponed gain.
- Any gain you are reporting as income.

Replacement property acquired after return filed. If you intend to buy replacement property after you file your return for the year you realize gain, your statement should also say that you are

choosing to replace the property within the required replacement period.

You should then attach another statement to your return for the year in which you buy the replacement property. This statement should contain detailed information on the replacement property. If you acquire part of your replacement property in one year and part in another year, you must attach a statement to each year's return. Include in the statement detailed information on the replacement property bought in that year.

Reporting weather-related sales of livestock. If you choose to postpone reporting the gain on weather-related sales or exchanges of livestock, show all the following information on a statement attached to your return for the tax year in which you first realize any of the gain.

- Evidence of the weather-related conditions that forced the sale or exchange of the livestock.

- The gain realized on the sale or exchange.
- The number and kind of livestock sold or exchanged.
- The number of livestock of each kind you would have sold or exchanged under your usual business practice.

Show all the following information and the preceding information on the return for the year in which you replace the livestock.

- The dates you bought the replacement property.
- The cost of the replacement property.
- Description of the replacement property (for example, the number and kind of the replacement livestock).

Amended return for changes regarding replacement property. You must file an amended return (Form 1040-X) for the tax year of the gain in either of the following situations.

- You don't acquire replacement property within the replacement period, plus extensions. On this amended return, you must report the gain and pay any additional tax due.
- You acquire replacement property within the required replacement period, plus extensions, but at a cost less than the amount you receive from the casualty, theft, or other involuntary conversion. On this amended return, you must report the part of the gain that can't be postponed and pay any additional tax due.

Disaster Area Losses

Personal casualty and theft losses of an individual are subject to special rules for those personal casualty and theft losses attributable to federally declared disasters that occur during tax years beginning after 2017.

Personal casualty and theft losses are subject to the \$100 per casualty and 10% of your AGI limitations. In this case you reduce your personal casualty gains by any casualty losses not attributable to a federally declared disaster. Net **qualified disaster** losses (disaster losses reduced by any excess personal casualty gains) are subject to the \$500 per casualty limitation but are not subject to the 10% of your AGI limitation.



For tax years 2018 through 2025, personal casualty and theft losses of an individual are deductible only to the extent they're attributable to a federally declared disaster. An exception to the rule limiting the deduction for personal casualty and theft losses to federal disaster losses applies where you have personal casualty gains to the extent the losses don't exceed your gains.



A list of the areas warranting public or individual assistance (or both) under the Act is available at the Federal Emergency Management Agency (FEMA) web site at [FEMA.gov/Disasters](https://www.fema.gov/disasters).

Qualified disaster losses. A qualified disaster loss is an individual's casualty or theft loss of personal-use property that is attributable to a major disaster that was declared by the President during the period between January 1, 2020, and February 25, 2021. However, in order to qualify, this disaster must have an incident period that began on or after December 28, 2019, or on or before December 27, 2020, and must have ended no later than January 26, 2021. The definition of a qualified disaster loss does not extend to any major disaster which has been declared only by reason of COVID-19.

A qualified disaster loss also includes an individual's casualty or theft loss of personal-use property that is attributable to:

- A major disaster declared by the President under section 401 of the Stafford Act in 2016;
- Hurricane Harvey;
- Tropical Storm Harvey;
- Hurricane Irma;
- Hurricane Maria;
- The California wildfires in 2017 and January 2018; and
- A major disaster that was declared by the President under section 401 of the Stafford Act and that occurred in 2018 and before December 21, 2019, and continued until no later than January 19, 2020 (except those attributable to the California wildfires in January 2018 that received prior relief).

See [IRS.gov/DisasterTaxRelief](https://www.irs.gov/DisasterTaxRelief) for date-specific declarations associated with these disasters and for more information.

Casualty and theft losses of personal-use property may be claimed as a qualified disaster loss on your Form 4684 for the year in which the loss was sustained. This deduction will be entered on Schedule A (Form 1040) as an itemized deduction but you can increase your standard deduction by qualified disaster losses if you elect not to itemize your deductions. See *Increased standard deduction reporting*, later.

Moreover, your net casualty loss from these disasters does not need to exceed 10% of your AGI to qualify for the deduction, but the \$100 limit per casualty is increased to \$500.

Disaster year. The disaster year is the tax year in which you sustained the loss attributable to a federally declared disaster. Generally, a disaster loss is sustained in the year the disaster occurred. A disaster loss may also be sustained in a year after the disaster occurred. For example, if a claim for reimbursement exists for which there is a

reasonable prospect of recovery, no part of the loss for which reimbursement may be received is sustained until it can be ascertained with reasonable certainty whether you will be reimbursed.

When to deduct the loss. You must generally deduct a casualty loss in the disaster year. However, if you have a deductible loss from a disaster that occurred in an area warranting public or individual assistance (or both), you can choose to deduct that loss on your return or amended return for the tax year immediately preceding the disaster year. If you make this choice, the loss is treated as having occurred in the preceding year.



Claiming a qualifying disaster loss on the previous year's return may result in a lower tax for that year, often producing or increasing a cash refund.

You must make an election to deduct a 2024 disaster loss on your 2023 return on or before the date that is 6 months after the regular due date for filing your original return (without extensions) for the disaster year. For calendar year individual taxpayers, the deadline for electing to take a 2024 disaster loss on your 2023 tax return is October 15, 2025.

If you claimed a deduction for a disaster loss in the disaster year and you wish to deduct the loss in the preceding year, you must file an amended return to remove the previously deducted loss on or before you file the return or amended return for the preceding year that includes the disaster loss deduction. For more information, see Pub. 547.

Increased standard deduction reporting.

If you have a net qualified disaster loss on Form 4684, line 15, and you aren't itemizing your deductions, you can claim an increased

standard deduction using Schedule A (Form 1040) by doing the following.

1. Enter the amount from Form 4684, line 15, on the dotted line next to line 16 on Schedule A and the description "Net Qualified Disaster Loss."
2. Enter on the dotted line next to line 16 your standard deduction amount and the description "Standard Deduction Claimed With Qualified Disaster Loss."
3. Combine these two amounts and enter on line 16 of Schedule A and Form 1040 or 1040-SR, line 12.



The AMT adjustment for the standard deduction is made retroactively inapplicable to net qualified disaster losses. See Taxpayers who also file the 2024 Form 6251, Alternative Minimum Tax for Individuals, in the Instructions for Form 4684 for more information.

Federal disaster relief grants. Don't include post-disaster relief grants received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in your income if the grant payments are made to help you meet necessary expenses or serious needs for medical, dental, housing, personal property, transportation, or funeral expenses. Don't deduct casualty losses or medical expenses to the extent they are specifically reimbursed by these disaster relief grants. If the casualty loss was specifically reimbursed by the grant and you received the grant after the year in which you deducted the casualty loss, see *Reimbursement received after deducting loss*, earlier. Unemployment assistance payments under the Act are taxable unemployment compensation.

Qualified disaster relief payments.

Qualified disaster relief payments aren't included in the income of individuals to the extent any expenses compensated by these

payments aren't otherwise compensated for by insurance or other reimbursement. These payments aren't subject to income tax, self-employment tax, or employment taxes (social security, Medicare, and federal unemployment taxes). No withholding applies to these payments.

Qualified disaster relief payments include payments you receive (regardless of the source) for the following expenses.

- Reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a federally declared disaster.
- Reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence due to a federally declared disaster. (A personal residence can be a rented residence or one you own.)
- Reasonable and necessary expenses incurred for the repair or replacement of

the contents of a personal residence due to a federally declared disaster.

Qualified disaster relief payments include amounts paid by a federal, state, or local government in connection with a federally declared disaster to individuals affected by the disaster. These payments must be made from a governmental fund, be based on individual or family needs, and not be compensation for services. Payments to businesses generally don't qualify.



Qualified disaster relief payments don't include:

- Payments for expenses otherwise paid for by insurance or other reimbursements; or
- Income replacement payments, such as payments of lost wages, lost business income, or unemployment compensation.

Qualified disaster mitigation payments.

Qualified disaster mitigation payments made under the Robert T. Stafford Disaster Relief

and Emergency Assistance Act or the National Flood Insurance Act (as in effect on April 15, 2005) aren't included in income. These are payments you, as a property owner, received to reduce the risk of future damage to your property. You can't increase your basis in property, or take a deduction or credit, for expenditures made with respect to those payments.

Sale of property under hazard mitigation program. Generally, if you sell or otherwise transfer property, you must recognize any gain or loss for tax purposes unless the property is your main home. You report the gain or deduct the loss on your tax return for the year you realize it. (You can't deduct a loss on personal-use property unless the loss resulted from a casualty, as discussed earlier.) However, if you sell or otherwise transfer property to the federal government, a state or local government, or an

Indian tribal government under a hazard mitigation program, you can choose to postpone reporting the gain if you buy qualifying replacement property within a certain period of time. See Postponing Gain, earlier, for the rules that apply.

Other federal assistance programs. For more information about other federal assistance

programs, see Crop Insurance and Crop Disaster Payments and Feed Assistance and Payments in chapter 3.

Postponed tax deadlines. The IRS may postpone for up to 1 year certain tax deadlines of taxpayers who are affected by a federally declared disaster. The tax deadlines the IRS may postpone include those for filing income, excise, and employment tax returns, paying income, excise, and employment taxes, and making contributions to a traditional IRA or Roth IRA.

If any tax deadline is postponed, the IRS will publicize the postponement in your area and publish a news release and, where necessary, a revenue ruling, revenue procedure, notice, announcement, or other guidance in the Internal Revenue Bulletin (IRB). Go to [IRS.gov/DisasterTaxRelief](https://www.irs.gov/DisasterTaxRelief) to find out if a tax deadline has been postponed for your area.

Who is eligible. If the IRS postpones a tax deadline, the following taxpayers are eligible for the postponement.

- Any individual whose main home is located in a covered disaster area (defined next).
- Any business entity or sole proprietor whose principal place of business is located in a covered disaster area.
- Any individual who is a relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a covered disaster area.

- Any individual, business entity, or sole proprietorship whose records are needed to meet a postponed tax deadline, provided those records are maintained in a covered disaster area. The main home or principal place of business doesn't have to be located in the covered disaster area.
- Any estate or trust that has tax records necessary to meet a postponed tax deadline, provided those records are maintained in a covered disaster area.
- The spouse on a joint return with a taxpayer who is eligible for postponements.
- Any individual, business entity, or sole proprietorship not located in a covered disaster area, but whose necessary records to meet a postponed tax deadline are located in the covered disaster area.

- Any individual visiting the covered disaster area who was killed or injured as a result of the disaster.
- Any other person determined by the IRS to be affected by a federally declared disaster.

Covered disaster area. This is an area of a federally declared disaster area in which the IRS has decided to postpone tax deadlines for up to 1 year.

Abatement of interest and penalties. The IRS may abate the interest and penalties on the underpaid income tax for the length of any postponement of tax deadlines.

Reporting Gains and Losses

You will have to file one or more of the following forms to report your gains or losses from involuntary conversions.

Form 4684. Use this form to report your gains and losses from casualties and thefts.

Form 4797. Use this form to report involuntary conversions (other than from casualty or theft) of property used in your trade or business and capital assets held in connection with a trade or business or a transaction entered into for profit. Also use this form if you have a gain from a casualty or theft on trade, business, or income-producing property held for more than 1 year and you have to recapture some or all of your gain as ordinary income.

Form 8949. Use this form to report gain from an involuntary conversion (other than from casualty or theft) of personal-use property.

Schedule A (Form 1040). Use this form to deduct your losses from casualties and thefts of personal-use property and income-producing property that you reported on Form 4684.

Schedule D (Form 1040). Use this form to carry over the following gains.

- Net gain shown on Form 4797 from an involuntary conversion of business property held for more than 1 year.
- Net gain shown on Form 4684 from the casualty or theft of personal-use property.

Also use this form to figure the overall gain or loss from transactions reported on Form 8949.

Schedule F (Form 1040). Use this form to deduct your losses from casualty or theft of livestock or produce bought for sale on line 32 (Other expenses) if you use the cash method of accounting and haven't otherwise deducted these losses.

12.

Self-Employment Tax

What's New for 2024

Maximum net earnings. The maximum net self-employment earnings subject to the social security part (12.4%) of the self-employment tax is \$168,600 for 2024, up from \$160,200 for 2023. There is no maximum limit on earnings subject to the Medicare part (2.9%) or, if applicable, the Additional Medicare Tax (0.9%).

The maximum net self-employment earnings subject to the social security part of the self-employment tax for 2025 will be discussed in the 2024 Pub. 334.

Introduction

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is

similar to the social security and Medicare taxes withheld from the pay of most wage earners.

You usually have to pay SE tax if you are self-employed. You are usually self-employed if you operate your own farm on land you either own or rent. You have to figure SE tax on Schedule SE (Form 1040).

Farmers who have employees may have to pay the employer's share of social security and Medicare taxes, as well. See chapter 13 for information on employment taxes.

If your self-employment income exceeds a certain threshold amount, you may also be subject to a 0.9% Additional Medicare Tax on the income that is more than that amount. You figure this tax using Form 8959. For more information about the Additional Medicare Tax, including the threshold amounts, see the Instructions for Form 8959.

SE tax rate. The SE tax rate is 15.3%. The rate consists of two parts: 12.4% for social security (old-age, survivors, and disability insurance) and 2.9% for Medicare (hospital insurance).

Topics

This chapter discusses:

- Why pay SE tax
- How to pay SE tax
- Who must pay SE tax
- Figuring SE earnings
- Landlord participation in farming
- Methods for figuring net earnings
- Reporting SE tax

Useful Items

You may want to see:

Publication

☐ **541** Partnerships

☐ **Form (and Instructions)**

☐ **1040** U.S. Individual Income Tax Return

☐ **1040-SR** U.S. Tax Return for Seniors

☐ **Sch F (Form 1040)** Profit or Loss From
Farming

☐ **Sch SE (Form 1040)** Self-Employment
Tax

☐ **1065** 1065 U.S. Return of Partnership
Income

☐ **Sch K-1 (Form 1065)** Partner's Share of
Income, Deductions, Credits, etc.

☐ **8959** Additional Medicare Tax

See [How To Get Tax Help](#) for information about getting publications and forms.

Why Pay SE Tax?

Social security benefits are available to self-employed persons just as they are to wage earners. Your payments of SE tax contribute to your coverage under the social security system. Social security coverage provides you with retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits.

How to become insured under social security. You must be insured under the social security system before you begin receiving social security benefits. You are insured if you have the required number of credits (also called “quarters of coverage”).

Earning credits in 2024. You can earn a maximum of four credits per year. For 2024, you earn one credit for each \$1,730 of combined wages and self-employment

earnings subject to social security tax. You need \$6,920 ($\$1,730 \times 4$) of combined wages and self-employment earnings subject to social security tax to earn four credits in 2024. It doesn't matter whether the income is earned in 1 quarter or is spread over 2 or more quarters.

For an explanation of the number of credits you must have to be insured and the benefits available to you and your family under the social security program, consult your nearest Social Security Administration (SSA) office or go to the SSA website at [SSA.gov](https://www.ssa.gov).



Making false statements to get or to increase social security benefits may subject you to penalties.

The SSA time limit for posting self-employment earnings. Generally, the SSA will give you credit only for self-employment earnings reported on a tax return filed within 3 years, 3 months, and 15 days after the tax year you earned the income.



If you file your tax return or report a change in your self-employment earnings after the SSA time limit for posting self-employment earnings, the SSA may change its records, but only to remove or reduce the amount. The SSA won't change its records to increase your self-employment earnings after the SSA time limit listed above.

How To Pay SE Tax

To pay SE tax, you must have a social security number (SSN) or an individual taxpayer identification number (ITIN). This section explains how to:

- Obtain an SSN or ITIN, and
- Pay your SE tax using estimated tax.



An ITIN doesn't entitle you to social security benefits. Obtaining an ITIN doesn't change your immigration or employment status under U.S. law.

Obtaining a SSN. If you have never had an SSN, apply for one using Form SS-5, Application for a Social Security Card. The application is also available in Spanish. You can get this form at any SSA office or by calling

800-772-1213, or by going to [SSA.gov/forms](https://ssa.gov/forms).

If you have an SSN from the time you were an employee, you must use that number. Don't apply for a new one.

Replacing a lost social security card. If you have a number but lost your card, file Form SS-5. You will get a new card showing your original number, not a new number. In some areas, you may be able to request a replacement card online.

Name change. If your name has changed since you received your social security card, complete Form SS-5 to report a name change.



You can find more information about obtaining a SSN, replacing a lost card, or requesting a name change at SSA.gov.

Obtaining an ITIN. The IRS will issue you an ITIN, for tax use only, if you are a nonresident or resident alien and you don't have, and aren't eligible to get, an SSN. To apply for an ITIN, file Form W-7, Application for IRS Individual Taxpayer Identification Number. You can download Form W-7 from the IRS website at IRS.gov. For more information on ITINs, see Pub. 1915. Form W-7 and Pub. 1915 are also available in Spanish.



If you were assigned an ITIN before 2013, or if you have an ITIN that you haven't included on a tax return in the last 3 consecutive years, you may need to renew it. For more information, see the Instructions for Form W-7 or go to IRS.gov/ITIN.

Paying estimated tax. Estimated tax is the method used to pay tax (including SE tax) on income not subject to withholding. You generally have to make estimated tax payments if you expect to owe tax, including SE tax, of \$1,000 or more when you file your return. Use Form 1040-ES, Estimated Tax for Individuals, to figure and pay the tax.

However, if at least two-thirds of your gross income for the current tax year or the prior tax year is from farming and you file your tax return and pay all the tax due by March 3, you don't have to pay any estimated tax. For example, if at least two-thirds of your gross income for 2023 or 2024 is from farming and you file your 2024 Form 1040 and pay all the tax due by March 3, 2025, you don't have to make any estimated tax payments for 2024. For more information about estimated tax for farmers, the definition of "farming income," and exceptions to what constitutes farming income, see chapter 15.

Penalty for underpayment of estimated tax. You may have to pay a penalty if you don't pay enough estimated tax by its due date.

Who Must Pay SE Tax?

You must pay SE tax and file Schedule SE (Form 1040) if your net earnings from self-employment were \$400 or more.



The SE tax rules apply no matter how old you are and even if you are already receiving social security or Medicare benefits.

Aliens. Generally, resident aliens must pay SE tax under the same rules that apply to U.S. citizens. Nonresident aliens aren't subject to SE tax unless an international social security agreement determines that they are covered under the U.S. social security system. Residents of the U.S. Virgin Islands, Puerto Rico, Guam, the Commonwealth of the Northern Mariana

Islands, or American Samoa are subject to SE tax, as they are considered U.S. residents for SE tax purposes. For more information on aliens, see Pub. 519, U.S. Tax Guide for Aliens, and the Instructions for Schedule SE (Form 1040).

Are you self-employed? You are self-employed if you carry on a trade or business (such as running a farm) as a sole proprietor, an independent contractor, or a partner of a partnership, or are otherwise in business for yourself. A trade or business is generally an activity carried on for a livelihood or in good faith to make a profit.

Share farmer. You are a self-employed farmer under an income-sharing arrangement if both the following apply.

1. You produce a crop or raise livestock on land belonging to another person.

2. Your share of the crop or livestock, or the proceeds from their sale, depends on the amount produced.

Your net farm profit or loss from the income-sharing arrangement is reported on Schedule F (Form 1040) and included in your self-employment earnings.

If you produce a crop or livestock on land belonging to another person and are to receive a specified rate of pay, a fixed sum of money, or a fixed quantity of the crop or livestock, and not a share of the crop or livestock or their proceeds, you may be either self-employed or an employee of the landowner. This will depend on whether the landowner has the right to direct or control your performance of services.

Example. A share farmer produces a crop on land owned by another person on a 50-50 crop-share basis. Under the terms of their agreement, the share farmer furnishes the labor and half the cost of seed and fertilizer.

The landowner furnishes the machinery and equipment used to produce and harvest the crop, and half the cost of seed and fertilizer. The share farmer is provided a house in which to live. The landowner and the share farmer decide on a cropping plan.

The share farmer is a self-employed farmer for purposes of the agreement to produce the crops, and the share farmer's part of the profit or loss from the crops is reported on Schedule F (Form 1040) and included in self-employment earnings.

The tax treatment of the landowner is discussed later under *Landlord Participation in Farming*.

Contract farming. Under typical contract farming arrangements, the grower receives a fixed payment per unit of crops or finished livestock delivered to the processor or packing company. Because the grower typically furnishes labor and assumes some production risk, the payments are reported on

Schedule F (Form 1040) and are therefore subject to SE tax.

4-H Club or FFA project. If an individual participates in a 4-H Club or National FFA Organization (FFA) project, any net income received from sales or prizes related to the project may be subject to income tax. Report the net income as "Other income" on Schedule 1 (Form 1040), line 8z. If necessary, attach a statement showing the gross income and expenses. The net income may not be subject to SE tax if the project is primarily for educational purposes and not for profit, and is completed by the individual under the rules and economic restrictions of the sponsoring 4-H or FFA organization. Such a project is generally not considered a trade or business. For information on the filing requirements and other tax information for dependents, see Pub. 929.

Partners in a partnership. Generally, you are self-employed if you are a partner of a partnership that carries on a trade or business.

Limited partner. If you are a limited partner, your partnership income is generally not subject to SE tax. However, guaranteed payments you receive for services you perform for the partnership are subject to SE tax and should be reported to you in box 14 of your Schedule K-1 (Form 1065). Whether a partner qualifies as a limited partner for purposes of self-employment tax depends on whether the partner meets the definition of a limited partner under section 1402(a)(13).

Community property. If you are a partner and your distributive share of any income or loss from a trade or business carried on by the partnership is community property, treat your share as your self-employment earnings. Don't treat any of your share as self-employment earnings of your spouse.

Business owned and operated by spouses. If you and your spouse jointly own and operate a farm as an unincorporated business and share in the profits and losses, you are partners in a partnership whether or not you have a formal partnership agreement. You must file Form 1065 instead of Schedule F (Form 1040). However, you and your spouse may still report income using Schedule F (Form 1040) instead of Form 1065 if either of the following applies.

- You and your spouse elect to be treated as a qualified joint venture. See Qualified joint venture (QJV), later.
- You and your spouse wholly own the unincorporated farming business as community property and you treat the business as a sole proprietorship. See Community income, later.



If your spouse is your employee, not your partner, you must withhold and pay social security and Medicare taxes for him or her. For more information about employment taxes, see chapter 13.

Qualified joint venture (QJV). If you and your spouse each materially participate as the only members of a jointly owned and operated farm, and you file a joint tax return for the tax year, you can make a joint election to be treated as a QJV instead of a partnership for the tax year. Making this election will allow you to avoid the complexity of Form 1065 but still give each spouse credit for social security earnings on which retirement benefits are based. For an explanation of “material participation,” see the instructions for Schedule C, line G, and the instructions for Schedule F, line E.



Only businesses that are owned and operated by spouses as co-owners (and not in the name of a state law entity) qualify for the election. Thus, a business owned and operated by spouses through a limited liability company does not qualify for the election of a QJV.

To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule F and a separate Schedule SE. For more information, see *Qualified Joint Ventures* in the Instructions for Schedule SE (Form 1040).

Community income. If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. territory, you can treat your wholly owned, unincorporated business as a sole

proprietorship, instead of a partnership. Any change in your reporting position will be treated as a conversion of the entity.

Report your income and deductions as follows.

- If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.
- If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.
- If you and your spouse elected to treat the business as a QJV, see Qualified joint venture (QJV), earlier.

States with community property laws include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. See Pub. 555 for more information about community property laws.

Figuring Self-Employment Earnings

Farmer. If you are self-employed as a farmer, use Schedule F (Form 1040) to figure your self-employment earnings.

Partnership income or loss. If you are a partner of a partnership that carries on a trade or business, the partnership should report your self-employment earnings in box 14, code A, of your Schedule K-1 (Form 1065). Box 14 of Schedule K-1 may also provide amounts for gross farming or fishing income (code B) and gross nonfarm income (code C). Use these amounts if you use the farm or nonfarm optional method to figure net earnings from self-employment (see *Methods for Figuring Net Earnings*, later).

If you are a general partner, you may need to reduce these reported earnings by amounts you claim as a section 179 deduction, unreimbursed partnership expenses, or depletion on oil and gas properties.

If the amount reported is a loss, include only the deductible amount when you figure your total self-employment earnings.

For more information, see the Partner's Instructions for Schedule K-1 (Form 1065).

For general information on partnerships, see Pub. 541.

More than one business. If you have self-employment earnings from more than one trade, business, or profession, you must generally combine the net profit or loss from each to determine your total self-employment earnings. A loss from one business reduces your profit from another business. However, don't combine earnings from farm and nonfarm businesses if you are using one of the optional methods (discussed later) to figure net earnings.

Community property. If any of the income from a farm or business, other than a partnership, is community property under

state law, it is included in the self-employment earnings of the spouse carrying on the trade or business.

Payments for lost income. Include in self-employment earnings any payments you receive from insurance or other sources to replace income lost because you reduced or stopped farming activities. These include USDA payments under the Dairy Margin Coverage (DMC) Program, which provides dairy producers with payments when dairy margins are below the margin coverage levels. Go to [USDA.gov](https://www.usda.gov) for additional information about other USDA programs. Even if you aren't farming when you receive the payment, it is included in self-employment earnings if it relates to your farm business (even though it is temporarily inactive). A connection exists if it is clear the payment would not have been made but for your conduct of your farm business.

Gain or loss. A gain or loss from the disposition of property that is neither stock in trade nor held primarily for sale to customers isn't included in self-employment earnings. It doesn't matter whether the disposition is a sale, exchange, or involuntary conversion. For example, gains or losses from the disposition of the following types of property aren't included in self-employment earnings.

- Investment property.
- Depreciable property or other fixed assets used in your trade or business.
- Livestock held for draft, breeding, sport, or dairy purposes, and not held primarily for sale, regardless of how long the livestock was held, or whether it was raised or purchased. Livestock does not include poultry.
- Unharvested standing crops sold with land held more than 1 year.

- Timber, coal, or iron ore held for more than 1 year if an economic interest was retained, such as a right to receive coal royalties.

A gain or loss from the cutting of timber isn't included in self-employment earnings if the cutting is treated as a sale or exchange. For more information on electing to treat the cutting of timber as a sale or exchange, see Timber in chapter 8.

Wages and salaries. Wages and salaries received for services performed as an employee and covered by social security or railroad retirement aren't included in self-employment earnings.

Wages paid in kind to you for agricultural labor performed as an employee, such as commodity wages, aren't included in self-employment earnings.

Retired partner. Retirement income received by a partner from his or her partnership under a written plan isn't included in self-employment earnings if all the following apply.

- The retired partner performs no services for the partnership during the year.
- The retired partner is owed only the retirement payments.
- The retired partner's share (if any) of the partnership capital was fully paid to the retired partner.
- The payments to the retired partner are lifelong periodic payments.

Conservation Reserve Program (CRP) payments. Under the CRP, if you own or operate highly erodible or other specified cropland, you may enter into a long-term contract with the USDA, agreeing to convert to a less intensive use of that cropland. You must include the annual rental payments and

any one-time incentive payment you receive under the program on Schedule F, lines 4a and 4b. Cost-share payments you receive may qualify for the cost-sharing exclusion. See *Cost-Sharing Exclusion (Improvements)*, earlier, in chapter 3. CRP payments are reported to you on Form 1099-G.



Individuals who are receiving social security retirement or disability benefits may exclude CRP payments when calculating SE tax. See the Instructions for Schedule SE (Form 1040).

Self-employed health insurance

deduction. You can't deduct the self-employed health insurance deduction you report on Schedule 1 (Form 1040), line 17, from self-employment earnings on Schedule SE (Form 1040).

Landlord Participation in Farming

As a general rule, income and deductions from rentals and from personal property

leased with real estate aren't included in determining self-employment earnings. However, income and deductions from farm rentals, including government commodity program payments received by a landowner who rents land, are included if the rental arrangement provides that the landowner will, and does, materially participate in the production or management of production of the farm products on the land.

Material participation for landlords. You materially participate if you have an arrangement

with your tenant for your participation and you meet one or more of the following tests.

1. You do at least three of the following.
 - a. Pay, using cash or credit, at least half the direct costs of producing the crop or livestock.

- b. Furnish at least half the tools, equipment, and livestock used in the production activities.
 - c. Advise or consult with your tenant on something like deciding what crops to plant, the type of seed or fertilizer to use, or when and at what price the crops should be sold.
 - d. Inspect the production activities periodically.
- 2. You regularly and frequently make, or take an important part in making, management decisions substantially contributing to or affecting the success of the enterprise, for example, decisions about when and where to plant or spray, when to harvest, what standards to follow, and what records to keep.

3. You work 100 hours or more spread over a period of 5 weeks or more in activities connected with agricultural production.
4. You do things that, considered in their totality, show you are materially and significantly involved in the production of the farm commodities.

These tests may be used as general guides for determining whether you are a material participant.

Crop shares. Rent paid in the form of crop shares is included in self-employment earnings for the year you sell, exchange, give away, or use the crop shares if you meet one of the four material participation tests (discussed above) at the time the crop shares are produced. Feeding such crop shares to livestock is considered using them. Your gross income for figuring your self-employment earnings includes the fair market value of the crop shares when they are used as feed.

Example. Nancy agrees to produce a crop on G. Cohen's cotton farm, with each receiving half the proceeds. Cohen agrees to furnish all the necessary equipment, and it is understood that Cohen will advise Nancy on when to plant, spray, and pick the cotton. It is also understood that he will inspect the crop every few days to determine whether Nancy is properly taking care of the crop. Under their arrangement, it is further understood that Nancy will furnish all labor needed to grow and harvest the crop. Cohen provides the advice, makes inspections, and furnishes the equipment; Nancy furnishes all labor needed to grow and harvest the crop.

The management decisions made by Cohen in connection with the care of the cotton crop and his regular inspection of the crop establish that Cohen participates materially in the cotton production operations. The income Cohen receives from the cotton farm is

included in Cohen's self-employment earnings.

Methods for Figuring Net Earnings

There are three ways to figure net earnings from self-employment.

1. The regular method.
2. The farm optional method.
3. The nonfarm optional method.

You must use the regular method to the extent you don't use one or both of the optional methods. See Figure 12-1 to see if you are eligible to use an optional method.

Why use an optional method? You may want to use the optional methods (discussed later) when you have a loss or a small net profit and any one of the following applies.

- You want to receive credit for social security benefit coverage.

- You incurred child or dependent care expenses for which you could claim a credit. (An optional method may increase your earned income, which could increase your credit.)
- You are entitled to the earned income credit. (An optional method may increase your earned income, which could increase your credit.)
- You are entitled to the additional child tax credit. (An optional method may increase your earned income, which could increase your credit.)

Effects of using an optional method.

Using an optional method could increase your SE tax. Paying more SE tax may result in you getting higher social security disability or retirement benefits.

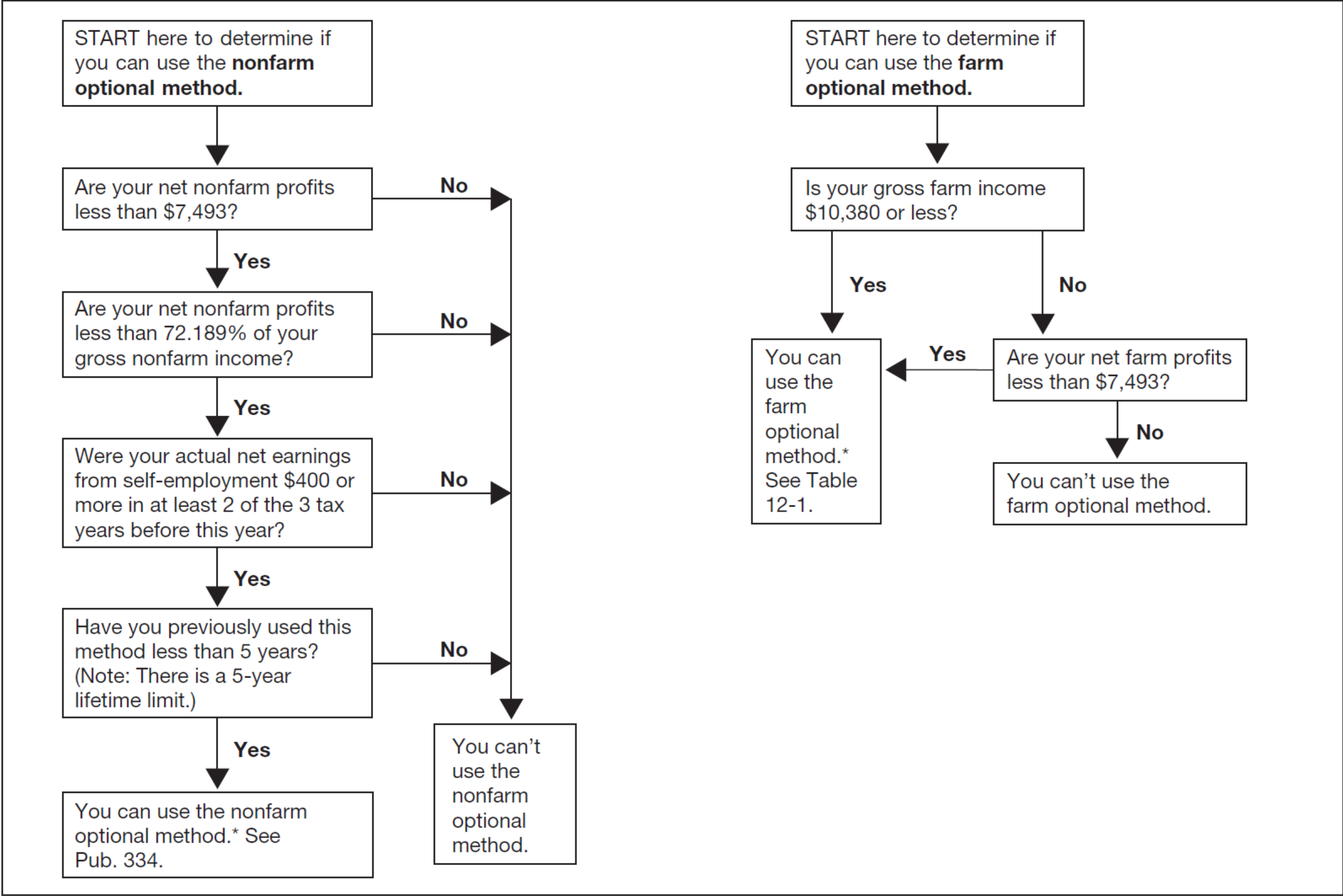
Using the optional methods may also decrease your adjusted gross income (AGI) due to the deduction for one-half of SE tax on

Form 1040, which may affect your eligibility for credits, deductions, or other items that are subject to an AGI limit. Figure your AGI with and without using the optional methods to see if the optional methods will benefit you.

If you use either or both optional methods, you must figure and pay the SE tax due under these methods even if you would have had a smaller SE tax or no SE tax using the regular method.

The optional methods may be used only to figure your SE tax. To figure your income tax, include your actual self-employment earnings in gross income, regardless of which method you use to determine SE tax.

Figure 12-1. **Can I Use the Optional Methods?**



*If you use both optional methods, see *Using Both Optional Methods*, later, for limits on the amount to report.

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Regular Method

To figure net earnings using the regular method, multiply your self-employment earnings by 92.35% (0.9235). For your net earnings figured using the regular method, see line 4a of your Schedule SE (Form 1040).

Net earnings figured using the regular method are also called actual net earnings.

Farm Optional Method

Use the farm optional method only for self-employment earnings from a farming business. You can use this method if you meet either of the following tests.

1. Your gross farm income is \$10,380 or less.
2. Your net farm profits are less than \$7,493.

Gross farm income. Your gross farm income is the total of the amounts from:

- Schedule F (Form 1040), line 9; and
- Box 14, code B, of Schedule K-1 (Form 1065) (from farm partnerships).

Net farm profits. Net farm profits are generally the total of the amounts from:

- Schedule F (Form 1040), line 34; and •
- Box 14, code A of Schedule K-1 (Form 1065) (from farm partnerships).

If you received social security retirement or disability benefits, you must subtract the amount of any CRP payments included on your Schedule F, line 4b, or listed in box 20, Code AQ, of Schedule K-1. You may also need to adjust the amount reported on Schedule K-1 if you are a general partner or if it is a loss. For more information, see Partnership income or loss, earlier.

Figuring farm net earnings. If you meet either of the two tests explained above, use Table 12-1 to figure your net earnings from self-employment under the farm optional method.

Table 12-1. **Figuring Farm Net Earnings**

IF your gross farm income is...	THEN your net earnings are equal to...
\$10,380 or less	two-thirds of your gross farm income.
more than \$10,380	\$6,920.

Optional method can reduce or eliminate SE tax. If your gross farm income is \$10,380 or less and your farm net earnings figured under the farm optional method are less than your actual farm net earnings, you can use the farm optional method to reduce or

eliminate your SE tax. Your actual farm net earnings are your farm net earnings figured using the regular method, explained earlier.

Example. Your gross farm income is \$540 and your net farm profit is \$460.

Consequently, your net earnings figured under the farm optional method are \$360 (2/3 of \$540) and your actual net earnings are \$425 (92.35% of \$460). You owe no SE tax if you use the optional method because your net earnings under the farm optional method are less than \$400.

Nonfarm Optional Method

This is an optional method available for determining net earnings from nonfarm self-employment, much like the farm optional method.

If you are also engaged in a nonfarm business, you may be able to use this method to figure your nonfarm net earnings. You can use this method even if you don't use the

farm optional method for determining your farm net earnings and even if you have a net loss from your nonfarm business. For more information about the nonfarm optional method, see Pub. 334.



You can't combine farm and nonfarm self-employment earnings to figure your net earnings under either of the optional methods.

Using Both Optional Methods

If you use both optional methods, you must add the net earnings figured under each method to arrive at your total net earnings from self-employment. You can report less than your total actual farm and nonfarm net earnings but not less than actual nonfarm net earnings. If you use both optional methods, you can report no more than \$6,920 as your combined net earnings from self-employment.

Reporting SE Tax

Use Schedule SE (Form 1040) to figure and report your SE tax. Then, enter the SE tax on Schedule 2 (Form 1040), line 4, and attach Schedule SE to Form 1040 or 1040-SR.



If you have to pay SE tax, you must file Form 1040 or 1040-SR (with Schedule SE attached) even if you don't otherwise have to file a federal income tax return.

SE tax deduction. You can deduct half of your SE tax in figuring your AGI. This deduction only affects your income tax. It doesn't affect either your net earnings from self-employment or your SE tax.

To deduct the tax, enter on Schedule 1 (Form 1040), line 15, the amount from line 13 of Schedule SE (Form 1040).

Joint return. Even if you file a joint return, you can't file a joint Schedule SE. This is true whether one spouse or both spouses have

self-employment earnings. Your spouse isn't considered self-employed just because you are. If both of you have self-employment earnings, each of you must complete a separate Schedule SE. Attach both schedules to the joint return. If you and your spouse operate a business as a partnership, see *Business owned and operated by spouses* and *Qualified joint venture (QJV)*, earlier, under *Who Must Pay SE Tax*.

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13.

Employment Taxes

What's New for 2024

Social security and Medicare taxes for 2024. The social security tax rate is 6.2% each for the employee and employer. The social security wage base limit is \$168,600.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2023. There is no wage base limit for Medicare tax.

2024 withholding tables. The federal income tax withholding tables are now included in Pub. 15-T, Federal Income Tax Withholding Methods.

The COVID-19 related credit for qualified sick and family leave wages is limited to leave taken after March 31, 2020, and before October 1, 2021, and may no

longer be claimed on Form 943. Generally, the credit for qualified sick and family leave wages, as enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020, for leave taken after March 31, 2020, and before April 1, 2021, and the credit for qualified sick and family leave wages under sections 3131, 3132, and 3133 of the Internal Revenue Code, as enacted under the American Rescue Plan Act of 2021 (the ARP), for leave taken after March 31, 2021, and before October 1, 2021, have expired. However, employers that pay qualified sick and family leave wages in 2024 for leave taken after March 31, 2020, and before October 1, 2021, are eligible to claim a credit for qualified sick and family leave wages in 2024. Effective for tax periods beginning after 2023, the lines used to claim the credit for qualified sick and family leave wages have been removed from Form 943, Employer's Annual Federal Tax Return for

Agricultural Employees, because it would be extremely rare for an employer to pay wages in 2024 for qualified sick and family leave taken after March 31, 2020, and before October 1, 2021. If you're eligible to claim the credit for qualified sick and family leave wages because you paid the wages in 2024 for an earlier applicable leave period, file Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund, after filing Form 943, to claim the credit for qualified sick and family leave wages paid in 2024. Filing a Form 943-X before filing a Form 943 for the year may result in errors or delays in processing your Form 943-X.

Forms in Spanish. Many forms and instructions discussed in these instructions have Spanish-language versions available for employers and employees. Some examples include Form 943 (sp), Form SS-4 (sp), and Form W-4 (sp). Although these instructions

don't reference Spanish-language forms and instructions in each instance that one is available, you can see Pub. 15 (sp) and go to IRS.gov to determine if a Spanish-language version is available.

What's New for 2025

Social security and Medicare taxes for 2025. The employee and employer tax rates for social security and the maximum amount of wages subject to social security tax for 2025 will be discussed in Pub. 15 (for use in 2025).

The Medicare tax rate for 2025 will also be discussed in Pub. 15 (for use in 2025). There is no limit on the amount of wages subject to Medicare tax.

Reminders

Qualified small business payroll tax credit for increasing research activities. For tax years beginning before January 1,

2023, a qualified small business may elect to claim up to \$250,000 of its credit for increasing research activities as a payroll tax credit. The Inflation Reduction Act of 2022 (the IRA) increases the election amount to \$500,000 for tax years beginning after December 31, 2022. The payroll tax credit election must be made on or before the due date of the originally filed income tax return (including extensions). The portion of the credit used against payroll taxes is allowed in the first calendar quarter beginning after the date that the qualified small business filed its income tax return. The election and determination of the credit amount that will be used against the employer's payroll taxes are made on Form 6765, Credit for Increasing Research Activities. The amount from Form 6765 must then be reported on Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities.

Starting in the first quarter of 2023, the payroll tax credit is first used to reduce the employer share of social security tax up to \$250,000 per quarter and any remaining credit reduces the employer share of Medicare tax for the quarter. Any remaining credit, after reducing the employer share of social security tax and the employer share of Medicare tax, is then carried forward to the next quarter. Form 8974 is used to determine the amount of the credit that can be used in the current quarter. The amount from Form 8974, line 12 or, if applicable, line 17, is reported on Form 943, line 12. For more information about the payroll tax credit, see the Instructions for Form 8974 and go to [IRS.gov/ ResearchPayrollTC](https://www.irs.gov/ResearchPayrollTC).

Pub. 51 discontinued after 2023. Pub. 51, Agricultural Employer's Tax Guide, was discontinued for tax years beginning after December 31, 2023. Instead, information specific to agricultural employers will be

included in Pub. 15, Employer's Tax Guide. For tax year 2024, there is a new Pub. 15 (sp) that is a Spanish-language version of Pub. 15.



An employer who receives a refund of payroll taxes resulting from qualified sick and family leave credit reported on a 2023 Form 943 generally won't receive that refund until the 2024 calendar year. Even though that credit isn't received until 2024, income reported in 2023 must be increased by the refundable and nonrefundable portions of the qualified sick and family leave credit reported on their 2023 Form 943. For more information, see the instructions for the income tax return or the Form 1040 schedule you file for your business.

Additional employment tax information for farmers. See Pub. 15 for more detailed guidance on employment taxes for employers of agricultural workers. For the latest

information about developments related to Pub. 15, such as legislation enacted after it was published, go to [IRS.gov/Pub15](https://www.irs.gov/pub15). For general tax information relevant to agricultural employers, go to [IRS.gov/AgricultureTaxCenter](https://www.irs.gov/AgricultureTaxCenter). For general information about employment taxes, go to [IRS.gov/EmploymentTaxes](https://www.irs.gov/EmploymentTaxes).



You may have nonfarm employees as well as farm employees, for example, workers at a retail farm market. See Pub. 15 for employment tax rules for wages and noncash wages paid to these employees, as they may differ from those discussed in this chapter.

Certification program for professional employer organizations (PEOs). The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 required the IRS to establish a voluntary certification program for PEOs. PEOs handle various payroll administration and tax reporting

responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, certified professional employer organizations (CPEOs) must meet various requirements described in sections 3511 and 7705 and related published guidance. Certification as a CPEO may affect the employment tax liabilities of both the CPEO and its customers. A CPEO is generally treated for employment tax purposes as the employer of any individual who performs services for a customer of the CPEO and is covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO. To become a CPEO, the organization must apply through the IRS Online Registration System. For more information or to apply to become a CPEO, go to [IRS.gov/CPEO](https://www.irs.gov/cpeo).

CPEOs must generally file Form 943 and Schedule R (Form 943), Allocation Schedule for Aggregate Form 943 Filers, electronically. For more information about a CPEO's requirement to file electronically, see Revenue Procedure 2023-18, 2023-13 I.R.B. 605, available at [IRS.gov/irb/2023-13_IRB#REV-PROC-2023-18](https://www.irs.gov/irb/2023-13_IRB#REV-PROC-2023-18).

Work opportunity tax credit for qualified tax-exempt organizations hiring qualified veterans. Qualified tax-exempt organizations that hire eligible unemployed veterans may be able to claim the work opportunity tax credit against their payroll tax liability using Form 5884-C. For more information, go to [IRS.gov/WOTC](https://www.irs.gov/WOTC).

Correcting a previously filed Form 943. If you discover an error on a previously filed Form 943, or if you otherwise need to amend a previously filed Form 943, make the correction using Form 943-X. Form 943-X is filed separately from Form 943. For more

information, see the Instructions for Form 943-X, section 13 of Pub. 15, or go to [IRS.gov/ CorrectingEmploymentTaxes](https://www.irs.gov/CorrectingEmploymentTaxes).

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax 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 the Treasury. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

Note. An exception applies to the EFT requirement for making your federal tax deposits. If your liability is less than \$2,500 (Form 943, line 13), you may pay in full with a check or money order with a timely filed return. See the Instructions of Form 943 for more information.

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, go to [EFTPS.gov](https://eftps.gov) or call one of the following numbers.

- 800-555-4477
- 800-244-4829 (Spanish)
- 303-967-5916