Lesson 8, Filing Form 941

Slide 1

Welcome to this presentation.

I've a few announcements before we get started.

The information contained in this presentation's current as of the day it was presented, and shouldn't be considered official guidance.

Any stories, names, characters, and incidents portrayed in this production are fictitious. No identification with actual persons (living or deceased), places, buildings, and products is intended or should be inferred.

This program will be maintained in accordance with federal recordkeeping laws.

Now let's get started.

Our topic is payroll taxes.

Slide 2

In this lesson, we'll concentrate on filing the proper employment tax return with the IRS to report the wages paid to employees and the related taxes withheld from paychecks.

Slide 3

Publication 15, Employer's Tax Guide, explains your responsibilities as an employer.

It includes how to file and report employment taxes.

A new pub is released each year. You should download a current version at the beginning of the year and review "What's New" for any changes.

We previously covered income tax withholding as well as social security and Medicare rates you need to figure the taxes to withhold and match from each paycheck.

We discussed income tax withholding in Lesson 5. You learned how to use a W-4 form provided by the employee and the withholding tables in Pub 15 to determine the correct amount of federal income tax to withhold.

In Lesson 6, we looked at social security and Medicare tax obligations. You learned there's a tax to withhold from the employee and a matching amount provided by you, the employer.

In Lesson 7, we discussed federal tax deposits. You learned tax deposits must be made according to a deposit schedule and they must be made electronically through the Electronic Federal Tax Payment System or EFTPS.

Slide 5

In this lesson, you'll determine whether you're required to file a Form 944 or Form 941.

Then you'll learn what's reported on Form 941, how to complete the form and when to file.

Slide 6

It's important to recognize the difference between deposits and employment tax forms.

You pay taxes by making a deposit, but you report the taxes paid by filing an employment tax return. Both are required. One without the other will lead to penalties and IRS notices.

How do you tell the IRS how much payroll tax you withheld, matched, and deposited?

You'll file one of the following:

- Form 941, Employer's QUARTERLY Federal Tax Return
- Form 944, Employer's ANNUAL Federal Tax Return

Remember, Form 941 is filed every quarter.

Form 944 is filed once a year.

Slide 8

What's reported on employer's federal tax returns?

Everything related to wages paid to your employees, including:

- Total wages paid
- Federal income tax withheld
- Social security tax (for both the employees' and employer's shares)
- Medicare tax (again, for both the employees' and employer's shares)
- And total deposits

Slide 9

Here's a 2016 Form 944, Employer's ANNUAL Federal Tax Return.

- Line 1 asks for total wages paid.
- Line 2 wants federal income tax withheld.
- Line 4a and 4c includes social security and Medicare wages respectively along with the related tax for both the employees' and employer's shares.
- Total deposits are reported on Line 8.

Who must file Form 944?

The IRS will notify you in writing if a Form 944 needs to be filed.

Form 944's designed so the smallest employers will file and pay employment taxes once a year.

These employers may be notified to file Form 944 when their annual liability for social security, Medicare, and withheld income taxes are \$1,000 or less.

If the IRS asks you to file Form 944, then file it even if your tax liability for the year exceeds \$1,000.

Slide 11

But what if you'd rather file Form 941 instead?

Unless you contact the IRS to request to file quarterly Forms 941, you must file Form 944 (if notified to do so).

To request to file quarterly Forms 941 to report your social security, Medicare, and withheld federal income taxes for the calendar year, call the IRS at 1-800-829-4933 between January 1 and April 1, or send a written request postmarked between January 1 and March 15.

Written requests for Indian Tribal Governments should be sent to:

Department of Treasury Internal Revenue Service Ogden, UT 84201-0038

If your request is granted, the IRS will send you a written notice your filing requirement has changed. If you don't receive this notice, you must file Form 944 for the calendar year.

Slide 12

Don't file Form 944 if you didn't receive notification from the IRS to use Form 944 or you're an agricultural employer required to file Form 943 or use Schedule H of Form 1040 for household employees.

If the IRS didn't send you a letter telling you to file Form 944, you'll need to file Form 941

Here's a 2016 Form 941, Employer's Quarterly Federal Tax Return.

Line 2 asks total wages paid.

Line 3 is for federal income tax withheld.

Line 5a and 5c includes social security and Medicare wages respectively, along with the related tax for employees' and employer's shares.

Total deposits are reported on Line 11.

Slide 14

Entries should be made on the Form 941 as follows to enable accurate scanning and processing.

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

Review Form 941 for errors before filing, even if your accounting software generated it. Remember, the output of any payroll software's dependent upon the input.

Some software allows electronic filing (usually for an additional fee). Check with your software provider if your return can be filed electronically.

If you can't file electronically, mail a paper Form 941. The return for mailing shouldn't have any watermarks like "copy" or "don't file."

Slide 16

Where do you mail the completed Form 941?

There's a special filing address for Indian tribal governmental entities. If you are filing without a remittance check, send the signed form to Ogden, Utah.

If you're filing with a remittance check, send the check and signed form to Hartford, CT. Both addresses can be found on page 5 of the Form 941 instructions.

Slide 17

What are the due dates for Forms 941?

Since Forms 941 are filed quarterly, the due date for each is the last day of the month following the end of the quarter.

So the first quarter ending March 31 is due the last day of April. The second quarter ending June 30 is due the last day of July and so on.

If any of these due dates fall on a Saturday, Sunday, or legal holiday, you have until the next business day.

For 2016, July 31 fell on a Sunday, so the due date was the next business day, Aug. 1.

For 2017, Apr. 30 fell on a Sunday, so the due date was the next business day, May 1.

A return is considered timely filed if it's postmarked no later than the due date.

Slide 18

Now, let's walk through an explanation and completion of Form 941. After explaining each section, we'll complete the Form 941 with figures shown on this slide.

Tribe of ABC's a monthly schedule depositor and only issues paychecks once a month. Paydays were Jan. 31, Feb. 29, and Mar. 31. Their activity for the first quarter's summarized on this spreadsheet with columns for the pay period, employee count, gross wages, social security wages, Medicare wages, income tax withholding, monthly liability, and deposit amounts along with due dates.

Slide 19

The entity section of Form 941, Employer's Quarterly Federal Tax Return is shown. The employer needs to be careful completing this section.

First, we complete the EIN for the entity. A unique nine-digit EIN was assigned to your tribal government or tribal enterprise.

To ensure businesses comply with federal tax laws, the IRS monitors tax filings and payments by using a numerical system to identify taxpayers. Use the proper EIN when you file any forms with the IRS.

Your business should have only one EIN. If you've more than one and aren't sure which to use, write to the IRS office where you file your return using the without a payment address under "where you should file", as explained on slide 16, or call the IRS at 1-800-829-5500.

Make sure the EIN on the form you file exactly matches the one the IRS assigned your entity. Filing Form 941 with an incorrect EIN, or using

another business's EIN, may result in penalties and delays in processing your return.

Next, enter the business legal name you used when you applied for your EIN on Form SS-4.

For example, if the name associated with your EIN's Tribe of ABC, that's what you enter.

Don't use ABC Tribal Council or any other variation you may be known as. If you have a trade name, enter Tribe of ABC on the name line and ABC Tribal Council on the trade name line.

Leave the trade name line blank if it's the same as your entity.

Next, complete the address, city, state and zip code.

What quarter are you filing?

Under Report for this Quarter of 2016 at the top right of Form 941, check the appropriate box of the quarter for which you are filing. In our example, we're completing Quarter 1.

Now let's discuss Part I, Line 1, "Number of employees who received wages, tips, or other compensation for the pay period including..."

As seen on the form, it then lists four scenarios – one for each quarter. Note that the 12th day of the 3rd month of each quarter's listed.

We circled Mar. 12 (Quarter 1) because in our example for the 1st quarter, we're being asked for the number of employees on our payroll for the pay period including March 12. We'll not include employees in non-pay status. We only count the people who received a paycheck.

Let's look at possible scenarios for the pay period that included March 12.

If we have weekly paydays, our pay periods may be

- March 5-11 with payday on March 11
- March 12-18 with payday on March 18

Since March 12 is included in March 12-18 Pay Period, we'd count how many employees received a paycheck on March 18.

If we've semimonthly paydays, our pay periods may be March 1-15 with payday on March 15. Since March 12 is included in this pay period, we count how many employees received a pay check on March 15.

In our example, only three people received paychecks during the month of March. Thus, we report 3 on Line 1.

Slide 20

See Part I, Lines 2-6, of Form 941.

First, let's discuss and complete lines 2 and 3.

Line 2 is Wages, Tips, and Other Compensation. Enter amounts on Line 2 that would also be included in Box 1 of your employees' Forms W-2.

This includes pay you give to an employee for services performed. The pay may be in cash or in other forms. It includes salaries, vacation allowances, bonuses, commissions, and taxable fringe benefits.

Tribal council member pay would be included on Line 2.

For more information on what constitutes taxable wages, refer to the instructions for Form W-2, Publications 15, 15-A, and 15-B.

Line 3's Federal Income Tax Withheld from Wages, Tips, and Other Compensation. Enter the federal income tax you withheld from your employees on this quarter's wages.

Referring to the summary from Tribe of ABC, we look to the gross wages and income tax withheld columns and enter the totals on lines 2 and 3, respectively. Gross wages are \$14,390 while income taxes withheld are \$617.

Next, let's discuss and complete lines 5a through 6.

First, column 1 of lines 5a, 5c and 5d, wants wage amounts. Line 5b wants tips.

On Line 5a, enter the taxable social security wages paid. Here you enter the total wages, sick pay, and taxable fringe benefits subject to social security taxes you paid to your employees during the guarter.

Enter the amount before deductions. Don't include tips on this line. As we learned in Lesson 6, there's a wage limit for social security wages and tips for each employee.

The IRS publishes the current year's limit in Pub 15. For 2016, the limit was \$118,500. Stop entering an employee's wages on Line 5a when the employee's taxable wages (including tips) reach \$118,500 for the year. For information on types of wages subject to social security taxes, see section 5 of Pub 15.

Report taxable social security tips on Line 5b. Enter all tips your employees reported to you during the quarter, even if you weren't able to withhold the employee tax of 6.2%. For more information on tips, see section 6 of Pub. 15.

For Line 5c, *Taxable Medicare Wages & Tips*, enter all wages, tips, sick pay, and taxable fringe benefits that are subject to Medicare tax. Unlike social security wages, there's no limit on the amount of wages subject to Medicare tax.

Don't include a tribal council member's pay on lines 5a or 5c.

Line 5d will apply only if you have paid wages subject to additional Medicare tax withholding.

As you learned in Lesson 6, employers must now withhold 0.9% additional Medicare tax on an individual's wages paid more than \$200,000 in a calendar year. This is an employee only tax. There's no employer match for the additional Medicare tax.

This example from Lesson 6 illustrates how the additional Medicare tax withholding calculation works. This employee's wages didn't exceed \$200,000 until November. Therefore, you wouldn't have an entry on line 5d until the 4th quarter.

Based on this example, you'd enter \$22,240 on line 5d column 1 and \$200.16 would be the tax reported on 5d column 2 on the fourth quarter's return.

Slide 22

Next, calculate the tax amounts for column 2, lines 5a through 5d, by applying a rate to the corresponding amounts reported in column 1.

On line 5a and 5b, multiply the wages (or tips) in column 1 by .124 and enter the result in column 2. ".124" is the employee rate for social security tax plus the employer rate, .062 + .062 = .124.

On Line 5c, multiply the wages & tips in column 1 by .029 and enter the result in column 2. ".029" is the employee rate for Medicare tax plus the employer rate, .0145 + .0145 = .029.

On Line 5d, we multiply the wages & tips subject to additional Medicare tax withholding in column 1 by .009 and enter the result in column 2. ".009" is the employee rate for additional Medicare tax withholding.

Referring to the summary from Tribe of ABC, we look to the social security wages and enter the column total \$13,350 on lines 5a column 1 and multiply it by .124. The resulting tax of \$1,655.40 is entered in column 2.

Tribe of ABC didn't have any tipped employees, so 5b is left blank.

The summary for Tribe of ABC shows Medicare wages of \$13,350 so that's what is put on lines 5c column 1 and multiply it by .029. The resulting tax of \$387.15 is entered in column 2.

Tribe of ABC didn't have any wages & tips subject to additional Medicare tax withholding, so 5d is left blank.

5e's merely a summation of column 2 entries for line 5a through 5d.

5f. Section 3121(q) *Notice and Demand—Tax Due on Unreported Tips* may apply to employers with tipped employees. The IRS issues a Section 3121(q) *Notice and Demand* to advise an employer of the number of tips received by employees who failed to report or underreported tips to the employer. If applicable, you enter the tax due from your Section 3121(q) Notice and Demand on line 5f.

For line 6, Total Taxes before Adjustments, simply add lines 3, 5e and 5f.

When we add column 2 for lines 5a through 5d, we get 2,042.55 for line 5e.

Tribe of ABC didn't have any tipped employee, so 5f is left blank.

We entered 2,659.55 on Line 6 after adding lines 3, 5e, and 5f.

This completes line 2-6, but before continuing to Line 7, we'll go to page 2 and complete Part 2.

Slide 23

On Part 2, you need to explain your deposit schedule and the tax liability for the guarter.

First, don't forget to complete to top of page two. Enter the name and EIN of the entity.

- Line 14 needs an entry and there are three choices.
- Check the 1st box if line 10 on page 1 will be less \$2,500.
- Check the 2nd box if you're a monthly schedule depositor.
- Check the 3rd box if you're a semiweekly depositor. Please note, for semiweekly depositors, it instructs you to complete Schedule B and attach it to Form 941.

If you're a monthly depositor, report your monthly liabilities in Month 1, 2, and 3. The total for these three months must equal Line 10.

Let's complete this section for Tribe of ABC.

First, remember to include the entity's name and EIN.

Next, we've included the respective monthly liabilities as shown on our summary sheet. The total liability for the quarter's \$2,659.56.

Please note the fine print next to the total liability for quarter. It says total must equal Line 10.

Slide 24

We're now on page 1 of Form 941's tax section. Previously, we completed the form through Line 6 and total taxes before adjustments were \$2,659.55.

Line 7, current quarter's adjustment for fractions of cents, is next. Here you enter adjustments for fractions of cents relating to the employee share of social security and Medicare taxes withheld.

The employee share of amounts shown in column 2 of lines 5a–5d may differ slightly from amounts actually withheld from employees' pay due to the rounding of social security and Medicare taxes.

This is caused by adding or dropping fractions of cents when figuring social security and Medicare taxes for each wage payment. This can be a positive or negative amount.

Line 8, current quarter's adjustment for sick pay only applies if you've engaged with a third party to handle sick pay for your organization.

If applicable, enter the adjustment for the employee share of social security and Medicare taxes withheld and deposited by your third-party sick pay payer. Refer to Pub 15-A for further information if this applies to your organization.

Line 9, current quarter's adjustments for tips and group-term life insurance, applies if you've tipped employees and/or offered group-term life insurance to former employees. For tipped employees, report on line 9 any uncollected employee share of social security and Medicare taxes on tips.

For group-term life insurance, enter any uncollected employee share of social security and Medicare taxes on group-term life insurance premiums paid for former employees.

These adjustments would be a reduction in tax, so enter with a minus sign.

Refer to Pub 15-B for further information on group-term life insurance provided to former employees and Pubs 15 and 531 for tip reporting.

For Line 10, total taxes after adjustments, combine the amounts shown on lines 6 – 9 and enter the result on line 10.

Now, let's complete this section. What's entered, if anything, on Line 7 so line 10 equals Line 14?

Line 6 was \$2,659.55 cents, but on page 2, Line 14 was slightly different at \$2,659.56 cents.

If we enter one cent on Line 7, Line 14 will match Line 10.

If any of the adjustments on lines 7-9 decreases the total taxes shown on Line 6, use a minus sign (if possible) to show the adjustment instead of parentheses.

Doing so enhances the accuracy of our scanning software. For example, enter "-.59" instead of "(.59)." However, if your software only allows for parentheses in entering negative amounts, use them.

Slide 25

We've completed form 941 through Line 10 and total taxes after adjustments is \$2,659.56.

For Line 11, enter the total deposits you have made for this quarter. If you applied an overpayment from the prior quarter, also include it here.

Next, we compare lines 10 and 11.

If Line 10 is more than Line 11, enter the difference on Line 12 for the balance due.

If Line 11 is more than Line 10, enter the difference on Line 13 to report the overpayment.

Never make an entry on both lines 12 and 13.

You should only have a balance due if your total taxes for the current quarter or preceding quarter are less than \$2,500 and you didn't incur a \$100,000 next day deposit obligation during the current quarter.

If you're required to make federal tax deposits, pay the balance due using EFTPS. Otherwise, you may pay the balance due on Line 12 by EFTPS, credit card, debit card, check, or money order. You don't have to pay if Line 12 is under \$1.

If you pay by EFTPS, credit card, or debit card, file your return using the without a payment address under where should you file, and don't file Form 941-V, Payment Voucher.

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

When the result of the comparison between lines 10 and 11 is an overpayment, enter the difference on Line 13.

If you deposited more than the correct amount for the quarter, you can choose to have the IRS either refund the overpayment or apply it to your next return. Check only one box on Line 13.

If you don't check either box or if you check both boxes, the IRS will apply the overpayment to your account. We may apply your overpayment first to any past due tax account that's shown in our records under your EIN.

If Line 13 is under \$1, we'll send a refund or apply it to your next return only if you ask us in writing.

Let's complete this section for Tribe of ABC. What do we enter, on Line 11? Do we have on a balance due or an overpayment?

The summary for Tribe of ABC shows total deposit made were \$2,680 so we enter that on Line 11. When we compare lines 10 and 11, we have an overpayment of \$20.44. We report this overpayment on Line 13 and check one of the boxes. For our example, we've chosen to get a refund by checking the send a refund box.

Slide 26

If you make a payment with your Form 941, use Form 941-V, Payment Voucher.

Complete:

Box 1—Employer identification number (EIN).

Box 2—Amount of your payment.

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

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

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

Important reminder: Don't use Form 941-V to make a federal tax deposit. Making a deposit via EFTPS's the only choice.

Slide 27

Let's go to page 2 of Form 941 to complete parts 3, 4, and 5.

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

If you go out of business or stop paying wages, you must file a final return. To tell the IRS that a Form 941's your final return, check the box on Line 15 and enter the date you last paid wages in the space provided.

If you only hire employees seasonally, check the box on Line 16. A golf course and ski resort are examples of businesses that may only hire seasonal employees. Checking the box tells the IRS not to expect four Forms 941 that year because you haven't paid wages regularly.

If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 941 with the IRS, check the yes box in Part 4, *May We Speak with Your Third-party Designee?*

Enter the name, phone number, and the five-digit personal identification number (PIN) of the designated person.

By checking yes, you authorize the IRS to talk to the person about any questions we may have while processing your return. You also authorize your designee to do all of the following:

- Provide any information missing from your return.
- Call us for information about processing your return.
- Respond to certain IRS notices you have shared with your designee about math errors and return preparation.

The IRS won't send notices to your designee.

The authorization will automatically expire one year from the due date for filing your Form 941.

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

Your policies and procedures should declare who has the authority to sign this form on behalf of the tribal entity. Complete all information in Part 5 and have the authorized person sign Form 941. Items required besides the signature include printed name and title, daytime phone number, and signing date.

Slide 28

Let's use Tribe XYZ's quarterly totals to prepare a 1st quarter Form 941 to demonstrate what we've just learned.

XYZ's activity for the first quarter is summarized by pay period on this spreadsheet with columns for the pay period, employee count, gross wages, social security wages, Medicare wages, income tax withholding, payday liability, and deposits.

XYZ's a monthly depositor and uses a semimonthly payroll period. Pay days were the last day of each pay period. Deposits made by Tribe XYZ are listed in the last column.

Slide 29

First, we complete the entity section and check the box for the quarter we're filing. Here we have checked the 1st quarter – January, February, March.

For Part 1, Line 1, number of employees who received wages for the pay period including March 12, we've entered 6. Referring to XYZ's quarterly summary, we only look at Pay Period March 1-15. Six people received paychecks.

Slide 30

Continuing to Line 2, we report gross wages of \$57,700. Remember, tribal council member pay will be included on Line 2, but won't be included on lines 5a or 5c.

For Line 3, \$3,988 of federal income tax was withheld from wages.

In column 1, lines 5a, 5c and 5d, are asking for wage amounts. 5b is asking for tips. While in column 2, lines 5a through 5d are asking for tax amounts after a rate is applied to column 1.

For our exercise, only 5a and 5c are applicable. Based on the facts given, taxable wages on lines 5a and 5c are \$26,700. We simply multiply the wages in column 1 by the respective rates of 12.4% or .124 and 2.9% or .029 and enter the result in column 2.

\$3,310.80 is the social security tax for Line 5a, column 2 and \$774.30 is the Medicare tax for line 5c, column 2.

5e is merely a summation of column 2 entries for Line 5a through 5d so \$4,085.10 goes here.

Finally, for total taxes before adjustments, we add lines 3, 5e and 5f and enter \$8,073.10 on line 6.

Before going on to Line 7, let's go to page 2 and complete Part 2.

Slide 31

On page 2, Part 2, you need to explain your deposit schedule and the tax liability for the quarter.

First, don't forget to complete to top of the page with the name and EIN of the entity.

Next, we've checked the box for monthly on Line 14 and entered the monthly liabilities from our summary sheet. Since XYZ uses semimonthly payroll periods, we added the two liabilities together for each month. The total liability for the quarter is \$8,073.12.

The fine print next to the total liability for quarter reminds us the total must equal Line 10. When we move back to page 1, remember Line 10 should be \$8,073.12.

We're now on page 1 of Form 941's tax section. We completed the form through Line 6 and total taxes before adjustments was \$8,073.10.

As just calculated on Line 14, Line 10 should be \$8,073.12 so it agrees with Line 14. So, what do we need on Line 7 for current quarter's adjustment for fractions of cents?

We need two cents. Now Line 10 agrees with Line 14.

Slide 33

We need to complete the payment section and see if we've a balance due or an overpayment.

The summary for XYZ shows total deposit made were \$7,623.12, so we enter that on Line 11.

When we compare lines 10 and 11, we've an under payment of \$450. We report this balance due on Line 12.

The Form 941 is complete for exercise #1. Now an authorized person should review it for accuracy then sign, date, and mail.

The balance due on Line 12 of \$450 should be paid immediately via a deposit to minimize penalties. If you're required to make deposits and submit a check with Form 941, you may be subject to a penalty.

Slide 34

Here are a few common errors to avoid.

First, don't list your deposits on Line 14 of Form 941. The only place you report deposits is on Line 11.

Report your liabilities on Line 14. As you will recall from Lesson 7, your liabilities are comprised of five parts.

• Employees' withheld income tax

- Employees' withheld social security tax
- Employees' withheld Medicare tax
- Employer's contribution to social security tax
- Employer's contribution to Medicare tax

Ideally, the liabilities and deposits will be the same amount, but life happens and mistakes are made. If a deposit was overlooked or miscalculated, the numbers won't agree.

Second, don't enter a large number on Line 7 of Form 941. By definition, fractions of cents are small numbers. If your fraction of cents adjustment is more than \$1, something's wrong.

Slide 35

In the exercise we just completed, if the deposits were incorrectly used to complete Line 14, the result on Line 14 would be \$7,623.12 instead of \$8,073.12.

Slide 36

If Line 14 is incorrect, Line 7 will be wrong. Fractions of cents are small numbers. A fraction of cents adjustment of -449.98 should sound alarms that something's wrong.

If Line 7 is more than \$1.00 (+ or -), you made an error, need to find it and make corrections.

Slide 37

Here are some questions to consider for errors on Line 7 and why lines 10 and 14 don't equal:

- Were deposits listed on Line 14 instead of liabilities?
- Were there any computational errors on Form 941?
- Were the amounts from source documents carried over correctly?
- · Were there any addition errors?

- When there was a tax computation, were there errors in multiplying the rates?
- Were the correct rates applied?
 - You should double check amounts on the following 941 lines.
 - Federal income tax withheld on Line 3
 - Lines 5a 5d Wages in column 1
 - Taxes in column 2 on Lines 5a 5d
 - Liabilities on Line 14
- Were there miscalculations during a specific pay period? You may have to review the detail by pay periods to discover errors.
- Were tax rates applied correctly?
- Was an incorrect tax rate applied?
- Was no tax rate applied when it should have been?
- Was a tax rate applied when not applicable?
- Were any checks issued manually and not included in the payroll detail?
- If there are multiple programs or departments that keep their own payrolls, were all departments included in the payroll summary and included correctly?

When do you file a Schedule B with Form 941?

You must complete Schedule B (Form 941) if you're a semiweekly depositor.

Let's quickly recap the rules for semiweekly depositors discussed in Lesson 7 to see who must file a Schedule B with Form 941.

If the total taxes during your lookback period exceed \$50,000, you're a semiweekly depositor.

However, don't complete Schedule B if your tax liability for the quarter's less than \$2,500.

On Form 941 page 2, Part 2, explain your deposit schedule.

When the box for semiweekly schedule depositor applies, you're instructed to complete Schedule B and attach it to Form 941.

The total liability for the quarter must equal Line 10.

Slide 40

Here's a first look at Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors.

The form's divided into three months for each quarter.

If you are filing the 1st quarter, then:

- Month 1 is January
- Month 2 is February and
- Month 3 is March

Furthermore, there are 31 numbered spaces for each month. There should be an entry in these numbered spaces for any day wages were paid. Enter the payday's tax liability on the numbered space that corresponds to the date wages were paid.

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

Slide 41

The IRS uses Schedule B to determine if you've deposited your federal employment tax liabilities on time.

If you don't properly complete and file your Schedule B with Form 941, the IRS may propose an averaged failure-to-deposit penalty.

See Deposit Penalties in section 11 of Pub.15 for more information.

In the next few slides, we'll walk through how the Schedule B's completed.

At the top of Schedule B, enter your EIN and name.

Make sure they exactly match the name of your business and the EIN that the IRS assigned to your business.

The name and EIN must also agree with the name and EIN shown on the attached Form 941.

Enter the calendar year that applies.

Under Report for this Quarter, check the appropriate box of the quarter for which you're filing this schedule.

Make sure the quarter checked on the top of the Schedule B matches the quarter checked on your Form 941.

Slide 43

Write your daily tax liability on the numbered space that corresponds to the date wages were paid and total each month with an entry in the box on the right, Tax Liability for Month...

In our example, we had paydays in Month 1 on the 15th and the 31st. Our tax liabilities were \$1,224.30 and 1,283.90, respectively.

We then added all entries in Month 1 and entered the total \$2,508.20 in the box Tax Liability for Month 1.

Repeat the same for months 2 and 3.

Slide 44

In our example, we had paydays in Month 2 on Feb.15 and 28. Our tax liabilities were \$1,389.60 and \$1,667.60, respectively.

We added all entries in Month 2 and entered the total \$3,057.20 in the box Tax Liability for Month 2.

In our example, we had paydays in Month 3 on the 7th, 15th, and 31st. Our tax liabilities were \$179.07, \$1,542.25 and \$2,541.98, respectively.

We then added all entries in Month 3 and entered the total \$4,263.30 in the box Tax Liability for Month 3.

Slide 46

Once all the monthly detail has been entered and totaled, fill in your total liability for the quarter by adding tax liabilities for Month 1, Month 2, and Month 3.

This total must equal Line 10 on Form 941.

In our example, the total for the quarter is \$9,828.70. Line 10 must equal \$9,828.70.

Slide 47

Here are the web references for the forms and publications identified during the presentation.

- Pub 15, Employer's Tax Guide: A general discussion of taxable wages
- Pub 15-B, Employer's Tax Guide to Fringe Benefits: A detailed discussion for employers who provide fringe benefits to employees.
 Use Pub 15-B to determine whether the benefits are taxable and, if so, the amount to include in the employee's wages.

Slide 48

Review the web references for the forms and publications identified during the presentation.

 Pub 15-A, Employer's Supplemental Tax Guide. Contains specialized and detailed employment tax information supplementing the basic information provided in Pub 15. • Form W-2, Wage and Tax Statement.

Slide 49

That concludes our lesson.

We learned:

- How to determine when a Form 944's required
- What's reported on Form 941
- How to complete a Form 941 for monthly and semiweekly depositors
- The due dates for employment tax returns

Thank you.