

# Periodic and Year-End Payroll Reporting

## LEARNING OBJECTIVES

- Record the necessary payroll journal entries
- Complete quarterly Form 941
- Complete year-end Form 940
- Complete year-end Form W-2
- Complete year-end Form W-3



At this stage, you've completed all steps for a single payroll cycle. However, you're not done yet, as there are a number of remaining payroll reporting requirements. While some of the necessary forms are completed on a quarterly basis, others are submitted annually. Similarly, there are a number of payroll accounting journal entries that must be recorded as a given year progresses. In this chapter, you'll begin by examining the remaining payroll accounting that must be performed. You'll then review a number of required forms, including Forms 941, 940, W-2, and W-3. As you work through this chapter, note that a calendar of IRS filing due dates may be found in Appendix B in the back of the book.



**Videos available!** Check out the Video Launch Pad in your student exercise file download to access videos associated with this chapter. One video presents a chapter overview, and the other provides more detail on a key chapter topic.

<http://www.lablearning.com>

**CASE STUDY**

# Completing Payroll Recording for Lucky Ties Apparel

Although Lucky Ties Apparel has now accounted for the different payroll taxes that must be remitted, it has not yet completed all payroll-related requirements. The company has a number of federal and state payroll reporting requirements that must be met in order to avoid financial penalties. Lucky Ties Apparel also must record journal entries when payroll-related payments are made.

To meet these requirements, you first examine the remaining journal entries that are necessary when both deducted amounts and employer payroll taxes are paid to the appropriate organization (federal government, insurance provider, etc.). You then review a number of federal payroll-related forms such as Forms 941, 940, W-2, and W-3.

Employers must report payroll-related activity by filing Form 941 on a quarterly basis.

**Form 941 for 2019: Employer's QUARTERLY Federal Tax Return**  
Form (Rev. January 2019) Department of the Treasury – Internal Revenue Service

950117  
OMB No. 1545-0029

**Report for this Quarter of 2019 (Check one.)**

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

Employer identification number (EIN)  -

Name (not your trade name)

Trade name (if any)

Address  
 Number  Street  Suite or room number   
 City  State  ZIP code   
 Foreign country name  Foreign province/county  Foreign postal code

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

**Part 1: Answer these questions for this quarter.**

1 Number of employees who received wages, tips, or other compensation for the pay period including: <i>Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)</i>	1	<input type="text"/>
2 Wages, tips, and other compensation	2	<input type="text"/>
3 Federal income tax withheld from wages, tips, and other compensation	3	<input type="text"/>
4 If no wages, tips, and other compensation are subject to social security or Medicare tax	4	<input type="checkbox"/> Check and go to line 6.
	<b>Column 1</b>	<b>Column 2</b>
5a Taxable social security wages	<input type="text"/> x 0.124 =	<input type="text"/>
5b Taxable social security tips	<input type="text"/> x 0.124 =	<input type="text"/>
5c Taxable Medicare wages & tips	<input type="text"/> x 0.029 =	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/> x 0.009 =	<input type="text"/>
5e Add Column 2 from lines 5a, 5b, 5c, and 5d		<input type="text"/>
5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)		<input type="text"/>
6 Total taxes before adjustments. Add lines 3, 5e, and 5f		<input type="text"/>
7 Current quarter's adjustment for fractions of cents		<input type="text"/>
8 Current quarter's adjustment for sick pay		<input type="text"/>
9 Current quarter's adjustments for tips and group-term life insurance		<input type="text"/>
10 Total taxes after adjustments. Combine lines 6 through 9		<input type="text"/>
11 Qualified small business payroll tax credit for increasing research activities. Attach Form 8974		<input type="text"/>
12 Total taxes after adjustments and credits. Subtract line 11 from line 10		<input type="text"/>
13 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter		<input type="text"/>
14 Balance due. If line 12 is more than line 13, enter the difference and see instructions		<input type="text"/>
15 Overpayment. If line 13 is more than line 12, enter the difference		<input type="text"/>

Check one:  Apply to next return.  Send a refund.  
**▶ You MUST complete both pages of Form 941 and SIGN it.**

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z **Form 941** (Rev. 1-2019)

# Accounting for Payroll (Periodic Entries)

**Before You Begin:** This section assumes prior knowledge of the transaction-recording process. Consult with your instructor to determine if you are required to review this material.

You have learned how to record journal entries for employee payroll and employer payroll taxes. In each of these journal entries, multiple liability accounts were credited because, as of the payroll date, none of the deductions from employee pay or employer taxes were actually remitted to the organization to which they were owed. When these liabilities are paid, a different journal entry is booked to account for the payment.

Federal income tax withholding, Social Security tax (employee and employer portions), and Medicare tax (employee and employer portions) must be paid by the employer on either a monthly or semiweekly basis. The applicable payment increment is determined by reviewing the employer's **lookback period**.

The lookback period for a given year is the previous July 1 through June 30. For example, the lookback period for 2019 runs from July 1, 2017, through June 30, 2018. If an employer reports less than \$50,000 in combined taxes (the three taxes listed above) during the lookback period, the company is a **monthly depositor**. Alternatively, if the reported taxes exceed \$50,000, the employer is a **semiweekly depositor**.

Monthly depositors must submit each month's payment by the 15th of the following month. Semiweekly depositors whose pay date falls from Wednesday to Friday must submit payment by the following Wednesday, while those whose pay date falls from Saturday to Tuesday must submit payment by the following Friday.

Type of Depositor	Payment Dates
Monthly	15th of the following month
Semiweekly (pay date Wed–Fri)	Following Wednesday
Semiweekly (pay date Sat–Tues)	Following Friday

When payment is made, the journal entry appears as follows:

9/15	Federal Income Tax Payable	XXXXX	
	Social Security Tax Payable	XXXXX	
	Medicare Tax Payable	XXXXX	
	Cash		XXXXX
	<i>Monthly Payment of Federal Taxes</i>		

The liability (payable) accounts are debited to reduce their balances. This is appropriate as the amounts are no longer owed. The corresponding credit is to the *Cash* account, to illustrate that the employer now has less cash than it did before. Since Social Security tax and Medicare tax are both matched by the employer, the amounts of these taxes in the journal entry will combine the employee and employer portions.

**NOTE!** State income tax payments are usually made on schedules similar to those for federal payments. In those cases the state payment is included as part of the earlier journal entry. Check your individual state's regulations to determine the exact payment requirements.

## Submitting Unemployment Tax Payments

### FUTA Tax Payment Schedule

Quarter	Payment Date
1st Quarter (Jan.–Mar.)	April 30
2nd Quarter (Apr.–Jun.)	July 31
3rd Quarter (Jul.–Sept.)	October 31
4th Quarter (Oct.–Dec.)	January 31

While federal unemployment tax is paid on a quarterly basis, many small businesses are permitted to remit payment once at the end of each year. Employers whose FUTA tax owed does not exceed \$500 at the end of a quarter are permitted to delay payment. In these instances, the employer must remit payment either when total FUTA tax owed exceeds \$500 at the end of a quarter or after the 4th quarter of the year, whichever comes first. Stated differently, an employer must remit payment by the due dates listed at left only if the total FUTA tax owed exceeds \$500 at the end of a quarter. State unemployment taxes are also

typically remitted on a quarterly basis, with specific regulations differing from state to state.

For those quarters in which FUTA tax must be paid, the payment is due at a different time than the other federal taxes and therefore is typically paid separately. As such, the associated journal entry is as follows:

10/31	FUTA Tax Payable	XXXXX	
	Cash		XXXXX
<i>Quarterly Payment of Unemployment Taxes</i>			

SUTA tax typically follows a similar payment schedule (depending on the individual state's regulations), and when paid at the same time as FUTA tax would be included in the above journal entry.

**TIP!** When a payment date for any of the previously listed taxes falls on either a weekend or a holiday, the employer is permitted to remit payment on the next business day.

## Voluntary Withholding Payments

The payments for voluntary deductions are typically made at set intervals during the year. These intervals differ based on the deduction in question and the employer. For example, when withheld charitable contributions are remitted to the designated organization, the associated journal entry appears as follows:

10/1	Charitable Contribution Payable	XXXXX	
	Cash		XXXXX
	<i>Payment of Withheld Charitable Contributions</i>		

### Case in Point 6-1

## Record Monthly and Quarterly Journal Entries

In this example, we'll record the following:

- One journal entry to account for the month-end payment of federal taxes
- One journal entry to account for the payment of federal unemployment taxes
- One journal entry to account for the payment of the voluntary deductions of Lucky Ties Apparel

The company is a monthly depositor whose December federal taxes, 4th quarter FUTA taxes, and 4th quarter voluntary deductions are displayed below. Assume that each voluntary deduction is remitted to the respective organization on a quarterly basis, on the last day of the first month after the end of the quarter. All tax payments are made in a timely manner on the payment due date (which, for this quarter, is not impacted by a weekend or holiday).

December Tax Totals	
Federal income tax	\$1,942
Employee's Social Security tax	\$1,215
Employee's Medicare tax	\$395
Employer's Social Security tax	\$1,215
Employer's Medicare tax	\$395

4th Quarter Totals	
FUTA tax	\$66
Retirement plan	\$598
Health insurance	\$480
Charitable contribution	\$450
Cafeteria plan	\$912

1.	1/15	Federal Income Tax Payable	1,942	
		Social Security Tax Payable	2,430	
		Medicare Tax Payable	790	
		Cash		5,162
		<i>Monthly Payment of Federal Taxes</i>		

Social Security and Medicare payments include both the employee and employer portions. The journal entry is recorded on January 15, as the December payment is due on the 15th day of the subsequent month (January).

2.	1/31	FUTA Tax Payable	66	
		Cash		66
		<i>Quarterly Payment of Unemployment Taxes</i>		

Based on the FUTA tax payment schedule, the 4th quarter unemployment tax payment is made on January 31.

3.	1/31	Retirement Plan Payable	598	
		Health Insurance Payable	480	
		Charitable Contribution Payable	450	
		Cafeteria Plan Payable	912	
		Cash		2,440
		<i>Quarterly Payment of Voluntary Deductions</i>		

In spite of the fact that these voluntary withholding amounts were paid on the same day as the FUTA tax, it is not advisable to include FUTA tax with these items in one journal entry. Writing two journal entries gives each one a more specific purpose. In fact, many companies would not combine these voluntary deductions into one journal entry, opting instead to write a separate entry for each one. Both the approach illustrated above and this alternate method are acceptable.

## Form 941 (Employer's Quarterly Federal Tax Return)

### On the Web

[irs.gov/pub/irs-pdf/f941.pdf](https://irs.gov/pub/irs-pdf/f941.pdf)



Employers are required to complete and submit Form 941 on a quarterly basis. This form summarizes the payroll activity (including wages, employee taxes, and employer taxes) of a business for the most recent quarter. The Federal Income Tax Payable, Social Security Tax Payable, and Medicare Tax Payable accounts are (for monthly depositors) debited each month in order to reduce their balances when the taxes are remitted. To enter the correct tax figures in Form 941, the employer may sum the amounts in these journal entries to arrive at the quarterly totals. Similar calculations, based on the payroll register totals, may be made to arrive at the quarterly wage figures.

The due dates for the quarterly Form 941s are the same as the due dates for FUTA payments. Therefore, Form 941 is due by the last day of the first month after each quarter has ended.

**NOTE!** If an employer's total annual tax liability for federal income tax withholding, Social Security tax, and Medicare tax is less than \$1,000, the employer is not required to file quarterly Form 941 and may instead file Form 944 at the end of the year.

As you saw previously, employers typically make payments on either a monthly or semiweekly basis. However, if an employer owes total taxes of less than \$2,500 for either the current or preceding quarter, the company is permitted to disregard the monthly or semiweekly schedule and instead submit payment either with Form 941 or use another method prior to the Form 941 due date.

**WARNING!** If total accumulated tax owed exceeds \$100,000 at the end of any day, then the **next-day deposit rule** is triggered, and the employer must pay all taxes owed on the following business day.

The quarterly Form 941 payments and the amounts owed during the quarter will not necessarily be equal. One common cause of this discrepancy is the rounding of tax payments, resulting in differences of a few cents. Form 941 is designed to reconcile the federal tax payments that have been made with the federal taxes that are owed during a quarter. Any differences between these amounts are accounted for within the form or result in either a *Balance Due* or *Overpayment* amount that is reported at the bottom of page 1 of the form.

## The Electronic Federal Tax Payment System

### On the Web

[eftps.gov](http://eftps.gov)



The **Electronic Federal Tax Payment System (EFTPS)** provides the simplest method for employers to submit federal tax payments. To use the system, an employer must enroll by acquiring a PIN that, when combined with the Employer Identification Number, identifies the employer in the system. The PIN may be requested either by phone or Internet and is mailed to the employer.

Once the PIN is established and the employer has linked the desired bank account, the employer may remit payment either by phone (1-800-555-3453) or Internet (a separate Internet password must be established to use this method).

**TIP!** The EFTPS is a free service and is therefore the most efficient method for remitting federal tax payments.

When using the EFTPS, payments must be submitted by 8:00 p.m. the day before the tax due date. Alternative payment methods (such as wire transfer) must be used when making a same-day payment. If the employer chooses not to use the EFTPS, other available payment methods include using a credit or debit card or mailing a check (which must be postmarked by the tax due date). When a check is mailed with Form 941, the employer must also mail Form 941-V, which is a payment voucher summarizing basic information related to the payment. The employer is subject to penalties and interest if federal tax payments are not remitted in a timely manner.

**NOTE!** State tax payments may typically be remitted in a manner similar to that described here for federal tax payments.

# Examine the Form: 941

Part 1 of Form 941 summarizes quarterly federal tax liabilities and payments.

**Form 941 for 2019: Employer's QUARTERLY Federal Tax Return**  
(Rev. January 2019) Department of the Treasury – Internal Revenue Service

**950117**  
OMB No. 1545-0029

Employer identification number (EIN)  -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

**Report for this Quarter of 2019**  
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

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

**Part 1: Answer these questions for this quarter.**

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

2 Wages, tips, and other compensation 2

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

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

	Column 1		Column 2	
5a Taxable social security wages . . .	<input type="text"/>	x 0.124 =	<input type="text"/>	
5b Taxable social security tips . . .	<input type="text"/>	x 0.124 =	<input type="text"/>	
5c Taxable Medicare wages & tips . . .	<input type="text"/>	x 0.029 =	<input type="text"/>	
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	x 0.009 =	<input type="text"/>	
5e Add Column 2 from lines 5a, 5b, 5c, and 5d . . .			<input type="text"/>	5e <input type="text"/>
5f Section 3121(q) Notice and Demand— Tax due on unreported tips (see instructions) . . .			<input type="text"/>	5f <input type="text"/>
6 Total taxes before adjustments. Add lines 3, 5e, and 5f . . .			<input type="text"/>	6 <input type="text"/>
7 Current quarter's adjustment for fractions of cents . . .			<input type="text"/>	7 <input type="text"/>
8 Current quarter's adjustment for sick pay . . .			<input type="text"/>	8 <input type="text"/>
9 Current quarter's adjustments for tips and group-term life insurance . . .			<input type="text"/>	9 <input type="text"/>
10 Total taxes after adjustments. Combine lines 6 through 9 . . .			<input type="text"/>	10 <input type="text"/>
11 Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 . . .			<input type="text"/>	11 <input type="text"/>
12 Total taxes after adjustments and credits. Subtract line 11 from line 10 . . .			<input type="text"/>	12 <input type="text"/>
13 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter . . .			<input type="text"/>	13 <input type="text"/>
14 Balance due. If line 12 is more than line 13, enter the difference and see instructions . . .			<input type="text"/>	14 <input type="text"/>
15 Overpayment. If line 13 is more than line 12, enter the difference <input type="text"/>			<input type="text"/>	Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.

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

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 1-2019)



The top portion of the form (including Employer Identification Number, name, and address) must be completed in its entirety. The *Trade name* line is left blank unless a business has a *doing business as* (DBA) name (a name under which the company conducts its business and that differs from its legal name). The checkbox for the corresponding quarter should also be selected.

**Part 1 of Form 941 should be completed as follows:**

**Line 1:** Only employees who actually received compensation for the date listed here are counted when determining the number of employees to enter here.

**Line 2:** This box includes all compensation that would appear in box 1 of Form W-2. This includes all compensation that is subject to federal income tax withholding.

**Line 3:** Federal income tax withholding for the quarter is entered on this line.

**Line 4:** Compensation is typically subject to FICA taxes; therefore, this box is rarely checked.

**Line 5a:** Wages subject to Social Security tax, and their associated taxes, are entered here. If, prior to the beginning of the quarter, all employees have exceeded the Social Security wage base (\$132,900 for 2019), then both columns are left blank. Social Security wages in Column 1 are multiplied by 0.124 (12.4%) to arrive at Social Security tax in Column 2. This is double the Social Security tax rate of 6.2%, to account for both the employee withholding and the employer match.

**Line 5b:** All employee tips that are subject to Social Security tax (namely, those earned prior to each employee reaching the Social Security wage base) are reported in Column 1, while the associated taxes are entered in Column 2.

**Line 5c:** All wages and tips subject to Medicare tax, and their associated taxes, are entered in Column 1. The employer then calculates Medicare tax and enters it in Column 2. Similar to the Social Security lines above, the Medicare tax rate of 1.45% is doubled (0.029, or 2.9%) to account for both the employee and employer portions.

**Line 5d:** All wages and tips subject to Additional Medicare Tax (those that exceed \$200,000 for the year for a single employee), and their associated taxes, are entered on this line. Notice that the Additional Medicare Tax rate of 0.009 (0.9%) is displayed to assist in calculating the applicable Medicare tax. This figure is not doubled, as the employer does not match this tax.

**Line 5e:** This line totals all tax figures from lines 5a through 5d and therefore represents the total Social Security and Medicare tax for the quarter.

**Line 5f:** When an employer is informed by the IRS that taxes are owed on unreported employee tips, the associated taxes are displayed here.

**Line 6:** Total federal income tax withholding, Social Security tax, and Medicare tax combined are entered here.

**Line 7:** Cents may be added or subtracted here in order to eliminate any rounding-related differences between tax owed and deposits made. There is no penalty for entering these types of differences; however, the amount displayed should be only a few cents (either positive or negative). Although the IRS is unlikely to question slightly higher figures (such as \$0.25 or \$0.50), an amount that rounds up to a whole dollar (greater than \$0.50) would constitute an additional amount owed to the IRS.

**Line 8:** If Social Security and Medicare taxes for sick pay were withheld by a third party, these taxes are entered here.

## Examine the Form: 941 (continued)

**Line 9:** Uncollected Social Security and Medicare taxes related to tips and/or group-term life insurance are entered here.

**Line 10:** The sum of the prior four lines is entered here. The \$2,500 threshold, below which total tax may be remitted with Form 941, is compared with this line.

**Line 11:** Certain small businesses that conduct qualified research and that elect to claim a payroll tax credit enter the amount of the credit here. This line will be left blank for the majority of companies.

**Line 12:** The credit on line 11 is subtracted from the total taxes on line 10 to arrive at the figure on this line.

**Line 13:** Actual federal tax deposits made by the employer are entered here.

**Line 14:** This line is populated only if total taxes on line 12 exceed total deposits on line 13. In this case, the difference between these two amounts is placed here, and payment is remitted for this amount.

**Line 15:** This line is populated only if total deposits on line 13 exceed total taxes on line 12. In this case, the difference between these two amounts is entered, and the employer must elect to either receive a check for the overpayment or apply it to the next return.

### **Parts 2 through 5 of Form 941 should be completed as follows:**

**Part 2; Line 16:** The employer selects only one of these three options. If the employer qualifies for the first category, then the company does not check either the monthly or semiweekly box, regardless of the deposit schedule utilized. Monthly depositors also must enter monthly tax liability amounts in this section.

**Part 3; Lines 17 and 18:** Line 17 must be checked if wages will no longer be paid. Line 18 is checked by seasonal employers (those who do not pay wages year-round and therefore do not file Form 941 for all four quarters) on every Form 941 that is filed.

**Part 4:** To allow a third party (such as the employer's accountant) to discuss Form 941 with the IRS, this section must be completed. Note that the third party may not bind the employer to additional taxes, but instead may discuss the details only with the IRS. The third-party designation lasts for one year unless terminated early via written request. Additionally, if no PIN is selected by the employer, then the third-party designation will not be valid.

**Part 5:** The employer must sign and complete the top portion of this section for the form to be valid. If a paid preparer (such as the employer's accountant) completed the form, this individual is required to complete the *Paid Preparer Use Only* section.

**Note:** The *Name* and *Employer Identification Number* at the top of page 2 must be completed as well.

Parts 2–5 of Form 941 require additional information regarding both quarterly deposits and the company itself.

Name (not your trade name)	950217
Employer identification number (EIN)	
<b>Part 2: Tell us about your deposit schedule and tax liability for this quarter.</b>	
If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.	
16 Check one: <input type="checkbox"/> Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.	
<input type="checkbox"/> You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.	
Tax liability: Month 1	<input style="width: 100px;" type="text"/>
Month 2	<input style="width: 100px;" type="text"/>
Month 3	<input style="width: 100px;" type="text"/>
Total liability for quarter	<input style="width: 100px;" type="text"/> Total must equal line 12.
<input type="checkbox"/> You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.	
<b>Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.</b>	
17 If your business has closed or you stopped paying wages . . . . . <input type="checkbox"/> Check here, and enter the final date you paid wages <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/> .	
18 If you are a seasonal employer and you don't have to file a return for every quarter of the year . . . <input type="checkbox"/> Check here.	
<b>Part 4: May we speak with your third-party designee?</b>	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number <input style="width: 150px;" type="text"/> <input style="width: 100px;" type="text"/>	
Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> No.	
<b>Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.</b>	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
<b>X</b>	Sign your name here <input style="width: 200px; height: 30px;" type="text"/>
Date <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/>	Print your name here <input style="width: 150px;" type="text"/>
	Print your title here <input style="width: 150px;" type="text"/>
	Best daytime phone <input style="width: 100px;" type="text"/>
<b>Paid Preparer Use Only</b>	
Preparer's name <input style="width: 150px;" type="text"/>	Check if you are self-employed <input type="checkbox"/>
Preparer's signature <input style="width: 150px;" type="text"/>	PTIN <input style="width: 50px;" type="text"/>
Firm's name (or yours if self-employed) <input style="width: 150px;" type="text"/>	Date <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/> / <input style="width: 50px;" type="text"/>
Address <input style="width: 150px;" type="text"/>	EIN <input style="width: 50px;" type="text"/>
City <input style="width: 50px;" type="text"/> State <input style="width: 50px;" type="text"/>	Phone <input style="width: 50px;" type="text"/>
	ZIP code <input style="width: 50px;" type="text"/>

## Examine the Form: 941 (continued)

Form 941-V is submitted with Form 941 only when payment is included with the form.

<div style="text-align: center;"> <span style="font-weight: bold;">▼ Detach Here and Mail With Your Payment and Form 941. ▼</span> </div>				
<b>Form 941-V</b> <small>Department of the Treasury Internal Revenue Service</small>		<b>Payment Voucher</b> <small>▶ Don't staple this voucher or your payment to Form 941.</small>		<small>OMB No. 1545-0029</small> <span style="font-size: 24pt; font-weight: bold;">2019</span>
<b>1</b> Enter your employer identification number (EIN).		<b>2</b> Enter the amount of your payment. ▶ <small>Make your check or money order payable to "United States Treasury"</small>		<small>Dollars</small> <small>Cents</small>
<b>3</b> Tax Period		<b>4</b> Enter your business name (individual name if sole proprietor).		
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	Enter your address.		
<input type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	Enter your city, state, and ZIP code; or your city, foreign country name, foreign province/county, and foreign postal code.		

**Form 941-V:** The payment amount entered on line 2 must match the balance due displayed on line 14 of Form 941. All other information (Employer Identification Number, quarter, business name, and address) must also match Form 941.

### **Schedule B should be completed as follows:**

The top portion of the form must be completed with the employer's identification number, company name, quarter, and year.

The body of the form contains boxes that correspond with each day of the prior quarter. Tax liabilities (not deposits) are entered in these boxes on those days when wages are paid. Monthly and quarterly totals are then entered in the boxes to the right. The total liability for the quarter, which is entered at the bottom right of the form, should equal line 12 of Form 941. Therefore, the purpose of Schedule B is to provide a breakdown of the total taxes owed for the quarter.

Schedule B must be submitted with Form 941 for all semiweekly depositors.

# Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors

960311

(Rev. January 2017) Department of the Treasury — Internal Revenue Service

OMB No. 1545-0029

Employer identification number (EIN)   -

Name (not your trade name)

Calendar year     (Also check quarter)

### Report for this Quarter... (Check one.)

- 1: January, February, March
- 2: April, May, June
- 3: July, August, September
- 4: October, November, December

Use this schedule to show your TAX LIABILITY for the quarter; don't use it to show your deposits. When you file this form with Form 941 or Form 941-SS, don't change your tax liability by adjustments reported on any Forms 941-X or 944-X. You must fill out this form and attach it to Form 941 or Form 941-SS if you're a semiweekly schedule depositor or became one because your accumulated tax liability on any day was \$100,000 or more. Write your daily tax liability on the numbered space that corresponds to the date wages were paid. See Section 11 in Pub. 15 for details.

#### Month 1

1	<input type="text"/>	9	<input type="text"/>	17	<input type="text"/>	25	<input type="text"/>
2	<input type="text"/>	10	<input type="text"/>	18	<input type="text"/>	26	<input type="text"/>
3	<input type="text"/>	11	<input type="text"/>	19	<input type="text"/>	27	<input type="text"/>
4	<input type="text"/>	12	<input type="text"/>	20	<input type="text"/>	28	<input type="text"/>
5	<input type="text"/>	13	<input type="text"/>	21	<input type="text"/>	29	<input type="text"/>
6	<input type="text"/>	14	<input type="text"/>	22	<input type="text"/>	30	<input type="text"/>
7	<input type="text"/>	15	<input type="text"/>	23	<input type="text"/>	31	<input type="text"/>
8	<input type="text"/>	16	<input type="text"/>	24	<input type="text"/>		<input type="text"/>

Tax liability for Month 1

#### Month 2

1	<input type="text"/>	9	<input type="text"/>	17	<input type="text"/>	25	<input type="text"/>
2	<input type="text"/>	10	<input type="text"/>	18	<input type="text"/>	26	<input type="text"/>
3	<input type="text"/>	11	<input type="text"/>	19	<input type="text"/>	27	<input type="text"/>
4	<input type="text"/>	12	<input type="text"/>	20	<input type="text"/>	28	<input type="text"/>
5	<input type="text"/>	13	<input type="text"/>	21	<input type="text"/>	29	<input type="text"/>
6	<input type="text"/>	14	<input type="text"/>	22	<input type="text"/>	30	<input type="text"/>
7	<input type="text"/>	15	<input type="text"/>	23	<input type="text"/>	31	<input type="text"/>
8	<input type="text"/>	16	<input type="text"/>	24	<input type="text"/>		<input type="text"/>

Tax liability for Month 2

#### Month 3

1	<input type="text"/>	9	<input type="text"/>	17	<input type="text"/>	25	<input type="text"/>
2	<input type="text"/>	10	<input type="text"/>	18	<input type="text"/>	26	<input type="text"/>
3	<input type="text"/>	11	<input type="text"/>	19	<input type="text"/>	27	<input type="text"/>
4	<input type="text"/>	12	<input type="text"/>	20	<input type="text"/>	28	<input type="text"/>
5	<input type="text"/>	13	<input type="text"/>	21	<input type="text"/>	29	<input type="text"/>
6	<input type="text"/>	14	<input type="text"/>	22	<input type="text"/>	30	<input type="text"/>
7	<input type="text"/>	15	<input type="text"/>	23	<input type="text"/>	31	<input type="text"/>
8	<input type="text"/>	16	<input type="text"/>	24	<input type="text"/>		<input type="text"/>

Tax liability for Month 3

Fill in your total liability for the quarter (Month 1 + Month 2 + Month 3) ▶

Total must equal line 12 on Form 941 or Form 941-SS.

Total liability for the quarter

For Paperwork Reduction Act Notice, see separate instructions.

IRS.gov/form941

Cat. No. 11967Q

Schedule B (Form 941) (Rev. 1-2017)

**WARNING!** Be certain to enter tax liabilities in these boxes, not the actual deposits that are made. Schedule B is designed to summarize the liabilities incurred for a quarter, not the payments that are remitted.

## Form 941 Rounding Considerations

Recall that line 7 of Form 941 displays an adjustment for fractions of cents. Why does this rounding issue occur? The answer is that total taxes before adjustment (line 6) are calculated using total compensation for the quarter, and therefore the result is rounded once. However, total deposits can represent multiple pay periods, and therefore these deposits are rounded at the time of each payment. This difference between the number of instances of rounding can result in total taxes showing slight discrepancies, which may be eliminated through the use of line 7 on the form.

For example, let's look at an employer who begins operations near the end of a quarter and therefore has two pay periods prior to the end of the quarter. If the employer has only one employee who earns \$450.26 each period, then Social Security tax for each period is \$27.92 (\$450.26 taxable earnings  $\times$  6.2% Social Security tax rate). Total Social Security tax withheld from this employee's earnings for the quarter would therefore be \$55.84 (\$27.92 Social Security tax  $\times$  2 pay periods). However, when we calculate Social Security tax on line 5a, we use \$900.52 in Column 1 (\$450.26 taxable earnings  $\times$  2 pay periods) to arrive at \$55.83 in Column 2 (\$900.52 total Social Security wages  $\times$  6.2% Social Security tax rate). Total Social Security tax withheld of \$55.84 differs from total Social Security tax calculated on the form of \$55.83. This difference is the result of rounding and is the reason why line 7 on Form 941 is necessary.

## Quarterly State Payroll Forms

For those states that levy a state income tax, forms must be submitted to summarize the employer's payroll activity. Similar to Form 941, these forms usually are submitted on a quarterly basis, and the taxes summarized in these forms typically must be deposited periodically during the quarter.

### Case in Point 6-2

### Complete Form 941

In this example, we will complete Form 941 for the 4th quarter of the year for Lucky Ties Apparel (Employer Identification #11-1111111). Assume that Lucky Ties Apparel (located at 77 Main Street, Rochester, NY 14602) chooses to complete and mail Form 941 on the due date. The form is signed by the president of the company, Harold Cameron (telephone #585-555-6281). Based on the lookback period, Lucky Ties Apparel is a monthly depositor and has deposited all tax amounts in a timely manner. All eight employees worked during each of the three months, and Lucky Ties Apparel does not choose to allow a third party to discuss the form with the IRS. Fourth quarter earnings and associated taxes withheld from employee earnings are as follows:

	October	November	December	Associated Earnings
FWT (federal withholding)	\$1,845	\$2,120	\$1,942	\$85,472
Social Security	\$1,260	\$1,305	\$1,215	\$60,968
Medicare	\$420	\$445	\$395	\$86,897

**Form 941 for 2019: Employer's QUARTERLY Federal Tax Return**  
(Rev. January 2019) Department of the Treasury — Internal Revenue Service

**950117**  
OMB No. 1545-0029

**Employer identification number (EIN)**   -

**Name (not your trade name)**

**Trade name (if any)**

**Address**   
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/country Foreign postal code

**Report for this Quarter of 2019**  
(Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

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

**Part 1: Answer these questions for this quarter.**

<b>1</b> Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)	<b>1</b>	<input type="text" value="8"/>
<b>2</b> Wages, tips, and other compensation	<b>2</b>	<input type="text" value="85,472"/>
<b>3</b> Federal income tax withheld from wages, tips, and other compensation	<b>3</b>	<input type="text" value="5,907"/>
<b>4</b> If no wages, tips, and other compensation are subject to social security or Medicare tax		<input type="checkbox"/> Check and go to line 6.
	<b>Column 1</b>	<b>Column 2</b>
<b>5a</b> Taxable social security wages	<input type="text" value="60,968"/> × 0.124 =	<input type="text" value="7,560"/>
<b>5b</b> Taxable social security tips	<input type="text"/> × 0.124 =	<input type="text"/>
<b>5c</b> Taxable Medicare wages & tips	<input type="text" value="86,897"/> × 0.029 =	<input type="text" value="2,520"/>
<b>5d</b> Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/> × 0.009 =	<input type="text"/>
<b>5e</b> Add Column 2 from lines 5a, 5b, 5c, and 5d		<input type="text" value="10,080"/>
<b>5f</b> Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)		<input type="text"/>
<b>6</b> Total taxes before adjustments. Add lines 3, 5e, and 5f		<input type="text" value="15,987"/>
<b>7</b> Current quarter's adjustment for fractions of cents		<input type="text"/>
<b>8</b> Current quarter's adjustment for sick pay		<input type="text"/>
<b>9</b> Current quarter's adjustments for tips and group-term life insurance		<input type="text"/>
<b>10</b> Total taxes after adjustments. Combine lines 6 through 9		<input type="text" value="15,987"/>
<b>11</b> Qualified small business payroll tax credit for increasing research activities. Attach Form 8974		<input type="text"/>
<b>12</b> Total taxes after adjustments and credits. Subtract line 11 from line 10		<input type="text" value="15,987"/>
<b>13</b> Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter		<input type="text" value="15,987"/>
<b>14</b> Balance due. If line 12 is more than line 13, enter the difference and see instructions		<input type="text"/>
<b>15</b> Overpayment. If line 13 is more than line 12, enter the difference	<input type="text"/>	Check one: <input type="checkbox"/> Apply to next return. <input type="checkbox"/> Send a refund.

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

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z **Form 941** (Rev. 1-2019) Next ▶

Earnings for federal income tax withholding, Social Security tax, and Medicare tax are all reported in the first five lines of the form. In addition, the Social Security tax on line 5a and the Medicare tax on line 5c are displayed with the combined employee and employer portions.

950217	
<b>Name</b> (not your trade name) Lucky Ties Apparel	<b>Employer identification number (EIN)</b> 11-1111111
<b>Part 2: Tell us about your deposit schedule and tax liability for this quarter.</b>	
If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.	
16 Check one: <input type="checkbox"/> Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below; if you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.	
<input checked="" type="checkbox"/> You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.	
Tax liability: Month 1	5,205.
Month 2	5,620.
Month 3	5,162.
Total liability for quarter	15,987. Total must equal line 12.
<input type="checkbox"/> You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.	
<b>Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.</b>	
17 If your business has closed or you stopped paying wages . . . . . <input type="checkbox"/> Check here, and enter the final date you paid wages / / .	
18 If you are a seasonal employer and you don't have to file a return for every quarter of the year . . . <input type="checkbox"/> Check here.	
<b>Part 4: May we speak with your third-party designee?</b>	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number / .	
Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS. <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input checked="" type="checkbox"/> No.	
<b>Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN it.</b>	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
<b>X</b> Sign your name here	Print your name here Harold Cameron Print your title here President Best daytime phone 585-555-6281
Date 1/31/20	
<b>Paid Preparer Use Only</b> Check if you are self-employed . . . . . <input type="checkbox"/>	
Preparer's name	PTIN
Preparer's signature	Date
Firm's name (or yours if self-employed)	EIN
Address	Phone
City	State
	ZIP code

As Lucky Ties Apparel is a monthly depositor, and line 12 exceeds \$2,500, line 16 in Part 2 must display the monthly tax liabilities, which in this case are the same as the monthly deposits. Recall that these monthly tax liabilities include both the amounts withheld from employee pay (which were given earlier) as well as the matched employer taxes (Social Security tax and Medicare tax, which must be added to the previously provided figures). Lastly, the form is dated 1/31/20 in Part 5, as this is the due date for the form.

Now let's expand on this example to illustrate how rounding can require the use of line 7 (current quarter's adjustment for fractions of cents). Review the following page 1 of Form 941, in which the figures include the associated cents. Note that in this example, total deposits for the quarter equal \$15,987.33.



Form **941 for 2019: Employer's QUARTERLY Federal Tax Return** (Rev. January 2019) Department of the Treasury – Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN)   -

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number City State ZIP code

Foreign country name Foreign province/county Foreign postal code

**Report for this Quarter of 2019 (Check one.)**  
 1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December  
 Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

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

**Part 1: Answer these questions for this quarter.**

1	Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)	1	<input type="text" value="8"/>
2	Wages, tips, and other compensation	2	<input type="text" value="85,472"/> <input type="text" value="45"/>
3	Federal income tax withheld from wages, tips, and other compensation	3	<input type="text" value="5,907"/> <input type="text" value="20"/>
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input type="checkbox"/> Check and go to line 6.	
5a	Taxable social security wages	Column 1 <input type="text" value="60,968"/> <input type="text" value="47"/>	Column 2 <input type="text" value="7,560"/> <input type="text" value="09"/>
5b	Taxable social security tips	<input type="text"/>	<input type="text"/>
5c	Taxable Medicare wages & tips	<input type="text" value="86,897"/> <input type="text" value="06"/>	<input type="text" value="2,520"/> <input type="text" value="01"/>
5d	Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	<input type="text"/>
5e	Add Column 2 from lines 5a, 5b, 5c, and 5d	5e	<input type="text" value="10,080"/> <input type="text" value="10"/>
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	<input type="text"/>
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	<input type="text" value="15,987"/> <input type="text" value="30"/>
7	Current quarter's adjustment for fractions of cents	7	<input type="text" value="03"/>
8	Current quarter's adjustment for sick pay	8	<input type="text"/>
9	Current quarter's adjustments for tips and group-term life insurance	9	<input type="text"/>
10	Total taxes after adjustments. Combine lines 6 through 9	10	<input type="text" value="15,987"/> <input type="text" value="33"/>
11	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11	<input type="text"/>
12	Total taxes after adjustments and credits. Subtract line 11 from line 10	12	<input type="text" value="15,987"/> <input type="text" value="33"/>
13	Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter	13	<input type="text" value="15,987"/> <input type="text" value="33"/>
14	Balance due. If line 12 is more than line 13, enter the difference and see instructions	14	<input type="text"/>
15	Overpayment. If line 13 is more than line 12, enter the difference	15	<input type="text"/>

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

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

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 1-2019)

Line 7 displays \$0.03, as rounding of the monthly tax payments resulted in a difference between the quarter's deposits and tax owed. Entering this negligible amount on line 7 leads to the total taxes equaling total deposits on page 1 of Form 941.

**TIP!** Don't focus on how the above figures were derived. Instead, use this example to observe how rounding (which often creates issues within Form 941) can lead to the use of Line 7 within the form.

# Form 940 (Employer's Annual Federal Unemployment Tax Return)

## On the Web

[irs.gov/pub/irs-pdf/f940.pdf](https://irs.gov/pub/irs-pdf/f940.pdf)



Assuming that an employer has made timely federal tax deposits for each of the four quarters of the year, no payments for federal income tax withholding, Social Security tax, or Medicare tax are owed at year-end. Federal unemployment tax (FUTA tax) operates in the same manner; however, as you have seen, quarterly payments are made only when FUTA tax owed exceeds \$500 at the end of a quarter. These quarterly payments may be made using the EFTPS.

Small businesses that employ only a few individuals often do not exceed \$500 in FUTA tax for the year and therefore are not required to remit payment until Form 940 is submitted. When payment is included with Form 940, the form must be submitted by January 31 of the following year. When no payment is remitted with the form, the employer may wait until February 10 of the following year.

**TIP!** Just as with quarterly federal tax deposits on Form 941, annual FUTA tax payments remitted with Form 940 must be accompanied by a payment voucher (Form 940-V).

In instances when at least some of an employer's FUTA earnings are not subject to SUTA tax, or when an employer operates in a credit-reduction state, the resulting increase in FUTA tax must be calculated on Schedule A. The total for this form is then transferred to page 1 of Form 940.

One item that can cause confusion on Form 940 is the manner in which 401(k) contributions are recorded. Although box 4c lists "Retirement/Pension" as one item that may be exempt from FUTA tax, it is important to note that only those retirement payments made by the employer qualify for this exempt treatment. Therefore, if an employee requests that 401(k) contributions be withheld from gross earnings, this withheld amount is still subject to FUTA tax and should not be included within box 4 of the form.

The 2019 version of Form 940 was not released by the IRS prior to the publication of this text. When it is released, the 2019 version will be made available in the Learning Resource Center.

# Examine the Form: 940

Form 940 requires both payroll and state information that allows for FUTA tax to be determined.

**Form 940 for 2018: Employer's Annual Federal Unemployment (FUTA) Tax Return**

Department of the Treasury – Internal Revenue Service

**850113**

OMB No. 1545-0028

**Employer identification number (EIN)**  -

**Name (not your trade name)**

**Trade name (if any)**

**Address**

Number  Street  Suite or room number

City  State  ZIP code

Foreign country name  Foreign province/county  Foreign postal code

**Type of Return**  
(Check all that apply.)

a. Amended

b. Successor employer

c. No payments to employees in 2018

d. Final: Business closed or stopped paying wages

Go to [www.irs.gov/Form940](http://www.irs.gov/Form940) for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

**Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.**

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation . . . . . 1a

1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer . . . . . 1b  Check here. Complete Schedule A (Form 940).

2 If you paid wages in a state that is subject to CREDIT REDUCTION . . . . . 2  Check here. Complete Schedule A (Form 940).

**Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.**

3 Total payments to all employees . . . . . 3

4 Payments exempt from FUTA tax . . . . . 4

Check all that apply: 4a  Fringe benefits 4c  Retirement/Pension 4e  Other

4b  Group-term life insurance 4d  Dependent care

5 Total of payments made to each employee in excess of \$7,000 . . . . . 5

6 Subtotal (line 4 + line 5 = line 6) . . . . . 6

7 Total taxable FUTA wages (line 3 - line 6 = line 7). See instructions . . . . . 7

8 FUTA tax before adjustments (line 7 x 0.006 = line 8) . . . . . 8

**Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.**

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 (line 7 x 0.054 = line 9). Go to line 12 . . . . . 9

10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . . . . 10

11 If credit reduction applies, enter the total from Schedule A (Form 940) . . . . . 11

**Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.**

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) . . . . . 12

13 FUTA tax deposited for the year, including any overpayment applied from a prior year . . . . . 13

14 Balance due. If line 12 is more than line 13, enter the excess on line 14.  
• If line 14 is more than \$500, you must deposit your tax.  
• If line 14 is \$500 or less, you may pay with this return. See instructions . . . . . 14

15 Overpayment. If line 13 is more than line 12, enter the excess on line 15 and check a box below 15

▶ You **MUST** complete both pages of this form and **SIGN** it. Check one:  Apply to next return.  Send a refund.

**Next**

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.
Cat. No. 112340
Form **940** (2018)

## Examine the Form: 940 (continued)

The top portion of the form (including Employer Identification Number, name, and address) must be completed in its entirety. Boxes in the *Type of Return* section should be checked only if they apply, and may all be left blank when appropriate. Note that a *Successor Employer* is one who purchases the business during the year, and who therefore may be able to apply the FUTA taxes paid by the previous employer toward the \$7,000 threshold.

### **Part 1 of Form 940 should be completed as follows:**

**Line 1:** The two-letter abbreviation for the employer's state is entered on line 1a for employers who operate in only one state, while the checkbox on line 1b is checked when the employer operates in more than one state.

**Line 2:** The checkbox is checked when the employer operates in a credit-reduction state.

### **Part 2 of Form 940 should be completed as follows:**

**Line 3:** Total employee compensation, including that which is not subject to FUTA tax, is entered here. Compensation in the payroll register may be summarized to arrive at this amount.

**Line 4:** Enter compensation exempt from FUTA tax here, and check all boxes that apply to the exempt compensation. Note that although Retirement/Pension is one item listed here, only those payments made by the employer for certain types of retirement plans (such as 401(k) and SIMPLE IRA plans) are exempt from FUTA tax. Contributions to retirement plans made by employees (amounts withheld from employee earnings) are not exempt from FUTA tax.

**Line 5:** Enter total compensation that exceeds \$7,000 for each individual employee. This compensation should not include what was reported on line 4 above.

**Line 6:** This total represents all compensation on which FUTA tax will not be calculated.

**Line 7:** This total represents all compensation on which FUTA tax will be calculated.

**Line 8:** This total represents FUTA tax owed for the year.

### **Part 3 of Form 940 should be completed as follows:**

**Line 9:** If all compensation is exempt from SUTA tax, this line accounts for the additional FUTA tax that results (as the FUTA rate cannot be reduced by 5.4% if SUTA tax is not applicable).

**Line 10:** The same as line 9; however, this line is utilized only when a portion of compensation is exempt from SUTA tax or a portion of SUTA tax has not been remitted in a timely manner.

**Line 11:** The additional tax attributable to the credit reduction for certain states is entered here.

### **Part 4 of Form 940 should be completed as follows:**

**Line 12:** Total FUTA tax owed for the year, including adjustments from the prior three lines.

**Line 13:** Total actual FUTA tax payments made during the year are entered here.

**Line 14:** The amount due may be remitted with Form 940 if it is less than \$500.

**Line 15:** If deposits exceed tax owed, the difference is entered here. If this line is completed, the employer must choose to either receive a check for the overpayment or apply it to the next quarter.

**Note:** The *Name* and *Employer Identification Number* at the top of page 2 must be completed as well.

Page 2 of Form 940 must be completed for the form to be valid.

<b>850212</b>	
Name (not your trade name)	Employer identification number (EIN)
<b>Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.</b>	
16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.	
16a 1st quarter (January 1 – March 31)	16a <input style="width: 100px; border: 1px solid black;" type="text"/> .
16b 2nd quarter (April 1 – June 30)	16b <input style="width: 100px; border: 1px solid black;" type="text"/> .
16c 3rd quarter (July 1 – September 30)	16c <input style="width: 100px; border: 1px solid black;" type="text"/> .
16d 4th quarter (October 1 – December 31)	16d <input style="width: 100px; border: 1px solid black;" type="text"/> .
17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17)	17 <input style="width: 100px; border: 1px solid black;" type="text"/> Total must equal line 12.
<b>Part 6: May we speak with your third-party designee?</b>	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes.	Designee's name and phone number <input style="width: 150px;" type="text"/> <input style="width: 100px;" type="text"/>
	Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 20px;" type="text"/>
<input type="checkbox"/> No.	
<b>Part 7: Sign here. You MUST complete both pages of this form and SIGN it.</b>	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
<b>X Sign your name here</b>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"><input style="width: 100%;" type="text"/></div> <div style="width: 45%;">Print your name here <input style="width: 100%;" type="text"/></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 45%;"><input style="width: 100%;" type="text"/></div> <div style="width: 45%;">Print your title here <input style="width: 100%;" type="text"/></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 30%;">Date <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/></div> <div style="width: 40%;">Best daytime phone <input style="width: 100%;" type="text"/></div> </div>
<b>Paid Preparer Use Only</b>	
Check if you are self-employed <input type="checkbox"/>	
Preparer's name <input style="width: 150px;" type="text"/>	PTIN <input style="width: 100px;" type="text"/>
Preparer's signature <input style="width: 150px;" type="text"/>	Date <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>
Firm's name (or yours if self-employed) <input style="width: 150px;" type="text"/>	EIN <input style="width: 100px;" type="text"/>
Address <input style="width: 150px;" type="text"/>	Phone <input style="width: 100px;" type="text"/>
City <input style="width: 100px;" type="text"/> State <input style="width: 100px;" type="text"/>	ZIP code <input style="width: 100px;" type="text"/>
Page <b>2</b>	Form <b>940</b> (2018)

## Examine the Form: 940 (continued)

### Parts 5–7 of Form 940 should be completed as follows:

**Lines 16–17:** The quarterly FUTA tax liabilities are reported here. These amounts should include any adjustments from lines 9 through 11, and therefore the total of the four amounts should equal line 12.

**Part 6:** Similar to Form 941, the third-party designee section is optional.

**Part 7:** The form must be signed by the employer in order to be valid.

The payment voucher (Form 940-V) must be submitted when payment is included with Form 940.

▼ Detach Here and Mail With Your Payment and Form 940. ▼			
Form <b>940-V</b> <small>Department of the Treasury Internal Revenue Service</small>	<b>Payment Voucher</b> ▶ Don't staple or attach this voucher to your payment.		<small>OMB No. 1545-0028</small> <b>2018</b>
<b>1</b> Enter your employer identification number (EIN).	<b>2</b> Enter the amount of your payment. ▶ <small>Make your check or money order payable to "United States Treasury"</small>	<small>Dollars</small>	<small>Cents</small>
<b>3</b> Enter your business name (individual name if sole proprietor). Enter your address. Enter your city, state, and ZIP code or your city, foreign country name, foreign province/county, and foreign postal code.			

**Form 940-V:** This form is completed in the same manner as Form 941-V, with the exception that the quarter is not selected, as this is an annual form.

**Schedule A (Form 940):** After entering the Employer Identification Number and company name at the top of the form, the employer must then check all states in which the company paid SUTA tax. Then, in those credit-reduction states in which the employer operates, the employer must enter applicable FUTA taxable wages and use the adjacent percentage to calculate the total credit reduction.

Schedule A is completed only when a portion of an employer's FUTA earnings are exempt from SUTA tax or the employer operates in a credit-reduction state.

### Schedule A (Form 940) for 2018:

860312

#### Multi-State Employer and Credit Reduction Information

Department of the Treasury – Internal Revenue Service

OMB No. 1545-0028

Employer identification number (EIN)  -

Name (not your trade name)

See the instructions on page 2. File this schedule with Form 940.

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For each state with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and enter the credit reduction amount. Don't include in the FUTA Taxable Wages box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
<input type="checkbox"/> AK	•	× 0.000	•	<input type="checkbox"/> NC	•	× 0.000	•
<input type="checkbox"/> AL	•	× 0.000	•	<input type="checkbox"/> ND	•	× 0.000	•
<input type="checkbox"/> AR	•	× 0.000	•	<input type="checkbox"/> NE	•	× 0.000	•
<input type="checkbox"/> AZ	•	× 0.000	•	<input type="checkbox"/> NH	•	× 0.000	•
<input type="checkbox"/> CA	•	× 0.000	•	<input type="checkbox"/> NJ	•	× 0.000	•
<input type="checkbox"/> CO	•	× 0.000	•	<input type="checkbox"/> NM	•	× 0.000	•
<input type="checkbox"/> CT	•	× 0.000	•	<input type="checkbox"/> NV	•	× 0.000	•
<input type="checkbox"/> DC	•	× 0.000	•	<input type="checkbox"/> NY	•	× 0.000	•
<input type="checkbox"/> DE	•	× 0.000	•	<input type="checkbox"/> OH	•	× 0.000	•
<input type="checkbox"/> FL	•	× 0.000	•	<input type="checkbox"/> OK	•	× 0.000	•
<input type="checkbox"/> GA	•	× 0.000	•	<input type="checkbox"/> OR	•	× 0.000	•
<input type="checkbox"/> HI	•	× 0.000	•	<input type="checkbox"/> PA	•	× 0.000	•
<input type="checkbox"/> IA	•	× 0.000	•	<input type="checkbox"/> RI	•	× 0.000	•
<input type="checkbox"/> ID	•	× 0.000	•	<input type="checkbox"/> SC	•	× 0.000	•
<input type="checkbox"/> IL	•	× 0.000	•	<input type="checkbox"/> SD	•	× 0.000	•
<input type="checkbox"/> IN	•	× 0.000	•	<input type="checkbox"/> TN	•	× 0.000	•
<input type="checkbox"/> KS	•	× 0.000	•	<input type="checkbox"/> TX	•	× 0.000	•
<input type="checkbox"/> KY	•	× 0.000	•	<input type="checkbox"/> UT	•	× 0.000	•
<input type="checkbox"/> LA	•	× 0.000	•	<input type="checkbox"/> VA	•	× 0.000	•
<input type="checkbox"/> MA	•	× 0.000	•	<input type="checkbox"/> VT	•	× 0.000	•
<input type="checkbox"/> MD	•	× 0.000	•	<input type="checkbox"/> WA	•	× 0.000	•
<input type="checkbox"/> ME	•	× 0.000	•	<input type="checkbox"/> WI	•	× 0.000	•
<input type="checkbox"/> MI	•	× 0.000	•	<input type="checkbox"/> WV	•	× 0.000	•
<input type="checkbox"/> MN	•	× 0.000	•	<input type="checkbox"/> WY	•	× 0.000	•
<input type="checkbox"/> MO	•	× 0.000	•	<input type="checkbox"/> PR	•	× 0.000	•
<input type="checkbox"/> MS	•	× 0.000	•	<input type="checkbox"/> VI	•	× 0.024	•
<input type="checkbox"/> MT	•	× 0.000	•				

**Total Credit Reduction.** Add all amounts shown in the Credit Reduction boxes. Enter the total here and on Form 940, line 11

## Case in Point 6-3 Complete Form 940

In this example, we will complete Form 940 for Lucky Ties Apparel (Employer Identification #11-1111111). Assume that Lucky Ties Apparel (located at 77 Main Street, Rochester, NY 14602) chooses to complete and mail Form 940 on the due date. The form is signed by the president of the company, Harold Cameron (telephone #585-555-6281). Lucky Ties Apparel elects to delay remitting FUTA tax until the company is required to do so. Total employee compensation for the year was \$510,236, annual retirement plan contributions totaled \$7,646, and flexible spending account contributions totaled \$6,905. All earnings subject to FUTA tax are also subject to SUTA tax. Lucky Ties Apparel does not choose to allow a third party to discuss the form with the IRS. Note that all eight employees of Lucky Ties Apparel earned more than \$7,000 that was subject to FUTA tax during the 1st quarter of the year.

**Form 940 for 2018: Employer's Annual Federal Unemployment (FUTA) Tax Return**

Department of the Treasury — Internal Revenue Service

**850113**

OMB No. 1545-0028

**Employer identification number (EIN)**   -

**Name (not your trade name)**

**Trade name (if any)**

**Address**   
Number Street Suite or room number

City State ZIP code

Foreign country name Foreign province/county Foreign postal code

**Type of Return**  
(Check all that apply)

a. Amended

b. Successor employer

c. No payments to employees in 2018

d. Final: Business closed or stopped paying wages

Go to [www.irs.gov/Form940](http://www.irs.gov/Form940) for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

**Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.**

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation . . . . . 1a  N  Y

1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer . . . . . 1b  Check here, Complete Schedule A (Form 940).

2 If you paid wages in a state that is subject to CREDIT REDUCTION . . . . . 2  Check here, Complete Schedule A (Form 940).

**Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.**

3 Total payments to all employees . . . . . 3

4 Payments exempt from FUTA tax . . . . . 4

Check all that apply: 4a  Fringe benefits 4c  Retirement/Pension 4e  Other  
 4b  Group-term life insurance 4d  Dependent care

5 Total of payments made to each employee in excess of \$7,000 . . . . . 5

6 Subtotal (line 4 + line 5 = line 6) . . . . . 6

7 Total taxable FUTA wages (line 3 - line 6 = line 7). See instructions . . . . . 7

8 FUTA tax before adjustments (line 7 x 0.006 = line 8) . . . . . 8

**Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.**

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 (line 7 x 0.054 = line 9). Go to line 12 . . . . . 9

10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet . . . . . 10

11 If credit reduction applies, enter the total from Schedule A (Form 940) . . . . . 11

**Part 4: Determine your FUTA tax and balance due or overpayment. If any line does NOT apply, leave it blank.**

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) . . . . . 12

13 FUTA tax deposited for the year, including any overpayment applied from a prior year . . . . . 13

14 Balance due. If line 12 is more than line 13, enter the excess on line 14.  
 • If line 14 is more than \$500, you must deposit your tax.  
 • If line 14 is \$500 or less, you may pay with this return. See instructions . . . . . 14

15 Overpayment. If line 13 is more than line 12, enter the excess on line 15 and check a box below 15

▶ You **MUST** complete both pages of this form and **SIGN** it. Check one:  Apply to next return.  Send a refund.


Next

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher.
Cat. No. 112340
Form 940 (2018)



As all employees earned more than the \$7,000 FUTA tax threshold for the year, total FUTA tax attributable to each employee is the \$7,000 maximum. Therefore, total taxable FUTA wages on line 7 are calculated as \$7,000 × 8 employees. Line 5 may then be calculated as total earnings (\$510,236), minus flexible spending account contributions (\$6,905), minus taxable FUTA wages (\$56,000).

**WARNING!** As is discussed in the above calculation, Line 4 & Line 7 of Form 940 must be calculated before Line 5 can be determined.

850212	
Name (not your trade name) Lucky Ties Apparel	Employer identification number (EIN) 11-1111111
<b>Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.</b>	
16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.	
16a 1st quarter (January 1 – March 31)	16a <input type="text"/>
16b 2nd quarter (April 1 – June 30)	16b <input type="text"/>
16c 3rd quarter (July 1 – September 30)	16c <input type="text"/>
16d 4th quarter (October 1 – December 31)	16d <input type="text"/>
17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17)	17 <input type="text"/> Total must equal line 12.
<b>Part 6: May we speak with your third-party designee?</b>	
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.	
<input type="checkbox"/> Yes. Designee's name and phone number <input type="text"/> <input type="text"/>	
Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<input checked="" type="checkbox"/> No.	
<b>Part 7: Sign here. You MUST complete both pages of this form and SIGN it.</b>	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
<input checked="" type="checkbox"/> Sign your name here	
Date	1/31/20
Print your name here	Harold Cameron
Print your title here	President
Best daytime phone	585-555-6281
<b>Paid Preparer Use Only</b> <span style="float: right;">Check if you are self-employed <input type="checkbox"/></span>	
Preparer's name	<input type="text"/> PTIN <input type="text"/>
Preparer's signature	<input type="text"/> Date <input type="text"/>
Firm's name (or yours if self-employed)	<input type="text"/> EIN <input type="text"/>
Address	<input type="text"/> Phone <input type="text"/>
City	<input type="text"/> State <input type="text"/> ZIP code <input type="text"/>
Page <b>2</b>	Form <b>940</b> (2018)

Quarterly FUTA payments need not be displayed, as the total amount owed did not exceed \$500. Because Lucky Ties Apparel remained below this threshold, it was also not required to remit FUTA tax until year-end. Therefore, the entire FUTA tax payment must now be made. When Form 940 is submitted with a payment, it is due by January 31. As Lucky Ties Apparel pays the FUTA tax on the due date, the form is submitted on this same day.

▼ Detach Here and Mail With Your Payment and Form 940. ▼			
Form <b>940-V</b> Department of the Treasury Internal Revenue Service	<b>Payment Voucher</b>		OMB No. 1545-0028
▶ Don't staple or attach this voucher to your payment.			<b>2018</b>
<b>1</b> Enter your employer identification number (EIN).  11-1111111	<b>2</b> Enter the amount of your payment. ▶ Make your check or money order payable to "United States Treasury"	Dollars	Cents
		336	
	<b>3</b> Enter your business name (individual name if sole proprietor). Lucky Ties Apparel Enter your address. 77 Main Street Enter your city, state, and ZIP code or your city, foreign country name, foreign province/county, and foreign postal code. Rochester, NY 14602		

## Form W-2 (Wage and Tax Statement)

### On the Web

[irs.gov/pub/irs-pdf/  
fw2.pdf](https://irs.gov/pub/irs-pdf/fw2.pdf)



For all employers whose compensation to employees exceeds \$600 for the year (from which taxes are withheld), both Forms W-2 and W-3 must be completed. The employer is required to provide three copies of Form W-2, which displays annual earnings information, to each employee by January 31 of the following year. The copies provided to employees are as follows:

- Copy B: To be filed with the employee's federal tax return
- Copy C: To be maintained for the employee's records
- Copy 2: To be filed with the employee's state, city, or local tax return (typically employees receive two copies of this version)

The employer is also required to submit Copy A of Form W-2 to the Social Security Administration. This copy of the form must be submitted by March 1 (for paper copies) or March 31 (for e-filed copies). Form W-3 is a summary of all Form W-2s submitted by the employer and will be discussed shortly.

**TIP!** E-filing is an electronic method of submitting both federal and state tax forms. Whenever available, the federal and state governments encourage taxpayers to utilize this method (instead of submitting paper versions) due to its increased efficiency.

To arrive at the correct figures on Form W-2, the employer may use the employee earnings records, which when completed as of the end of the year will each summarize total compensation for a single employee. Although calculations may need to be performed based on the final totals in the employee earnings record, such as to determine the wages subject to federal income tax in box 1, all necessary figures are available therein.

Additionally, just as rounding issues impact Form 941, they also impact Form W-2. Boxes 4 and 6 on Form W-2 display Social Security tax withheld and Medicare tax withheld, respectively. These amounts must be determined by adding all withheld amounts during the year. They cannot be calculated by multiplying the box 3 (Social Security wages) and box 5 (Medicare wages and tips) amounts by their respective tax rates (6.2% and 1.45%), as rounding issues can result in the taxes from these calculations differing from the actual withheld amounts.

## Examine the Form: W-2

While the IRS-approved W-2 Form appears here, employers may use alternative versions that convey the same information.

a Employee's social security number		Safe, accurate, FAST! Use		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>			
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld				
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld				
		5 Medicare wages and tips	6 Medicare tax withheld				
		7 Social security tips	8 Allocated tips				
d Control number		9	10 Dependent care benefits				
e Employee's first name and initial Last name Suff.		11 Nonqualified plans		12a See instructions for box 12			
		13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	12b		
		14 Other		12c		12d	
		f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax		
				20 Locality name			

Form **W-2** Wage and Tax Statement **2019** Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Parts a–f must be completed with employee and employer information. The control number in box d is an optional box that may be used by employers to track W-2 Forms.

**Boxes 1–2:** Earnings subject to federal income tax withholding and the associated tax are entered here.

**Boxes 3–4:** Earnings subject to Social Security tax (not to exceed the wage base) and the associated tax are entered here.

**Boxes 5–6:** Earnings subject to Medicare tax and the associated tax are entered here.

**Box 7:** Tips subject to Social Security tax are entered here. The sum of boxes 3 and 7 cannot exceed the Social Security wage base.

**Box 8:** Food and/or beverage companies enter tips allocated to employees here.

**Box 9:** This box is left blank.

**Box 10:** All dependent care expenses paid or incurred (which includes the value of health care provided to dependents) are entered here. This includes expenses related to dependent care flexible spending accounts.

**Box 11:** Contributions made to nonqualified retirement plans (for which taxes are not deferred and which are typically provided to highly compensated employees) are entered here.

**Boxes 12a–12d:** A wide variety of compensation types (identified by codes that are defined on the back of the form) are listed on the left side of these boxes when applicable. The corresponding compensation amount for each is listed to the right.

## Examine the Form: W-2 (continued)

The following chart displaying the codes that may be entered within boxes 12a–12d can be used for reference when reviewing completed copies of Form W-2:

### Code Compensation Type

A	Uncollected Social Security or RRTA tax on tips
B	Uncollected Medicare tax on tips
C	Taxable cost of group-term life insurance over \$50,000
D	Elective deferrals under a section 401(k) cash or deferred arrangement (plan)
E	Elective deferrals under a section 403(b) salary reduction agreement
F	Elective deferrals under a section 408(k)(6) salary reduction SEP
G	Elective deferrals and employer contributions (including nonelective deferrals) to any governmental or nongovernmental section 457(b) deferred compensation plan
H	Elective deferrals under a section 501(c)(18)(D) tax-exempt organization plan
J	Nontaxable sick pay
K	20% excise tax on excess golden parachute payments
L	Substantiated employee business-expense reimbursements
M	Uncollected Social Security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (for former employees)
N	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (for former employees)
P	Excludable moving expense reimbursements paid directly to the employee
Q	Nontaxable combat pay
R	Employer contributions to an Archer MSA
S	Employee salary-reduction contributions under a section 408(p) SIMPLE plan
T	Adoption benefits
V	Income from the exercise of nonstatutory stock option(s)
W	Employer contributions to a health savings account (HSA)
Y	Deferrals under a section 409A nonqualified deferred compensation plan
Z	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A.
AA	Designated Roth contributions under a section 401(k) plan
BB	Designated Roth contributions under a section 403(b) plan
DD	Cost of employer-sponsored health coverage
EE	Designated Roth contributions under a section 457(b) plan

**Box 13:** Employers should check all boxes that apply here. **Statutory employees** are those for whom federal income tax is not withheld but Social Security and Medicare taxes are withheld (these include certain drivers of food and beverages and certain full-time life insurance sales agents). The *retirement plan* box is checked if the employee is an active participant in a wide variety of plans including a 401(k), 403(b), SEP plan, or

SIMPLE IRA account. The *third-party sick pay* box is checked if an employer is reporting third-party sick pay or a third party is reporting having remitted sick pay to an insured employee.

**Box 14:** Any additional information the employer wants to convey to the employee, such as state disability insurance withheld, union dues, and health insurance premiums deducted, is entered here.

**Boxes 15–20:** State and local taxes withheld, as well as the state names (and corresponding employer state ID numbers), are entered here.

## Case in Point 6-4 Complete Form W-2

In this example, we will complete two different W-2 Forms. We begin by completing the W-2 Form for Maryanne Sherman (8171 Winston Court, Rochester, NY 14604; SSN 222-22-2222), an employee of Lucky Ties Apparel (Employer Identification #11-1111111), which completes Form 941 on a quarterly basis. Lucky Ties Apparel (located at 77 Main Street, Rochester, NY 14602) does not use control or establishment numbers, and compensated eight employees during 2019. Maryanne’s gross earnings for federal income tax withholding, Social Security tax, and Medicare tax was \$139,580 for the year, while these taxes were \$6,250, \$8,239.80, and \$1,907.98, respectively. State disability insurance for the year was \$31.20, while the annual charitable contribution was \$520. New York State income tax withholding was \$1,999.92 (based on the same gross earnings amount as above) with no local taxes withheld. The employer’s New York State ID number is the same as the federal Employer Identification Number.

Many of the above-provided figures can be found on the total row of Maryanne’s employee earnings record. Note that this employee earnings record has been truncated to display only one week’s payroll data along with the associated totals.

<b>Employee Earnings Record</b>																	
Name	Maryanne Sherman						Marital Status	Single									
Address	8171 Winston Court Rochester, NY 14604						Fed. Withholding Allow.	2									
SS#	222-22-2222						State Withholding Allow.	1									
Pay Period Ending	Earnings							Deductions							Check Number	Net Pay	
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution			Additional Withholding
12/1/19	n/a	n/a	\$ 769.23	0	n/a	\$ -	\$ 769.23	\$ 61.00	\$ 38.46	\$ -	\$ 11.15	\$ -	\$ -	\$ 10.00	\$ 0.60	1463	\$ 648.02
<b>Totals</b>	n/a	n/a	\$ 139,580.00	0	n/a	\$ -	\$ 139,580.00	\$ 6,250.00	\$ 1,999.92	\$ 8,239.80	\$ 1,907.98	\$ -	\$ -	\$ 520.00	\$ 31.20	n/a	\$ 120,631.10

Upon reviewing the figures in the total row of the employee earnings record, the employer may then complete the Form W-2, as shown here.

22222		a Employee's social security number 222-22-2222		OMB No. 1545-0008		
b Employer identification number (EIN) 11-1111111		1 Wages, tips, other compensation 139,580		2 Federal income tax withheld 6,250		
c Employer's name, address, and ZIP code Lucky Ties Apparel 77 Main Street Rochester, NY 14602		3 Social security wages 132,900		4 Social security tax withheld 8,239.80		
		5 Medicare wages and tips 139,580		6 Medicare tax withheld 1,907.98		
		7 Social security tips		8 Allocated tips		
d Control number		9		10 Dependent care benefits		
e Employee's first name and initial Last name Marianne Sherman 8171 Winston Court Rochester, NY 14604		11 Nonqualified plans		12a		
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
		14 Other SDI 31.20 Charity 520		12c		
				12d		
f Employee's address and ZIP code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
NY	11-1111111	139,580	1,999.92			

Form **W-2 Wage and Tax Statement** 2019 Department of the Treasury – Internal Revenue Service  
Copy 1 – For State, City, or Local Tax Department

Notice that box 3 contains only \$132,900, as Social Security tax is not levied on the full gross earnings of Marianne Sherman but instead is levied only up to the 2019 Social Security wage base. Additionally, both state disability tax and charitable contributions are displayed in box 14, as these were withheld from gross earnings and are not listed elsewhere on the W-2 Form.

We will now complete the W-2 Form for Paul Rogers (657 Flicker Lane, Brockport, NY 14420; SSN 111-11-1111), an employee of Lucky Ties Apparel (Employer Identification #11-1111111), which completes Form 941 on a quarterly basis. Lucky Ties Apparel (located at 77 Main Street, Rochester, NY 14602) does not use control or establishment numbers and compensated eight employees during 2019. Paul's gross earnings for federal income tax withholding are \$114,735, with an associated tax of \$8,551.68. As a result of his total retirement contributions of \$4,140, which were withheld from his gross pay starting in June and are not subject to federal income tax withholding, gross earnings subject to Social Security tax and Medicare tax were \$118,875 (\$114,735 + \$4,140). The associated taxes were \$7,370.25 and \$1,723.69, respectively. State disability insurance for the year was \$31.20, while the annual charitable contribution was \$520. New York State income tax withholding was \$3,420.67 (based on the gross earnings amount subject to federal income tax withholding provided above), with no local taxes withheld. The employer's New York State ID number is the same as the federal Employer Identification Number.

<b>22222</b>		<b>a</b> Employee's social security number 222-22-2222		OMB No. 1545-0008	
<b>b</b> Employer identification number (EIN) 11-1111111			<b>1</b> Wages, tips, other compensation 114,375		<b>2</b> Federal income tax withheld 8,551.68
<b>c</b> Employer's name, address, and ZIP code Lucky Ties Apparel 77 Main Street Rochester, NY 14602			<b>3</b> Social security wages 118,875		<b>4</b> Social security tax withheld 7,370.25
			<b>5</b> Medicare wages and tips 118,875		<b>6</b> Medicare tax withheld 1,723.69
			<b>7</b> Social security tips		<b>8</b> Allocated tips
<b>d</b> Control number			<b>9</b>		<b>10</b> Dependent care benefits
<b>e</b> Employee's first name and initial Paul		Last name Rogers	Suff.	<b>11</b> Nonqualified plans	
657 Flicker Lane Brockport, NY 14420			<b>13</b> Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		<b>12a</b> D   4,140
			<b>14</b> Other SDI 31.20 Charity 520		<b>12b</b>
					<b>12c</b>
<b>f</b> Employee's address and ZIP code					<b>12d</b>
<b>15</b> State NY		<b>16</b> State wages, tips, etc. 114,735	<b>17</b> State income tax 3,420.67	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax
Employer's state ID number 11-1111111				<b>20</b> Locality name	
<p><b>Form W-2 Wage and Tax Statement 2019</b> Department of the Treasury—Internal Revenue Service</p> <p>Copy 1—For State, City, or Local Tax Department</p>					

In this example, Paul Rogers' Form W-2 displays different wage amounts for federal income tax and FICA taxes. The federal income tax amount represents total gross earnings minus the 401(k) retirement contribution that is not subject to federal income tax.

The FICA tax amounts are equal to the total gross earnings for the year, as they are all subject to this tax.

Also note that the retirement plan contribution amount is entered in box 12a (code D indicates a 401(k) contribution).

# Form W-3 (Transmittal of Wage and Tax Statements)

### On the Web

[irs.gov/pub/irs-pdf/fw3.pdf](https://irs.gov/pub/irs-pdf/fw3.pdf)



Form W-3 is an informational form that is submitted to the Social Security Administration by the employer at the same time as the W-2 Forms. The W-3 Form summarizes all of the information contained in the W-2 Forms and must agree with the totals of these. As the W-3 Form is submitted in conjunction with W-2 Forms, it is subject to the same due dates as those that apply to W-2 Forms (March 1 for paper filing; March 31 for e-filing).

**TIP!** Form W-3 is furnished to the Social Security Administration; it is not provided to the individual employees.

When completing Form W-3, the employer should not have a need to refer back to the payroll register or the employee earnings records, as all required compensation and tax information can be summarized from the individual W-2 Forms that have already been completed.

## Examine the Form: W-3

DO NOT STAPLE			
33333		a Control number	
		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer (Check one)	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>
b Kind of Employer (Check one)	None apply <input type="checkbox"/>		501c non-govt. <input type="checkbox"/>
	State/local non-501c <input type="checkbox"/>		State/local 501c <input type="checkbox"/>
Federal govt. <input type="checkbox"/>		Third-party sick pay (Check if applicable) <input type="checkbox"/>	
c Total number of Forms W-2		d Establishment number	1 Wages, tips, other compensation
e Employer identification number (EIN)		3 Social security wages	2 Federal income tax withheld
f Employer's name		4 Social security tax withheld	5 Medicare wages and tips
		6 Medicare tax withheld	7 Social security tips
		8 Allocated tips	9
g Employer's address and ZIP code		10 Dependent care benefits	11 Nonqualified plans
h Other EIN used this year		12a Deferred compensation	12b
15 State	Employer's state ID number	13 For third-party sick pay use only	
14 Income tax withheld by payer of third-party sick pay		16 State wages, tips, etc.	
17 State income tax		18 Local wages, tips, etc.	
19 Local income tax		Employer's contact person	
Employer's telephone number		Employer's fax number	
For Official Use Only		Employer's email address	

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

Signature ▶ Title ▶ Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** 2019 Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA). Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA. Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.



## Examine the Form: W-3 (continued)

**Box a:** Similar to box d on the W-2 Form, this control number box may be left blank, or an employer may assign a number.

**Box b:** One *Kind of Payer* box must be selected (941 applies to all companies examined in this text), and one *Kind of Employer* box must be selected (*None apply* would be applicable for all companies examined in this text). The *Third-party sick pay* box should also be selected where applicable.

**Box c:** This box displays the number of nonvoided W-2 Forms completed.

**Box d:** This optional box may be used by an employer to distinguish between different W-3 Forms that have been submitted for different establishments in the business.

**Boxes e–g:** These boxes must all be completed with the requested company information.

**Box h:** If another Employer Identification Number (such as that of a previous owner of the business) was used on a federally submitted form during the year, this number is entered here.

**Boxes 1–11:** These boxes require the same information as the W-2 Form but display the totals for all W-2s across the establishment (or business as a whole).

**Box 12a:** This displays one total for all deferred compensation codes entered on the individual W-2 Forms. No code is to be entered on the W-3 Form, as this is a combined amount across multiple codes.

**Box 12b:** This box is left blank.

**Box 13:** The phrase “Third-party sick pay recap” is entered here if a third-party payer of sick pay is completing the W-3 Form.

**Box 14:** Employers enter total income tax withheld from employee earnings for third-party sick pay here. Note that this amount is also included in the box 2 total.

**Box 15:** The two-letter state abbreviation and associated state ID number are entered here. This box is left blank if the employer completes W-2 Forms for more than one state.

**Boxes 16–19:** Totals from the corresponding boxes on the W-2 Forms are entered for each of these boxes, regardless of whether more than one state is represented in these W-2s.

The bottom portion of the form, including contact person, telephone, email, fax, signature, title, and date, should all be completed.

## Case in Point 6-5 Complete Form W-3

In this example, we will complete the W-3 Form for Lucky Ties Apparel (Employer Identification #11-1111111). Lucky Ties Apparel (located at 77 Main Street, Rochester, NY 14602) does not use control numbers. Total employee compensation for the year was \$510,236, annual retirement plan contributions totaled \$7,646, and flexible spending account contributions totaled \$6,904.56. Federal income tax withholding totaled \$30,610 for the year. Only Maryanne Sherman (who did not contribute to a flexible spending account) earned more than the \$132,900 Social Security wage base (see Case in Point 6-4 for this employee’s earnings and tax totals). New York State earnings subject to income tax withholding were the same as those subject to federal income tax withholding. State income tax withholding totaled \$17,892, with no local taxes withheld. The employer’s New York State ID number is the same as the federal Employer Identification Number. The form is signed by the president of the company, Harold Cameron (telephone #585-555-6281), and is submitted on the due date for paper filings. Note that there are no rounding differences for Social Security tax or Medicare tax between withheld amounts and those that can be calculated by using the total taxable earnings for the year.

DO NOT STAPLE			
<b>33333</b>		<b>a Control number</b>	
		<b>For Official Use Only ▶</b> OMB No. 1545-0008	
<b>b Kind of Payer</b> (Check one)	<input checked="" type="checkbox"/> 941 <input type="checkbox"/> CT-1	<input type="checkbox"/> Military <input type="checkbox"/> Hshld. emp. <input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> 943 <input type="checkbox"/> 944
		<input checked="" type="checkbox"/> None apply <input type="checkbox"/> State/local non-501c	<input type="checkbox"/> 501c non-govt. <input type="checkbox"/> State/local 501c <input type="checkbox"/> Federal govt.
			<input type="checkbox"/> Third-party sick pay (Check if applicable)
<b>c Total number of Forms W-2</b>		<b>d Establishment number</b>	
8			
<b>e Employer identification number (EIN)</b>		<b>1 Wages, tips, other compensation</b>	
11-1111111		495,685.44	
<b>f Employer's name</b>		<b>2 Federal income tax withheld</b>	
Lucky Ties Apparel		30,610	
77 Main Street Rochester, NY 14602		<b>3 Social security wages</b>	
		496,651.44	
<b>g Employer's address and ZIP code</b>		<b>4 Social security tax withheld</b>	
		30,792.39	
<b>h Other EIN used this year</b>		<b>5 Medicare wages and tips</b>	
		503,331.44	
		<b>6 Medicare tax withheld</b>	
		7,298.31	
		<b>7 Social security tips</b>	
		<b>8 Allocated tips</b>	
		<b>9</b>	
		<b>10 Dependent care benefits</b>	
		<b>11 Nonqualified plans</b>	
		<b>12a Deferred compensation</b>	
		7,646	
		<b>12b</b>	
<b>15 State</b>		<b>13 For third-party sick pay use only</b>	
NY			
<b>Employer's state ID number</b>		<b>14 Income tax withheld by payer of third-party sick pay</b>	
11-1111111			
<b>16 State wages, tips, etc.</b>		<b>17 State income tax</b>	
495,685.44		17,892	
<b>18 Local wages, tips, etc.</b>		<b>19 Local income tax</b>	
<b>Employer's contact person</b>		<b>Employer's telephone number</b>	
Harold Cameron		585-555-6281	
<b>Employer's fax number</b>		<b>For Official Use Only</b>	
		<b>Employer's email address</b>	
Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.			
Signature ▶ <i>Harold Cameron</i>		Title ▶ President	
		Date ▶ 3/1/20	
Form <b>W-3 Transmittal of Wage and Tax Statements</b> <b>2019</b>			
Department of the Treasury Internal Revenue Service			
Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration (SSA). Photocopies are not acceptable. Do not send Form W-3 if you filed electronically with the SSA. Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.			

The earnings subject to federal income tax in box 1 were calculated as total compensation of \$510,236, minus retirement plan contributions of \$7,646, minus flexible spending account contributions of \$6,904.56 (these two amounts are not subject to federal income tax withholding).

The Social Security wages in box 3 are those on which Social Security tax is levied. One of the eight employees (Sherman) had earnings subject to Social Security tax that exceeded the Social Security wage base of \$132,900; therefore, this threshold represents her Social Security wages. The other seven employees earned less than this amount; therefore, their entire compensation of \$370,656 (total employee earnings of \$510,236 minus Sherman's earnings of \$139,580) less flexible spending account contributions of \$6,904.56 (which are not subject to Social Security tax) represents the taxable Social Security earnings. Social Security wages of \$496,651.44 are calculated as \$132,900 + \$370,656 minus \$6,904.56. Social Security tax in box 4 is then calculated as Social Security wages of \$496,651.44  $\times$  6.2% (in this instance, no rounding issues exist that would result in this calculation being inaccurate).

Medicare wages in box 5 are calculated as total compensation of \$510,236 minus flexible spending account contributions of \$6,904.56. The resulting \$503,331.44 is multiplied by 1.45% to arrive at \$7,298.31 of Medicare taxes in box 6.

All other figures are taken from the information provided. The form is dated 3/1/20, as this is the due date for paper filing.

# Self-Assessment

Complete the Self-Assessment as directed by your instructor, whether that is in the book, the Learning Resource Center ([labyrinthlab.com/lrc](http://labyrinthlab.com/lrc)), or your eLab course, if applicable.

## True/False Questions

1. The lookback period runs from July 1 through June 30. *True False*
2. FUTA tax must be remitted if the total FUTA tax owed exceeds \$300 as of the end of the 2nd quarter. *True False*
3. Form 941 is due by the last day of the first month after each quarter has ended. *True False*
4. The Internal Revenue Service levies a small service fee for employers who utilize the Electronic Federal Tax Payment System. *True False*
5. When an employer remits a federal tax payment via a check sent through the United States Postal Service, the check must arrive by the form's due date. *True False*
6. Because Form 940 may not be remitted with a payment, no payment voucher can accompany the form. *True False*
7. The total for Schedule A (Form 940) also appears on the first page of Form 940. *True False*
8. Employers must furnish all employees with copies of the W-2 Form by January 31. *True False*
9. The W-3 Form is submitted to the Social Security Administration independent of all other federal forms. *True False*
10. Multiple due dates can apply to the W-3 Form, depending on whether a paper version is filed or the form is e-filed. *True False*

## Multiple Choice Questions

11. What is the annual federal tax threshold above which an employer is deemed to be a semiweekly depositor?
  - A. \$500
  - B. \$7,000
  - C. \$50,000
  - D. \$132,900
12. Which of the following taxes, when required to be paid, is due by the last day of the first month after a quarter ends?
  - A. Social Security tax
  - B. Federal income tax
  - C. FUTA tax
  - D. Medicare tax
13. The next-day deposit rule is triggered when taxes owed at the end of a day are greater than what amount?
  - A. \$500
  - B. \$2,500
  - C. \$50,000
  - D. \$100,000

14. Total taxes owed, against which total deposits are compared, are reported on which line of Form 941?
  - A. Line 2
  - B. Line 12
  - C. Line 13
  - D. Line 14
15. Which of the following is the due date for Form 940 when it is submitted without a payment?
  - A. January 1
  - B. January 15
  - C. January 31
  - D. February 10
16. Schedule A (Form 940) is used in each of the following circumstances except when:
  - A. The employer pays SUTA tax in two states.
  - B. The employer does not pay FUTA tax until the 4th quarter of the year.
  - C. The employer pays SUTA tax in four states.
  - D. The employer operates in a credit-reduction state.
17. Which copy of the W-2 Form is submitted by the employer to the Social Security Administration?
  - A. Copy A
  - B. Copy B
  - C. Copy C
  - D. Copy 2
18. Which of the following items is not reported on the W-2 Form?
  - A. Dependent care benefits
  - B. Union dues
  - C. Hours worked
  - D. State income tax withheld
19. Which of the following is a true statement regarding the W-2 Form?
  - A. Employers must submit the W-2 Form regardless of the amount of compensation paid to employees.
  - B. Sending a copy of the W-2 Form to the employee is optional.
  - C. The control number on the W-2 Form must be completed by the employer.
  - D. The W-2 Form includes both federal and state tax information.
20. Which of the following appears on the W-3 Form but does not appear on the W-2 Form?
  - A. Federal income tax withheld
  - B. Kind of payer
  - C. Social Security wages
  - D. Dependent care benefits

# Practice Set A

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

## PSa 6-1 Examine the Lookback Period

For each of the following independent circumstances, examine the lookback period to determine whether the company is a monthly or semiweekly depositor for 2019:

1. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$21,000	2017; 4th Quarter	\$11,100
2017; 2nd Quarter	\$13,200	2018; 1st Quarter	\$14,800
2017; 3rd Quarter	\$9,750	2018; 2nd Quarter	\$13,000

2. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$14,500	2017; 4th Quarter	\$10,900
2017; 2nd Quarter	\$10,000	2018; 1st Quarter	\$14,000
2017; 3rd Quarter	\$13,850	2018; 2nd Quarter	\$11,700

3. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$18,000	2017; 4th Quarter	\$13,000
2017; 2nd Quarter	\$15,500	2018; 1st Quarter	\$11,800
2017; 3rd Quarter	\$17,400	2018; 2nd Quarter	\$9,000

## PSa 6-2 Record a Monthly Federal Tax Payment Journal Entry

Walking Boots Company is a monthly depositor whose December federal taxes are displayed below. Record one journal entry to account for the payment of federal taxes. All tax payments are made in a timely manner on the payment due date (which, for this month, is not impacted by a weekend or holiday).

December Tax Totals			
Federal income tax	\$604	Employer's Social Security tax	\$575
Employee's Social Security tax	\$575	Employer's Medicare tax	\$178
Employee's Medicare tax	\$178		

## PSa 6-3 Record Quarterly FUTA and Voluntary Deduction Journal Entries

Cooking Cousins is a monthly depositor whose 4th quarter FUTA taxes and 4th quarter voluntary deductions are displayed below. Record one journal entry to account for the payment of federal unemployment taxes and one journal entry to account for the payment of the voluntary deductions. Assume that each voluntary deduction is remitted to the respective organization on a quarterly basis on the last day of the first month after the end of the quarter. All tax payments are made in a timely manner on the payment due date (which, for this quarter, is not impacted by a weekend or holiday).

4th Quarter Totals			
Federal unemployment tax	\$26	Charitable contribution	\$80
Retirement plan	\$224	Cafeteria plan	\$400
Health insurance	\$350		

## PSa 6-4 Complete Form 941

Complete Form 941 for the 2nd quarter of 2019 for Longneck Corp. (Employer Identification #22-2222222). Assume that Longneck Corp. (located at 518 State Street, Seattle, WA 98101) chooses to complete and mail Form 941 on the due date. Based on the lookback period, Longneck Corp. is a monthly depositor. Assume that all necessary deposits were made on a timely basis and that the employer made deposits equal to the total amount owed for the quarter. All six employees worked during each of the three months, and the company does not choose to allow a third party to discuss the form with the IRS. Note that the form is signed by the company's controller, Arnold Ming (telephone #206-555-0101), and that no employee is subject to Additional Medicare Tax during the quarter. Second quarter earnings and associated taxes withheld from employee earnings are as follows:

	April Taxes	May Taxes	June Taxes	2nd Quarter Earnings
FWT	\$850.00	\$910.00	\$880.00	\$11,291
Social Security	\$225.06	\$244.90	\$230.08	\$11,291
Medicare	\$52.64	\$57.28	\$53.81	\$11,291

## PSa 6-5 Complete Form 940

Complete Form 940 for Blacklist Associates (Employer Identification #44-4444444). Assume that Blacklist Associates (located at 504 Cyprus Avenue, Providence, RI 02801) chooses to complete and mail Form 940 on the due date. Note that Blacklist Associates pays only SUTA tax in Rhode Island. The form is signed by the CEO of the company, James Scott (telephone #401-555-0492). The company elects to delay remitting FUTA tax until it is required to do so. Total employee compensation for the year was \$452,870, and total charitable contributions totaled \$18,500. All earnings subject to FUTA tax are also subject to SUTA tax. Blacklist Associates allows its accountant (Wally Gorman, telephone #401-555-9366, PIN #80515) to discuss the form with the IRS. Four employees of Blacklist Associates earned more than \$7,000 that was subject to FUTA tax (each exceeded this threshold in the 1st quarter), while a fifth employee hired during the 4th quarter earned only \$3,200 that was subject to FUTA tax.

## PSa 6-6 Complete Form W-2

Complete Copy A of the W-2 Form for the two employees of Flywheel Outfitters, Inc. (Employer Identification #99-9999999). Flywheel Outfitters, Inc., (located at 909 Crispy Lane, Charleston, SC 29401) utilizes control numbers, and its South Carolina state ID number is the same as its federal Employer Identification Number.

Julio Estevez (766 Mixing Road, Charleston, SC 29401), whose Social Security number is 777-77-7777, is an employee of Flywheel Outfitters, Inc. (Julio's control number is #1045.) His gross earnings for federal income tax withholding, Social Security tax, and Medicare tax were \$82,476.05 for the year, while these taxes were \$8,645, \$5,113.52, and \$1,195.90, respectively. Annual union dues were \$625. South Carolina income tax withholding was \$5,773.32 (based on the above gross earnings for federal income tax), with no local taxes withheld.

Albert Ochie (73 Scaring Place, Charleston, SC 29401), whose Social Security number is 888-88-8888, is an employee of Flywheel Outfitters, Inc. (Albert's control number is #1055.) His gross earnings for federal income tax withholding, Social Security tax, and Medicare tax were \$135,284.02 for the year, while these taxes were \$15,270, \$8,239.80, and \$1,961.62, respectively. Annual union dues were \$625, while Albert elects to have charitable contributions of \$300 withheld. South Carolina income tax withholding was \$7,944.03 (based on the above gross earnings for federal income tax), with no local taxes withheld.

## PSa 6-7 Complete Form W-3

Complete the W-3 Form for Flywheel Outfitters, Inc., based on the W-2 Forms you completed in PSa 6-6 for the two employees of the company. The form is signed by the president of the company, Albert Ochie (telephone #843-555-8164), and is submitted on the due date for e-filing. The company files Form 941 during the year and selects "None apply" in the *Kind of Employer* section.



## PSa 6-8 Complete Form W-3

Complete the W-3 Form for Belt Buckle Industries (Employer Identification #88-8888888). The company (located at 435 Georgia Lane, Clifton, NJ 07011) does not use control numbers. Total employee compensation (gross pay) for the year was \$527,000, and annual retirement plan contributions totaled \$15,200. Federal income tax withholding totaled \$73,100 for the year. Of the company's four employees, only one had earnings subject to Social Security tax that did not exceed \$132,900 (this employee earned \$18,200). New Jersey state earnings subject to income tax withholding were the same as that subject to federal income tax withholding. State income tax withholding totaled \$53,000, with no local taxes withheld. The employer's New Jersey State ID number is the same as its federal Employer Identification Number. The form is signed by the CEO of the company, Paul Goldstein (telephone #862-555-0052), and is submitted on the due date for e-filing. The company files Form 941 during the year and selects "None apply" in the *Kind of Employer* section. Note that there are no rounding differences for Social Security tax or Medicare tax between withheld amounts and those that can be calculated by using the total taxable earnings for the year, and no employee was subject to Additional Medicare Tax during the year.

## Practice Set B

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

### PSb 6-1 Examine the Lookback Period

For each of the following independent circumstances, examine the lookback period to determine whether the company is a monthly or semiweekly depositor for 2019:

1. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$8,200	2017; 4th Quarter	\$9,000
2017; 2nd Quarter	\$11,500	2018; 1st Quarter	\$12,100
2017; 3rd Quarter	\$10,400	2018; 2nd Quarter	\$18,200

2. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$18,300	2017; 4th Quarter	\$14,200
2017; 2nd Quarter	\$15,700	2018; 1st Quarter	\$11,400
2017; 3rd Quarter	\$13,400	2018; 2nd Quarter	\$7,200

3. A company's total taxes owed (federal income tax withholding, Social Security tax, and Medicare tax) for six consecutive quarters were as follows:

2017; 1st Quarter	\$14,900	2017; 4th Quarter	\$10,000
2017; 2nd Quarter	\$8,700	2018; 1st Quarter	\$16,200
2017; 3rd Quarter	\$11,100	2018; 2nd Quarter	\$15,100

## PSb 6-2 Record a Monthly Federal Tax Payment Journal Entry

Decimal Corporation is a monthly depositor whose December federal taxes are displayed below. Record one journal entry to account for the payment of the federal taxes. All tax payments are made in a timely manner on the payment due date (which, for this month, is not impacted by a weekend or holiday).

December Tax Totals			
Federal income tax	\$3,250	Employer's Social Security tax	\$2,420
Employee's Social Security tax	\$2,420	Employer's Medicare tax	\$902
Employee's Medicare tax	\$902		

## PSb 6-3 Record Quarterly FUTA and Voluntary Deduction Journal Entries

Alton's Arboreal Association is a monthly depositor whose 4th quarter FUTA taxes and 4th quarter voluntary deductions are displayed below. Record one journal entry to account for the payment of federal unemployment taxes, and one journal entry to account for the payment of the voluntary deductions. Assume that each voluntary deduction is remitted to the respective organization on a quarterly basis, on the last day of the first month after the end of the quarter. All tax payments are made in a timely manner, on the payment due date (which, for this quarter, is not impacted by a weekend or holiday).

4th Quarter Totals			
Federal unemployment tax	\$370	Charitable contribution	\$700
Retirement plan	\$4,240	Cafeteria plan	\$5,560
Health insurance	\$3,020		

## PSb 6-4 Complete Form 941

Complete Form 941 for the 1st quarter of 2019 for Bouncing Babies Co. (Employer Identification #33-3333333). Assume that Bouncing Babies Co. (located at 91 Bayberry Avenue, Baton Rouge, LA 70714) chooses to complete and mail Form 941 on the due date. Based on the lookback period, Bouncing Babies Co. is a monthly depositor. Assume that all necessary deposits were made on a timely basis and that the employer made deposits equal to the total amount owed for the quarter. All 32 employees worked during each of the three months, and the company elects to allow its accountant (William Gordon, telephone #225-555-7846, PIN #83463) to discuss the form with the IRS. Additionally, William signs the form, and no employee is subject to Additional Medicare Tax during the quarter. First quarter earnings and associated taxes withheld from employee earnings are as follows:

	January Taxes	February Taxes	March Taxes	1st Quarter Earnings
FWT	\$12,400.00	\$12,720.00	\$12,120.00	\$331,200
Social Security	\$7,579.50	\$7,240.36	\$7,990.13	\$367,903
Medicare	\$1,772.63	\$1,693.31	\$1,868.66	\$367,903

## PSb 6-5 Complete Form 940

Complete Form 940 for KYG Corp. (Employer Identification #55-5555555). Assume that KYG Corp. (located at 81519 Duke Lane, Dayton, OH 45377) chooses to complete and mail Form 940 on the due date. Note that KYG Corp. pays only SUTA tax in Ohio. The form is signed by the president of the company, Marcelo Coleman (telephone #937-555-8825). The company elects to delay remitting FUTA tax until it is required to do so. Total employee compensation for the year was \$751,000, and total group-term life insurance contributions totaled \$24,200. All earnings subject to FUTA tax are also subject to SUTA tax. KYG Corp. allows its accountant (Steve Kimmel, telephone #937-555-0040, PIN #76134) to discuss the form with the IRS. Note that nine employees of KYG Corp. earned more than \$7,000 that was subject to FUTA tax (each exceeded this threshold in the 1st quarter), while a 10th employee hired during the 4th quarter earned only \$5,700 that was subject to FUTA tax.

## PSb 6-6 Complete Form W-2

Complete Copy A of the W-2 Form for the two employees of Gameroom Associates Corp. (Employer Identification #55-555555). Gameroom Associates Corp. (located at 87 Rose Way, Lexington, KY 40361) utilizes control numbers, and its Kentucky State ID number is the same as its federal Employer Identification Number.

Rachel Flowers (4 Fiber Way, Lexington, KY 40361), whose Social Security number is 888-88-8888, is an employee of Gameroom Associates Corp. (Rachel's control number is #4407.) Gross earnings for federal income tax withholding, Social Security tax, and Medicare tax were \$101,470 for the year, while these taxes were \$9,250, \$6,291.14, and \$1,471.32, respectively. The annual charitable contribution was \$260. Kentucky income tax withholding was \$6,088.20 (based on the above gross earnings for federal income tax), with no local taxes withheld. The employer's Kentucky State ID number is the same as its federal Employer Identification Number.

Adrian Pitts (8765 Tripping Way, Lexington, KY 40361), whose Social Security number is 444-44-4444, is an employee of Gameroom Associates Corp. (Adrian's control number is #4408.) Gross earnings for federal income tax withholding were \$136,960 for the year, while gross earnings for Social Security tax and Medicare tax were \$141,460 for the year. The federal income tax, Social Security tax, and Medicare tax were \$16,350, \$8,239.80, and \$1,985.92, respectively. The annual charitable contribution was \$675, and the 401(k) retirement plan contribution was \$4,500. Kentucky income tax withholding was \$10,382.73 (based on the above gross earnings for federal income tax), with no local taxes withheld. The employer's Kentucky State ID number is the same as its federal Employer Identification Number.

## PSb 6-7 Complete Form W-3

Complete the W-3 Form for Gameroom Associates Corp., based on the W-2 Forms you completed in PSb 6-6 for the two employees of the company. The form is signed by the CFO of the company, Rachel Flowers (telephone #859-555-2766), and is submitted on the due date for e-filing. The company files Form 941 during the year and selects "None apply" in the *Kind of Employer* section.

## PSb 6-8 Complete Form W-3

Complete the W-3 Form for Shipbuilders of New England (Employer Identification #33-333333). The company (located at 2 Hickory Trail, Pawtucket, RI 02860) does not use control numbers. Total employee compensation (gross pay) for the year was \$1,052,400, and annual retirement plan contributions totaled \$27,500. Federal income tax withholding totaled \$122,300 for the year. Only three of the nine employees have earnings subject to Social Security tax less than \$132,900 (these employees' earnings were \$98,400, \$87,200, and \$53,600). Rhode Island state earnings subject to income tax withholding were the same as those subject to federal income tax withholding. State income tax withholding totaled \$88,350, with no local taxes withheld. The employer's Rhode Island state ID number is the same as its federal Employer Identification Number. The form is signed by the CFO of the company, Molly Richmond (telephone #401-555-9929), and is submitted on the due date for paper filings. The company files Form 941 during the year and selects "None apply" in the *Kind of Employer* section. Note that there are no rounding differences for Social Security tax or Medicare tax between withheld amounts and those that can be calculated by using the total taxable earnings for the year, and no employee was subject to Additional Medicare Tax during the year.

# Continuing Payroll Problem

The IRS forms and Excel templates needed for these assignments are included in the Student Exercise Files download for this course. If directed to do so, complete these assignments in Homework Grader.

## CPP 6-1 Complete 4th Quarter and Year-End Payroll Reporting

Calculate 4th quarter taxes for TCLH Industries, a manufacturer of cleaning products. Then complete Forms 941 and 940 as of year-end. Conclude by completing Copy A of the W-2 Form for each of the four employees, as well as the associated W-3 Form. Recall from the *Form 941 Rounding Considerations* section that quarter- and year-end tax figures should not be calculated based on the total taxable earnings for the respective quarter or year. Instead, to avoid rounding discrepancies, these tax figures should be determined for each employee by adding the individual taxes across each pay period.

1. Calculate total federal income tax, Social Security tax, and Medicare tax for the 4th quarter. Assume that Zachary Fox earns the same amount for each of the final three weeks of the year (the only weeks in 2019 during which he worked) and that Calvin Bell earned the same amount during each of the 52 weeks of the year. Further assume that no changes to voluntary deductions were requested by any employee during 2019. Note that the final week of the year (beginning on December 23, 2019) is a full workweek (the 52nd workweek of 2019).

To assist in the completion of this chapter's continuing payroll problem, the following employee earnings records display year-to-date earnings prior to the current pay period. As a result, the "4th Quarter" row excludes the final three weeks of the year. Note that the current pay period is the first pay period for Zachary Fox (SSN 121-21-2121, address: 1483 Independence Road, Durham, NC 27701); therefore, his employee earnings record is not displayed below, as it contains no previous earnings information.

<b>Employee Earnings Record</b>																	
Name		Calvin Bell						Marital Status		Single							
Address		2222 Sacker Place Durham, NC 27701						Fed. Withholding Allow.		2							
SS#		500-00-0000						State Withholding Allow.		1							
Pay Period Ending	Earnings							Deductions								Check Number	Net Pay
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution	Additional Withholding		
1st Quarter	n/a	n/a	\$3,796.00	n/a	n/a	\$1,637.09	\$5,433.09	\$208.00	\$255.32	\$336.83	\$ 78.78	\$326.04	\$ -	\$195.00	\$ 91.00		\$3,942.12
2nd Quarter	n/a	n/a	\$3,796.00	n/a	n/a	\$1,637.09	\$5,433.09	\$208.00	\$255.32	\$336.83	\$ 78.78	\$326.04	\$ -	\$195.00	\$ 91.00		\$3,942.12
3rd Quarter	n/a	n/a	\$3,796.00	n/a	n/a	\$1,637.09	\$5,433.09	\$208.00	\$255.32	\$336.83	\$ 78.78	\$326.04	\$ -	\$195.00	\$ 91.00		\$3,942.12
4th Quarter	n/a	n/a	\$2,920.00	n/a	n/a	\$1,259.30	\$4,179.30	\$160.00	\$196.40	\$259.10	\$ 60.60	\$250.80	\$ -	\$150.00	\$ 70.00		\$3,032.40

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Employee Earnings Record																	
Name	David Alexander						Marital Status	Single									
Address	1 Freedom Blvd. Durham, NC 27701						Fed. Withholding Allow.	1									
SS#	454-54-5454						State Withholding Allow.	1									
Pay Period Ending	Earnings							Deductions							Check Number	Net Pay	
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution			Additional Withholding
1st Quarter	n/a	n/a	\$ 52,650.00	n/a	n/a	\$ -	\$ 52,650.00	\$ 9,515.48	\$ 2,316.60	\$ 3,264.30	\$ 763.49	\$ 6,318.00	\$ -	\$ 260.00	\$ -	\$ -	\$ 30,212.13
2nd Quarter	n/a	n/a	\$ 52,650.00	n/a	n/a	\$ -	\$ 52,650.00	\$ 9,515.48	\$ 2,316.60	\$ 3,264.30	\$ 763.49	\$ 6,318.00	\$ -	\$ 260.00	\$ -	\$ -	\$ 30,212.13
3rd Quarter	n/a	n/a	\$ 52,650.00	n/a	n/a	\$ -	\$ 52,650.00	\$ 9,515.48	\$ 2,316.60	\$ 1,711.20	\$ 763.49	\$ 6,318.00	\$ -	\$ 260.00	\$ -	\$ -	\$ 31,765.23
4th Quarter	n/a	n/a	\$ 40,500.00	n/a	n/a	\$ -	\$ 40,500.00	\$ 7,319.60	\$ 1,782.00	\$ -	\$ 587.30	\$ 4,860.00	\$ -	\$ 200.00	\$ -	\$ -	\$ 25,751.10

Employee Earnings Record																	
Name	Michael Sierra						Marital Status	Married									
Address	200 Mississippi Road Durham, NC 27701						Fed. Withholding Allow.	4									
SS#	232-32-3232						State Withholding Allow.	3									
Pay Period Ending	Earnings							Deductions							Check Number	Net Pay	
	Regular Hours Worked	Regular Pay Rate	Regular Wages	Overtime Hours Worked	Overtime Pay Rate	Overtime Wages	Gross Pay	Federal Withholding Tax	State Withholding Tax	Social Security Tax	Medicare Tax	Retirement Contribution	Life Insurance	Charitable Contribution			Additional Withholding
1st Quarter	n/a	n/a	\$ 31,850.00	n/a	n/a	\$ -	\$ 31,850.00	\$ 3,220.10	\$ 1,560.00	\$ 1,934.40	\$ 452.40	\$ -	\$ 260.00	\$ 65.00	\$ 650.00	\$ -	\$ 23,708.10
2nd Quarter	n/a	n/a	\$ 31,850.00	n/a	n/a	\$ -	\$ 31,850.00	\$ 3,220.10	\$ 1,560.00	\$ 1,934.40	\$ 452.40	\$ -	\$ 260.00	\$ 65.00	\$ 650.00	\$ -	\$ 23,708.10
3rd Quarter	n/a	n/a	\$ 31,850.00	n/a	n/a	\$ -	\$ 31,850.00	\$ 3,220.10	\$ 1,560.00	\$ 1,934.40	\$ 452.40	\$ -	\$ 260.00	\$ 65.00	\$ 650.00	\$ -	\$ 23,708.10
4th Quarter	n/a	n/a	\$ 24,500.00	n/a	n/a	\$ -	\$ 24,500.00	\$ 2,477.00	\$ 1,200.00	\$ 1,488.00	\$ 348.00	\$ -	\$ 200.00	\$ 50.00	\$ 500.00	\$ -	\$ 18,237.00

**NOTE!** These three images are available in an Excel file as part of the Student Exercise File download for this course. You may consider using these Excel files as a starting point for the questions listed below.

- Complete Form 941 for the 4th quarter for TCLH Industries (Employer Identification #44-4444444), which is located at 202 Whitmore Avenue, Durham, NC 27701. Assume that all necessary deposits were made on a timely basis (new businesses in their first year of operations are automatically monthly depositors), and that the employer made deposits equal to the total amount owed for the quarter. Furthermore, note that the company had five pay periods during October, and four pay periods during both November and December. The company does not have a third-party designee, nor does it use a paid preparer. All forms are signed by the CEO of the company, Michael Sierra (telephone #919-555-7485), and the form is submitted on the due date.
- Complete Form 940 for TCLH Industries (Employer Identification #44-4444444), which is located at 202 Whitmore Avenue, Durham, NC 27701. Assume that the company does not remit FUTA tax until the latest date on which it is permitted to do so. Note that the life insurance for which employee withholdings were made is not group-term life insurance. Flexible spending accounts are reported on Form 940 as a Fringe Benefit, and all earnings subject to FUTA tax are also subject to SUTA tax. The company does not have a third-party designee, nor does it use a paid preparer. All forms are signed by the CEO of the company, Michael Sierra (telephone #919-555-7485).

4. Complete Form W-2 for each of the four employees of TCLH Industries (Employer Identification #44-4444444), which is located at 202 Whitmore Avenue, Durham, NC 27701. The company does not use control numbers, and its state identification number is the same as its federal Employer Identification Number. Note that the state withholding tax rate for regular earnings is 5%.
5. Complete Form W-3 for TCLH Industries (Employer Identification #44-4444444), which is located at 202 Whitmore Avenue, Durham, NC 27701. The company does not use establishment numbers and both signs and submits the form on its paper-filing due date. The company selects “None apply” in the *Kind of Employer* section, and all forms are signed by the CEO of the company, Michael Sierra (telephone #919-555-7485).

## Critical Thinking

### CT 6-1 Examine Quarterly State Payroll Forms

As you learned earlier in the chapter, Form 941 is completed by employers on a quarterly basis and submitted to the federal government. Most employers will similarly submit quarterly payroll forms to their respective states. It is important to examine the quarterly forms for your state, as the formats (and information required) are different from one state to another. In this exercise, you will use the Internet to locate and review the quarterly payroll forms for your state.

Start by searching for the state payroll forms that apply to your state. Keep in mind that although a number of states do not levy an income tax on employees, they still require that quarterly forms be submitted. One reason for this is that state unemployment tax must still be remitted in these states. Once you have located the form(s), write a paragraph of at least five sentences in which you discuss both the figures required on the form and the differences between the state forms and Form 941.

Submit your final file based on the guidelines provided by your instructor.

### CT 6-2 Review the Electronic Federal Tax Payment System

The federal government strongly encourages the use of the Electronic Federal Tax Payment System (EFTPS). In comparison with the paper-based system that has traditionally been used, the EFTPS is far more efficient for the government, which is why its use is encouraged. However, the system also offers a variety of benefits to the employer. In this exercise, you will use the Internet to examine the different uses of the EFTPS and the variety of ways that it can benefit the user.

Begin by navigating to the EFTPS website (the URL was provided earlier in the chapter) to learn more about the system, and then search the Internet to discover ways in which the EFTPS proves to be beneficial to employers. Write a paragraph of at least six sentences in which you first describe the various uses of the EFTPS and then discuss how it provides benefits to the user. Be certain to focus on benefits yielded to the employer and not to the government.

Submit your final file based on the guidelines provided by your instructor.