

Lesson 9, Corrections 941-X, W-2c

Slide 1

Welcome to this presentation.

I've a few announcements before we get started.

The information contained in this presentation is 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.

This is the ninth of 12 lessons we've created to teach you about payroll taxes.

Slide 2

In this lesson, we'll discuss how to make corrections using Forms 941-X and W-2c.

Slide 3

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

It includes how to correct previously filed employment tax forms.

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.

Slide 4

So far, you've learned how to complete and file Forms 941 and W-2. We'll now discuss what to do when you discover mistakes on previously filed Forms 941 and W-2. You'll learn to prepare Forms 941-X, W-2c and W-3c.

Slide 5

When you discover an error on Form 941 that has already been mailed to the IRS, you must correct that error using Form 941-X.

Don't mail a second 941 to correct the mistake, because it will be identified as a duplicate return and the corrections won't be made.

A Form 941-X must be prepared to fix the errors.

Use a separate 941-X for each 941 you're correcting. For example, if you found errors on your 941s for the 3rd and 4th quarters of 2016, file one 941-X to correct the 3rd quarter 941. File another 941-X to correct the 4th quarter.

If you didn't file a Form 941 for one or more quarters, don't use Form 941-X. Instead, file Form 941 for each of those quarters.

Slide 6

There are limitations on correcting mistakes on income tax withholding and additional Medicare tax withholding.

You may make an adjustment to correct income tax and additional Medicare tax withholding errors discovered during the same calendar year you paid wages.

In a current calendar year, correct prior quarter income tax withholding errors by making the correction on Form 941-X.

The reason for this same calendar year limitation is because the employee uses the amount shown on Form W-2 as a credit when filing his Form 1040 income tax return.

If you withheld more than the correct amount of income, social security, or Medicare taxes from wages paid, repay or reimburse the employee the excess.

However, any excess income tax or additional Medicare tax withholding must be repaid or reimbursed to the employee before the end of the calendar year it was withheld.

You can't adjust amounts reported in a prior calendar year unless it's to correct an administrative error. An administrative error occurs if the amount you entered on Form 941 isn't the amount you withheld.

For example, if the total income tax withheld was incorrectly reported on Form 941 due to a mathematical or transposition error, this is an administrative error.

The administrative error adjustment corrects the amount reported on Form 941 to agree with the amount withheld from employees and reported on their Forms W-2.

If you withheld no income, social security, or Medicare taxes or less than the correct amount from an employee's wages, you can make it up from later pay to that employee. But you're the one who owes the underpayment.

Reimbursement's a matter for settlement between you and the employee. Under withheld income tax and additional Medicare tax must be recovered from the employee on or before the last day of the calendar year.

Slide 7

Each part of the Form 941-X's important, and should be completed carefully. Make sure you follow the 941-X instructions.

You must provide all the information requested at the top of page 1.

You must check one box (but not both) in Part 1.

In Part 2, you must check the box on Line 3 and any applicable boxes on lines 4 and 5.

In Part 3, if any line does not apply, leave it blank.

Complete parts 4 and 5 as instructed.

Now, let's walk through these various sections of Form 941-X.

Slide 8

Here is the top portion of page 1. You must provide all the information requested.

First, complete the entity section. Remember, a unique 9-digit EIN was assigned to your tribal government or tribal enterprise.

Always be sure the EIN on the forms you file exactly matches the EIN the IRS assigned to your entity. Enter the name you used when you applied for your EIN. Also, enter your name and EIN on the top of pages 2 and 3.

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

What quarter are you filing?

Under *Return You Are Correcting ...* at the top right of Form 941-X, check the appropriate box for the type of return you're correcting and the quarter you're filing.

Next, enter the calendar year of the quarter you're correcting.

Last, enter the date you discovered the errors.

Slide 9

You must check one box (but not both) in Part 1. It tells us to select one process – adjustment or claim.

The first process *Adjusted employment return* is used if you underreported the tax on a previously filed Form 941. If this is so, check the box on Line 1 and pay any additional amount you owe.

The process also applies if your corrections involve under and over reported amounts. If true, check Box 1 and have any overpayment applied to the current quarters Form 941. If an underpayment, pay any additional amount you owe.

Example: On June 19, 2017, you discover an error that results in additional tax on your 2015 4th quarter Form 941. File a 941-X by July 31 and pay the amount you owe by the time you file. Don't attach the 941-X to your 2017 2nd quarter Form 941.

If you overreported the tax on a previously filed Form 941, you may choose either option.

To apply any credit (negative amount) from Line 21 to the current quarter's Form 941 (that is for the quarter during which you file Form 941-X), check the box on Line 1.

To file a claim and request a refund or abatement of the amount shown on Line 21, check the box on Line 2.

See the chart on page 4 of Form 941-X for further information on the above processes.

Slide 10

In Part 2, the certification section, you must check the box on Line 3 and any applicable boxes on lines 4 and 5.

Check the box on Line 3 to certify that you filed or will file Forms W-2 or W-2c with the SSA, as required, showing your employee's correct wage and tax amounts.

You must check the box on Line 3 to certify you filed Forms W-2 or W-2c even if your corrections on Form 941-X don't change amounts shown on those forms.

For example, if your only correction to Form 941 involves misstated tax adjustments, check the box on Line 3 to certify you already filed all required Forms W-2 and W-2c with the SSA.

You must complete all certifications that apply by checking the appropriate boxes. If all your corrections relate to underreported amounts, complete Line 3 only, skip lines 4 and 5 and go to Part 3.

If your corrections relate to overreported amounts, you've a duty to ensure your employee's rights to recover overpaid social security and Medicare taxes you withheld are protected.

The certifications on lines 4 and 5 address the requirement to repay or reimburse your employees for the overcollection of employee social security and Medicare taxes, or obtain consents from your employees to file a claim on their behalf.

For overreported amount due to administrative errors (math or transposition correction), either 4c or 5d will apply.

Slide 11

In Part 3, enter the correction for the quarter. If any line doesn't apply, leave it blank.

Lines 6-11 descriptions correspond to Form 941. For instance, Line 6, *Wages, tips, and other compensation* corresponds to Line 2 of Form 941, while Line 10 corresponds to Form 941, Line 5c, Column 1, *Taxable Medicare wages*.

On lines 6-11, columns 1 and 2, show amounts for your employees, not just for those employees whose amounts you're correcting.

Column 1 asks for the corrected amounts, while column 2 requires the originally reported amounts. However, if you or the IRS previously corrected the amount reported on Form 941, enter in Column 2 the amount after any previous corrections.

Column 3 asks for the difference between columns 1 and 2. You subtract Column 2 from Column 1. If the amount is negative, enter with a minus sign.

Look to the small print between columns 3 and 4 for specific instructions for each line.

Let's look further at a few lines.

For Line 6, *Wages, tips and other compensation*, you're told to use the amount on Column 1 when you prepare Forms W-2 or W-2c.

For Line 7, *Federal income tax withheld*, you copy the result in Column 3 to Column 4.

For Line 8, *Taxable social security wages*, multiply the amount in Column 3 by .124 and enter that result in Column 4.

For Line 10, *Taxable Medicare wages*, multiply the amount in Column 3 by .029 and enter that result in Column 4.

Slide 12

Because special circumstances apply for lines 12-18, 20a, and 20b, read the instructions for each line before entering amounts in the columns.

Once the specific instructions for each line are made and entered on Column 4, you combine the amounts from Column 4 on lines 7-18 and enter the result on lines 19 and 21.

If Line 21 is less than zero and you chose Line 1 under Part 1, this is the amount you want applied as a credit to your Form 941 for the tax period in which you're filing this form.

If Line 21 is less than zero, and you checked Line 2, this is the amount you want refunded.

If Line 21 is more than zero, this is the amount you owe. Pay this amount by the time you file the return.

Slide 13

Part 4 is *Explain your corrections for this quarter.*

Check the box on Line 22 if any corrections you entered on lines 7-20a, Column 3, reflect both underreported and overreported amounts.

If you had a \$15,000 increase to social security wages for employee A and a \$5,000 decrease to social security wages for employee B, you'd enter \$10,000 on Line 8, Column 3. That \$10,000 represents the net change from corrections.

On Line 24, you must explain the reason for both the \$15,000 increase and the \$5,000 decrease.

Check the box on Line 23 if you reclassified any workers to be independent contractors or nonemployees.

On Line 24, describe in detail each correction you entered in Column 4. Also use Line 24 to describe corrections made on lines 6 and 20b.

If you need more space, attach additional sheets, but make sure to write your name, EIN, Form 941-X, the quarter you're correcting (for example, Quarter 2), and the calendar year of the quarter you're correcting on the top of each sheet.

You must describe the events that caused the underreported or overreported amounts. Explanations such as "social security and Medicare wages were overstated" or "administrative/payroll errors were discovered" are insufficient and may delay processing your Form 941-X. The IRS may need to ask for a more complete explanation.

Provide the 941-X line numbers affected, date you discovered the error, difference or amount of the error, and cause of the error.

For corrections shown on lines 15-18, Column 3, explain why the correction was necessary and attach any notice you received from the IRS.

A signature is required in Part 5. You must complete all three pages of Form 941-X and sign it on page 3. If you don't sign, processing of Form 941-X will be delayed.

Slide 14

Let's complete an example based on the following facts. You reported \$41,000 as wages on lines 2, 5a, and 5c of your 2016 first quarter Form 941.

In May 11, 2017, you discovered you included \$2,000 in wages for one of your employees twice. To correct the error, figure the difference on Form 941-X.

Here's the top portion of page 1. You must provide all of the information requested. First, complete the entity section. Enter your name and EIN here and on the top of pages 2 and 3. Next, complete the address, city, state and zip code.

What quarter are you filing?

Under *Return You Are Correcting ...* at the top right of Form 941-X, check the appropriate box for the type of return you're correcting and the quarter you're filing. In this example, you're correcting a 941 for Quarter 1.

Next, enter the calendar year of the quarter you're correcting. In this example, 2016.

Last, enter the date you discovered the errors. May 11, 2017's the date per this example.

Under Part 1, check the box on Line 2 to file a claim on Form 941-X and request a refund.

Slide 15

In Part 2, the certification section, you must check the box on Line 3 and any applicable boxes on lines 4 and 5. You checked the box on Line 3 even though your corrections on Form 941-X don't change amounts shown on those forms.

\$2,000 in wages for one employee was reported twice, but his W-2 doesn't require a correction.

Since these corrections relate to overreported amounts, but is due to an administrative error, 5d applies. \$2,000 in wages for one employee was reported twice, but you didn't withhold tax twice.

Slide 16

In Part 3, enter the correction for the quarter. If any line doesn't apply, leave blank.

On the respective lines, enter the total corrected amount for ALL employees in Column 1. For this example, you enter \$39,000 for wages (Line 6), social security wages (Line 8), and Medicare wages (Line 10).

In Column 2, enter the amount you originally reported. \$41,000 for wages, social security wages, and Medicare wages were entered for this example.

In Column 3, enter the difference between columns 1 and 2. You enter a negative 2,000 for wages, social security wages, and Medicare wages.

For social security tax, multiply the amount on Line 8, Column 3, by .124 and enter result in Column 4. For Medicare tax, multiply the amount on Line 10, Column 3, by .029 and enter result in Column 4. For this example, you enter negative 248 for social security taxes, and negative 58 for Medicare taxes.

Negative \$306 is the entry for this example for lines 19 and 21 where you simply combined the amounts in Column 4.

Since Line 21 is less than zero, and you checked Line 2 under Part 1, this is the amount you want refunded.

If you had checked Line 1 of Part 1, this amount would be applied as a credit to your 2nd quarter 2017 Form 941. That is, the tax period ending June 30, 2017.

Remember, you discovered the error on May 11, 2017 and should file this 941-X by the end of the quarter it was discovered.

Slide 17

On Line 24 describe in detail each correction entered in Column 4 on lines 7-11.

This description states the \$2,000 difference shown in Column 3 on lines 6, 8, and 10 was discovered on May 11, 2017 during an internal payroll audit. You discovered you included \$2,000 of wages for an employee twice. This correction removes the wages that were never paid.

In Part 5, you've printed the signer's name, title, and phone number. Jane Doe signed and dated Form 941-X on May 31, 2017.

Slide 18

Your correction of an underreported amount won't be subject to a failure-to-pay penalty, FTD penalty, or interest if you.

- File by the due date of the quarter you discover the error.
- Pay the amount shown on Line 21 by the time you file Form 941-X.
- Enter the date you discovered the error.
- Explain in detail the grounds and facts relied on to support the correction.

Slide 19

The due date for filing Form 941-X depends on when you discover an error and if you underreported or overreported tax.

If you're correcting underreported tax, file Form 941-X by the due date of the return for the return period in which you discovered the error and pay the amount you owe by the time you file. Doing so will ensure your

correction's interest free and not subject to failure-to-pay or failure-to-deposit penalties.

For example, you discover an error on Aug. 18 on a previously filed 941. Aug. 18 falls within the 3rd quarter. The 3rd quarter due date's Oct. 31. As such, file the 941-X and pay the amount due by Oct. 31 to avoid penalties and interest.

Slide 20

You may correct overreported taxes on a previously filed Form 941 if you file Form 941-X within three years of the date Form 941 was filed or two years from the date you paid the tax reported on Form 941, whichever's later.

Forms 941 for a calendar year are considered filed on Apr. 15 of the succeeding year if filed before that date.

For example, you filed your 2014 4th quarter Form 941 on Jan. 27, 2015, and payments were timely made. The IRS treats the return as if it were filed on Apr. 15, 2015.

On Jan. 20, 2018, you discovered you overreported social security and Medicare wages on that form by \$350. To correct the error, file Form 941-X by Apr. 15, the end of the period of limitations for Form 941 and use the claim process.

Slide 21

Indian tribal governmental entities send completed Form 941-X to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0005

Slide 22

Use Form W-2c to correct errors on Forms W-2 (or W-2c) already filed with the SSA. Also use Form W-2c to provide corrected information to employees. Errors include incorrect amounts and incorrect name, or social security number.

Use the W-3c to transmit Copy A of Forms W-2c. File a W-3c whenever you file a W-2c with the Social Security Administration. Make a copy of your W-3c and keep it with Copy D (for Employer) of Forms W-2c for your records.

File Forms W-2c and W-3c immediately after you discover an error. Also provide Form W-2c to employees right away.

Unlike Forms W-2 and W-3, these forms aren't updated annually. Always check for updates and use the current versions of Forms W-2c and W-3c.

Don't use W-2c if you never submitted a W-2 for an employee. File Form W-2, even though it may be late. Form W-2c's only used to correct a previously submitted W-2.

Corrections reported on Form W-2c may require you to make corrections to your previously filed 941s.

Slide 23

Each part of the Form W-2c's important, and should be completed carefully. Make sure you follow the W-2c instructions.

You must provide the employer's information requested in boxes A and B. Box A asks for employer's name, address, and zip code while Box B wants the employer's federal EIN. Enter the tax year and form being corrected in Box C.

In this example, you're correcting a previously filed W-2, so Box C only required that 2015 be inserted. If you're correcting a previously filed W-2c, you'd have inserted a "c" after the preprinted W-2.

Slide 24

The affected employee's information's entered in boxes D through I. Box D asks for the employee's correct SSN. In this example, you're not correcting a previously reported name or SSN so you'll ignore boxes E, F, and G. Boxes H and I ask for the employee's name and address.

Slide 25

Now look closer at the money boxes 1-8. These correspond to the boxes on the previously filed W-2. Note there are two different column headings

for the odd numbered “wage” boxes on the left versus the even numbered “tax” boxes on the right. The column on the left is “previously reported” while the other column is “correct information.”

In this example, \$32,750 and zero cents is entered in the “previously reported” boxes for wages, while the respective taxes “previously reported” are entered in boxes 4 and 6. Because you’re not correcting federal income tax withheld, Box 2 is left blank.

Slide 26

\$32,000 and zero cents are entered in the “correct information” boxes for wages, while the correct taxes are entered in “correct information” boxes 4 and 6. Again, you’re not correcting federal income tax withheld so Box 2 is left blank.

Social security tips and allocated tips didn’t apply, so they’re also left blank.

This completes the corrections for this employee.

Slide 27

Each part of the Form W-3c’s important and should be completed carefully. Make sure you follow the W-3c instructions. W-3c summarizes the enclosed W-2c being submitted.

You must provide all of the applicable employer’s information in boxes A through J. If a box doesn’t apply, leave it blank.

The tax year and form being corrected are entered in Box A. Here you entered 2015 and a “2” after the preprinted “w dash” on the form. If you’re correcting previously filed Forms W-2c, you’d have inserted a “2c” after the preprinted w dash.

Box B asks for employer’s name, address, and zip code, while Box C wants the kind of payer and employer that applies. Enter the number of W-2c being submitted in Box D. The employer’s federal EIN goes in Box E.

Complete boxes H, I, or J only if incorrect on the last form filed.

Slide 28

Now look closer at the money boxes 1-8. These correspond to the boxes on the W-2c. Again, there are two different column headings. The column on the left is “total of amounts previously reported as shown on enclosed Forms W-2c,” while the other’s “total of corrected amounts as shown on enclosed Forms W-2c.”

In these money boxes, total the amounts from each box and column on the Forms W-2c you’re sending.

In this example, you only had one W-2c, so \$32,750 and zero cents are entered in the “previously reported” boxes for wages, while the respective taxes “previously reported” is entered in boxes 4 and 6. You’re not correcting federal income tax withheld, so Box 2 is left blank.

Slide 29

All the boxes from the “corrected” column in the enclosed W-2c are summed and \$32,000 and zero cents is entered in the “corrected amounts” boxes for wages, while the correct taxes are entered in “corrected information” boxes 4 and 6.

You’re not correcting federal income tax withheld, social security tips, or allocated tips so boxes 2, 7, and 8 are left blank.

Slide 30

After all the money boxes are complete, explain any decrease to amounts “previously reported.” Also report any previous incorrect entry in Box C, *Kind of Payer* or *Kind of Employer*. Enclose – but don’t attach – additional sheets explaining decreases, if necessary. Include your name and EIN on any additional sheets.

Sign and date the form. Also enter your title and employer's contact person, telephone and fax numbers, and employer’s email address, if available.

Slide 31

If you choose to file paper Forms W-2c and W-3c, mail them to the Social Security Administration’s Direct Operations Center at P.O. Box 3333, Wilkes-Barre, PA 18767-3333.

The official Forms W-2c and W-3c appear in red and are scannable. A penalty may be imposed for filing forms that can't be scanned.

Paper Forms W-2c are often error prone. Because they're carbon copy papers, there's no way to erase mistakes.

If you're using accounting software, you can't print the Forms W-2c and W-3c and mail them to the Social Security Administration. If you do, they may be rejected for not being scannable.

The paper forms are also labor intensive and expensive for the SSA to process.

The SSA encourages all employers that file Forms W-2c and W-3c to e-file using its secure Business Services Online (BSO) website. E-filing can save you effort and helps ensure accuracy. See Lesson 12 for a further discussion on electronic filing.

There are many advantages to e-filing Forms W-2c and W-3c.

Electronic filing's fast, safe and secure. There's nothing to mail since you'll be submitting them online. You'll receive an immediate electronic receipt. Processing and posting of wages from the W-2c into the SSA and IRS systems is faster. And you'll be saving money for employers and SSA.

Slide 32

BSO allows users to file online corrections to previously submitted Forms W-2 regardless of the original form of submission. You can create, save, print, and submit up to 25 Forms W-2c per submission.

If you've more than 25 Forms W-2c, you'll simply submit multiple batches with each batch being 25 or less. A Form W-3c's created for each W-2c online report, even if the multiple submissions are for the same EIN.

You can use BSO to create, save, print, and submit Forms W-2c online for the current year as well as for prior years. After logging into BSO, navigate to the Electronic Wage Reporting home page and click on the Forms W-2c/W-3c Online.

Visit the SSA's Employer W-2 Filing Instructions & Information website for more information about using BSO to save time for your organization.

Under the Forms W-2c/W-3c online tab on the Electronic Wage Reporting homepage, you can enter Forms W-2c for current tax year and the past three years.

Slide 33

Make sure you submit the reports when they're done. If the submission step's omitted, the forms haven't been filed.

You should print the submission confirmation number to keep in your records. The W-3c and all W-2cs must be printed. Make sure a copy of the W-2c's given to the employee. Both the W-3c and W-2c copies should be retained in the employer's records.

BSO won't save copies of your submissions beyond 30 days.

Please don't also mail paper copies of the forms to the SSA. By using Form(s) W-2c/W-3c online to submit your forms, you've already provided them to the SSA.

Slide 34

To correct an incorrect tax year on a previously submitted Form W-3, you must prepare two sets of Forms W-3c.

Please note on the W-3c, Box A asks for the tax year and form you're correcting. Enter all four digits of the year of the form and the type of form you're correcting. In this case, you're correcting Form W-3.

For example, you correctly prepared your 2016 W-2s, but when completing the W-3, 2015 was entered as the tax year instead of 2016.

First, prepare a Form W-3c to reverse the error by entering the incorrect tax year in Box A along with the form you're correcting, that is, W-3. In the money boxes under "previously reported," enter the amounts from the original Form W-3. In the "correct information" boxes, enter zeros.

Next, prepare a second Form W-3c to report the correct year by entering the correct tax year in Box A along with the form you're correcting, W-3.

In the money boxes under "previously reported," enter zeros. In the "correct information" boxes, enter the correct money amounts.

The next two slides demonstrate how this two-step process looks.

Slide 35

Step one reverses your error. First, complete boxes B through E with the employer's information.

Next, enter the tax year and form you're correcting. In Box A, enter 2015 and put a 3 after the "w dash" because you're correcting a previously filed W-3.

In the money boxes under "previously reported," enter the amounts from the original Form W-3. In the "correct information" boxes, enter zeros.

Slide 36

Step two reports the correct information. First, complete Box B through E with the employer's information.

Next, enter the tax year and form you are correcting. In Box A, enter 2016 and put a 3 after the "w dash" because you're correcting a previously filed W-3.

In the money boxes under "previously reported," enter zeros. In the "correct information" boxes, enter the correct money amounts.

Slide 37

In this lesson, we learned how to prepare:

- ✓ Form 941-X
- ✓ Forms W-2c / W-3c

Please review the instructions for Forms W-2 and W-3.

Thank you.