



Instructions for Form 941

(Revised January 1993)

Employer's Quarterly Federal Tax Return

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	10 hr., 32 min.
Learning about the law or the form	22 min.
Preparing the form	1 hr., 29 min.
Copying, assembling, and sending the form to the IRS	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0029), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see **Where To File** on page 2.

Important Changes for 1993.—The deposit rules have changed for 1993. See **Circular E**, Employer's Tax Guide, section 13, for detailed instructions on the new rules. Page 4 of these instructions explains the use of the Monthly Summary of Federal Tax Liability (at the bottom of Form 941), and **Schedule B (Form 941)**, Employer's Record of Federal Tax Liability.

Reminders.—The wage bases for the two parts of the social security tax (social security and Medicare) are different. The wage bases are \$57,600 for social security and \$135,000 for Medicare.

The cost of group-term life insurance in excess of \$50,000 provided former employees is subject to both the employer and employee portion of social security and Medicare taxes. Include the cost of the excess coverage on lines 6a and 7. Any uncollected social security and Medicare taxes must be reported as an adjustment on line 9.

Circular E explains the rules for withholding, paying, depositing, and reporting Federal income tax, social security and Medicare taxes, and Federal unemployment (FUTA) tax on wages and fringe benefits. See **Pub. 952**, Sick Pay Reporting, for information on sick pay paid by third-party payers. **Circular A**, Agricultural Employer's Tax Guide, explains rules for employers who have farmworkers. These publications are available free at IRS offices.

General Instructions

Purpose of Form.—To report—

- Income tax you withheld from wages, tips, annuities, supplemental unemployment compensation benefits, certain gambling winnings, and third-party payments of sick pay.

- Income tax withheld as backup withholding.
- Social security and Medicare taxes.

Who Must File.—Employers who withhold income tax, or both social security and Medicare taxes, must file Form 941 quarterly. Exceptions follow:

• **Seasonal employers** who no longer file for quarters when they regularly have no tax liability because they have paid no wages. To alert the IRS that you will not have to file a return for one or more quarters during the year, check the **Seasonal employer** box above line 1 on page 1. The IRS will mail two Forms 941 to you once a year after March 1. The preprinted label will not include the date the quarter ended. You must enter the date the quarter ended when you file the return. The IRS will generally not inquire about unfiled returns if at least one taxable return is filed each year. However, you must check the **Seasonal employer** box on each quarterly return you file. Otherwise, the IRS will expect a return to be filed for each quarter.

- Employers who report payments not subject to social security, see **Form 941E**, Quarterly Return of Withheld Federal Income Tax and Medicare Tax, and Circular E.
- Employers who report wages on household employees, see **Form 942**, Employer's Quarterly Tax Return for Household Employees, and Circular E. However, if you are a sole proprietor and file Form 941 for business employees, you may include taxes for household employees on your Form 941. For a domestic service in a college club, fraternity, or sorority, file Form 941. These services are not considered to have been performed in a private home.
- Employers who report wages on farmworkers, see **Form 943**, Employer's Annual Tax Return for Agricultural Employees, and Circular A.

Business Reorganization or Termination.—If you sell or transfer your business, both you and the new owner must file a return for the quarter in which the change took place. Neither should report wages paid by the other. (An example of a transfer is when a sole proprietor forms a partnership or corporation.) If a change occurs, please attach to your return a statement that shows: new owner's name (or new name of the business); whether the business is now a sole proprietorship, partnership, or corporation; kind of change that took place (sale, transfer, etc.); and date of the change.

When a business is merged or consolidated with another, the continuing firm must file the return for the quarter in which the change took place. The return should show all wages paid for that quarter. The other firm should file a final return.

If you go out of business or stop paying wages, you should file a final return. Be sure to mark the final return checkbox and enter the date final wages were paid above line 1. You may also file Forms W-2 with the Social Security Administration now, but not later than February 28, 1994.

Form Preparation Suggestions.—The red color of Form 941 permits machine scanning, which results in faster and more accurate processing. Below are suggestions that will allow the IRS to process Form 941 by machine scanning:

- Use the “red” Form 941 provided by the IRS.
- Type or machine print data entries using black ink.
- Entries should not be handwritten.
- Do not staple, tape, or clip anything to the form.
- Do not tear.

When To File.—File starting with the first quarter in which you are required to withhold income tax or pay wages subject to social security and Medicare taxes.

Quarter	Ending	Due Date
Jan.-Feb.-Mar.	March 31	April 30
Apr.-May-June	June 30	July 31
July-Aug.-Sept.	Sept. 30	Oct. 31
Oct.-Nov.-Dec.	Dec. 31	Jan. 31

If you deposited all taxes when due for a quarter, you have 10 more days after the above due date to file. If the due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

After you file your first return, we will send you a form every 3 months. Please use this form. If you don't have a form, get one from an IRS office in time to file the return when due.

Where To File.—

If your legal residence, principal place of business, office, or agency is located in	Use the following Internal Revenue Service Center address
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Dept. 6884 Chicago, IL 60680-6884
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Return only (without a payment): Ogden, UT 84201-0049 Return with a payment: P.O. Box 7922 San Francisco, CA 94120-7922
California (all other counties), Hawaii	Fresno, CA 93888
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501
If you have no legal residence or principal place of business in any state	Philadelphia, PA 19255

Forms W-4.—Each quarter, send with Form 941 copies of any Forms W-4 received during the quarter from employees claiming (1) more than 10 withholding allowances or (2) exemption from income tax withholding if their wages will normally be more than \$200 a week. For details, see section 10 of Circular E.

Form W-5.—Each eligible employee wishing to receive any advance earned income credit (EIC) payments must give you a completed Form W-5. The employer's requirement to notify certain employees about the EIC can be met by giving each

eligible employee **Notice 797**, Possible Federal Tax Refund Due to the Earned Income Credit (EIC). See section 18 of Circular E and **Pub. 596**, Earned Income Credit, for more information.

Employer Identification Number (EIN).—If you do not have an EIN, apply for one on **Form SS-4**, Application for Employer Identification Number. Get this form from the IRS or the Social Security Administration (SSA). If you do not have an EIN by the time a return is due, write “Applied for” and the date you applied in the space shown for the number.

Note: Always be sure the EIN on the form you file matches the EIN assigned to your business by the IRS. Do not show your personal social security number on forms calling for an EIN. Filing a Form 941 with an incorrect EIN or using another business' EIN may result in penalties and delays in processing your return.

Penalties and Interest.—There are penalties for filing a return late and paying or depositing taxes late, unless there is reasonable cause. If you are late, please attach an explanation to your return. There are also penalties for willful failure to file returns and pay taxes when due, furnish Forms W-2 to employees and file copies with the SSA, keep records, deposit taxes when required, and for filing false returns or submitting bad checks. Interest is charged on taxes paid late at the rate set by law. See Circular E for additional information.

Caution: A 100% penalty may apply where income, social security, and Medicare taxes that should be withheld are not withheld or are not paid to the IRS. Under this penalty, certain officers or employees of a corporation, or certain members or employees of a partnership become personally liable for payment of the taxes and are penalized an amount equal to the unpaid taxes. This penalty may be applicable when these unpaid taxes cannot be immediately collected from the employer or business. The 100% penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. Willfully in this case means voluntarily, consciously, and intentionally. Please see Circular E, section 14, for more information concerning who may be liable for the 100% penalty.

Depositing Taxes.—Use **Form 8109**, Federal Tax Deposit Coupon, to deposit your taxes. See Circular E, section 13, for information and rules concerning Federal tax deposits.

Do not use the deposit coupons to pay delinquent taxes for which you have received a notice from the IRS. These payments should be sent directly to your Internal Revenue Service Center with a copy of any related notice the IRS sent you.

State Code.—If you made your deposits in a state other than that shown in your address on Form 941, enter the state code for that state in the box provided in the upper left corner of the form. Use the Postal Service two-letter state abbreviation as the state code. Enter the code “MU” in the state code box if you deposit in more than one state. If you deposit in the same state as shown in your address, do not make an entry in this box.

Specific Instructions

Reconciliation of Forms 941 and W-3.— Certain amounts reported on the four quarterly Forms 941 for 1993 should agree with the **Form W-2**, Wage and Tax Statement, totals reported on **Form W-3**, Transmittal of Wage and Tax Statements, or with information filed on equivalent magnetic media reports with the SSA. The amounts that should agree are social security wages, social security tips, Medicare wages and tips, and the advance earned income credit. If the totals do not agree, the IRS will require you to explain any differences and correct any errors. You can avoid this by making sure correct amounts (including adjustments) are

reported on Forms 941 and W-3. See Circular E, section 20, for more details.

Line 1—Number of employees.—Enter the number of employees on your payroll during the pay period including March 12 (on the January-March calendar quarter return only). Do not include household employees, persons who received no pay during the pay period, pensioners, or members of the Armed Forces. If you have only household employees in the pay period, enter zero. An entry of 250 or more on line 1 indicates a need to file wage reports on magnetic media. You should immediately request Publication TIB-4 from the SSA if not already a magnetic media filer. Call 1-800-772-1213 for more information.

Line 2—Enter the total of all wages paid, tips reported, taxable fringe benefits provided, and other compensation paid to your employees, even if you do not have to withhold income or social security and Medicare taxes on it. Do not include pensions, annuities, supplemental unemployment compensation benefits, or gambling winnings, even if you withheld income tax on them.

If you get timely notice from your insurance carrier concerning the amount of third-party sick pay it paid your employees, include the sick pay on line 2. If you are an insurance company, do not include sick pay you paid policyholders' employees here if you gave the policyholders timely notice of the payments. See Pub. 952 for more details.

Line 3—Enter the income tax you withheld on wages, tips, taxable fringe benefits, annuities, supplemental unemployment compensation benefits, and gambling winnings. An insurance company should enter the income tax it withheld on third-party sick pay here.

Line 4—Adjustment of withheld income tax.—Use line 4 to correct errors in income tax withheld from wages paid in earlier quarters of the same calendar year. Because any amount shown on line 4 increases or decreases your tax liability, the adjustment must be included on line 20, Monthly Summary of Federal Tax Liability, or on **Schedule B (Form 941)**, Employer's Record of Federal Tax Liability. Your deposit requirements determine which liability report is used (see instructions for line 20 on page 4). Include the adjustment in the report entry area that corresponds with the date on which the error was found.

Explain any amount on **Form 941c**, Supporting Statement To Correct Information, or attach a statement that shows (a) what the error was, (b) quarter in which the error was made, (c) the amount of the error for each quarter, (d) date on which you found the error, and (e) how you and your payees have settled any overcollection or undercollection.

Do not adjust income tax withholding for quarters in earlier years unless it is to correct an administrative error. An administrative error would be any error that does not change the amount of income tax that was actually withheld or deducted from an employee. For example, if the total income tax actually withheld was incorrectly reported due to a mathematical error, this would be an administrative error. You may not adjust or claim a refund or credit for any overpayment of income tax that you withheld or deducted from an employee in a prior year. This is because the employee uses the amount shown on Form W-2 as a credit when filing his or her income tax return (Form 1040, etc.).

Line 5—Adjusted total of income tax withheld.—Add line 4 to line 3 if you are reporting additional income tax withheld for an earlier quarter in this calendar year. Subtract line 4 from line 3 if you are reducing the amount of income tax withheld. If there is no entry on line 4, the entry will be the same as line 3.

Line 6a—Taxable social security wages.—Enter the total wages subject to social security taxes that you paid your employees during the quarter. Also include any sick pay and taxable fringe benefits subject to social security taxes. See section 6 of Circular E for information on types of wages

subject to social security taxes. Enter the amount before deductions. Do not include tips on this line. Stop reporting an employee's wages (including tips) when they reach \$57,600 for 1993. However, continue to withhold income tax for the whole year on wages and tips even when the social security wage base of \$57,600 is reached. See line 7 below for Medicare tax. **If none of the payments are subject to social security tax, enter -0- and attach a statement explaining why the wages are not subject to social security tax.**

Line 6b—Taxable social security tips.—Enter all tips your employees reported during the quarter, until tips and wages for each employee reach \$57,600 in 1993. Do this even if you were not able to withhold the employee tax (6.2%). However, see line 9 instructions below.

An employee must report to you cash tips, including tips you paid the employee for charge customers, totaling \$20 or more in a month by the 10th of the next month. The employee may use **Form 4070**, Employee's Report of Tips to Employer, or a written statement.

Do not include allocated tips on this line. Instead, report them on **Form 8027**, Employer's Annual Information Return of Tip Income and Allocated Tips. Allocated tips are not reportable on Form 941 and are not subject to withholding of income, social security, or Medicare taxes.

Line 7—Taxable Medicare wages and tips.—Use this line to report all wages and tips subject to the Medicare portion of social security. Also include any sick pay and taxable fringe benefits subject to Medicare taxes. See section 6 of Circular E for information on types of wages subject to Medicare taxes. Stop reporting an employee's wages (including tips) when they reach \$135,000 for 1993. **If none of the payments are subject to Medicare tax, enter -0- and attach a statement explaining why the wages are not subject to the Medicare tax.**

Include all tips your employees reported during the quarter, even if you were not able to withhold the employee tax (1.45%). However, see line 9 instructions below.

Line 9—Adjustment of social security and Medicare taxes.—Use line 9 to correct errors in social security and Medicare taxes reported on an earlier return. If you report both an underpayment and an overpayment, show only the difference.

Because any amount shown on line 9 increases or decreases your tax liability, the adjustment must be included on line 20, Monthly Summary of Federal Tax Liability, or on **Schedule B (Form 941)**, Employer's Record of Federal Tax Liability. Your deposit requirements determine which liability report is used (see instructions for line 20 on page 4). Include the adjustment in the report entry area that corresponds with the date on which the error was found.

Explain any amount on line 9 on Form 941c. If you do not have a Form 941c, attach a statement that shows (a) what the error was; (b) ending date of each quarter in which the error was made and the amount of the error; (c) date on which you found the error; (d) that you repaid the employee tax or got each affected employee's written consent to this refund or credit, if the entry corrects an overcollection, and (e) if the entry corrects social security and Medicare taxes overcollected in an earlier year, that you got from the employee a written statement that he or she has not claimed and will not claim a refund or credit for the amount.

Enter on Form 941c or include in the statement the total social security wages, social security tips, and Medicare wages and tips for all your employees as previously reported and as corrected. However, if you are correcting wage amounts for years prior to 1991 only, you need not show separate entries for Medicare wages and tips. If some or all of your wages are not subject to both social security and Medicare, you must include a statement explaining why all your wages are not subject to the full social security and

Medicare tax. DO NOT file Form 941c separately from Form 941. Form 941c is not an amended return, but is a statement providing necessary background information and certifications supporting the adjustments on lines 4 and/or 9 on Form 941. You can get Form 941c from the IRS or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are adjusting an employee's social security wages, tips, Medicare wages, Medicare tips, or tax withheld for a prior year, you must also file **Form W-2c**, Statement of Corrected Income and Tax Amounts, and **Form W-3c**, Transmittal of Corrected Income and Tax Statements, with the Social Security office where you filed Forms W-2. You can get Forms W-2c and W-3c from the IRS.

Adjustments of tax on tips and group-term life insurance premiums paid for former employees.—If, by the 10th of the month after the month you received an employee's report on tips, you do not have enough employee funds available to withhold the employee's share of social security and Medicare taxes, you no longer have to collect it. Report the entire amount of these tips on lines 6b (social security tips) and 7 (Medicare wages and tips). Include as an adjustment on line 9 the total uncollected employee share of these social security and Medicare taxes.

The employee share of social security and Medicare taxes on group-term life insurance over \$50,000 **for a former employee** is paid by the former employee, and is not collected by the employer. However, include all social security and Medicare taxes for such coverage on lines 6a and 7 (social security and Medicare taxes), and back out the amount of the employee share of these taxes as an adjustment on line 9. Include this adjustment amount on Form W-2 (see Form W-2 instructions).

Adjustment of tax on third-party sick pay.—Deduct on line 9 the social security and Medicare taxes on third-party sick pay for which you are not responsible, and write "Sick pay" in the margin. (See Pub. 952 for details.)

Fraction of cents.—If there is a difference between the total tax on line 8 and the total deducted from your employees' wages or tips plus the employer's contribution, and this difference is caused by adding or dropping fractions of cents in collecting the tax, report the difference on line 9. If this difference is the only entry, write "Fractions only" in the margin.

Line 10—Adjusted total of social security and Medicare taxes.—Add line 9 to line 8 if you are reporting additional taxes for an earlier quarter. Subtract line 9 from line 8 if you are reducing the amount of taxes reported for an earlier quarter.

Line 11—Backup withholding.—Enter the amount withheld as backup withholding.

Line 12—Use line 12 to correct errors in backup withholding tax for earlier quarters of this calendar year. You must attach Form 941c or a statement explaining your adjustment. Follow the same instructions as for income tax withholding adjustments (see line 4 instructions on page 3 for more details).

Line 15—Advance earned income credit (EIC) payments made to employees.—Enter advance EIC payments made

to employees, if any. Your eligible employees may elect to receive part of the EIC as an advance payment. Eligible employees must give you a completed Form W-5 stating that they qualify for the EIC. Once the employee gives you a signed and completed Form W-5, you must make the advance EIC payments. The advance EIC payments made to eligible employees are generally made from withheld income tax and employee and employer social security and Medicare taxes. See **Pub. 937**, Employment Taxes and Information Returns, section 18 of Circular E, and Pub. 596 for more information on advance EIC payments and eligibility requirements.

If the amount of your advance EIC payments exceeds your total taxes (line 14) for the quarter, you may claim a refund of the overpayment or elect to have the credit applied to your return for the following quarter. Provide a statement with your return identifying the amount of excess payment(s) and the pay period(s) in which it was paid. See section 18 of Circular E for more details.

Line 17—Total deposits for quarter.—Enter the total deposits for the quarter, including any overpayment applied from the previous quarter. Do not include deposits for the quarter which have not yet been made.

Line 18—Balance due.—If you deposited all taxes when due, any balance (line 18) will be less than \$500. If the balance due is \$500 or more, you must use an FTD coupon (Form 8109) and make your deposit at an authorized depository. Enter your EIN, "Form 941," and the tax period to which the payment applies on your check or money order.

Line 19—Overpayment.—If you deposited more than the correct amount for a quarter, you can have the overpayment refunded or applied to your next return by checking the appropriate box. The IRS may apply your overpayment to any past due tax account that we have under your EIN.

Line 20—Monthly Summary of Federal Tax Liability.—

Note: *This is a summary of your monthly tax liability, NOT a summary of deposits made. If line 16 is less than \$500, you need not complete line 20 or Schedule B (Form 941).*

Complete line 20 if you are qualified to deposit on a monthly basis (see Circular E, section 13, for more details on the deposit rules). You are a monthly depositor for the calendar year if the amount of employment and withholding tax liability accumulated during the lookback period is not more than \$50,000. The lookback period is defined as the four consecutive quarters ending on June 30 of the prior year. For 1993, the lookback period begins 07/01/91 and ends 06/30/92. If you accumulated more than \$50,000 during the lookback period or accumulated \$100,000 or more on any day during a deposit period, do not complete columns (a) through (d) of line 20. Instead, mark the Schedule B checkbox on line 20 and complete and attach Schedule B (Form 941).

If you were not able to implement the new deposit rules for 1993, you will not be penalized for continuing to use the old deposit rules. If you continue to use the old deposit rules, enter all tax liabilities on Schedule B (Form 941) on the date they were accumulated (regardless of your deposit requirements under the old rules).