Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet.

However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of the form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and publications usually have some additional changes before their final release. Placeholders (for example, $X,XXX) were used for inflation-adjusted dollar amounts that aren't yet available. Early release drafts are posted at IRS.gov/DraftForms and remain there after the final release is posted at IRS.gov/LatestForms. Also see IRS.gov/Forms.

Most forms and publications have a page on IRS.gov: IRS.gov/Form1040 for Form 1040; IRS.gov/Pub501 for Pub. 501; IRS.gov/W4 for Form W-4; and IRS.gov/ScheduleA for Schedule A (Form 1040), for example, and similarly for other forms, publications, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at IRS.gov/FormsComments. Include "NTF" followed by the form or publication number (for example, "NTF1040", "NTFW4", "NTF501", etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each "NTF" message.

If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more information, click here.

TREASURY/IRS AND OMB USE ONLY DRAFT

IRS

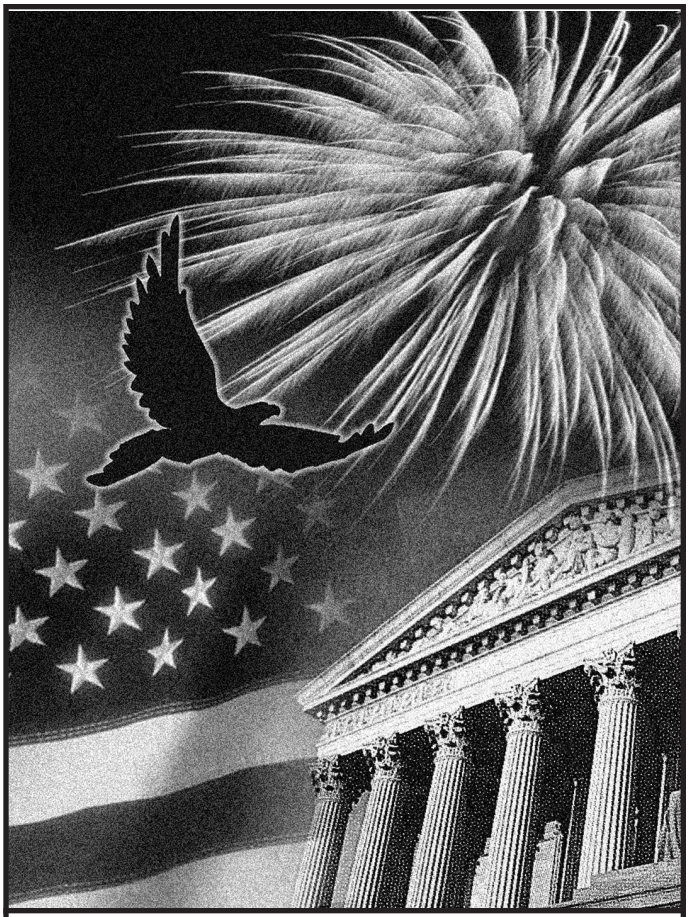
Publication 15

(Circular E), Employer's Tax Guide

For use in **2027**

DRAFT

DRAFT



Get forms and other information faster and easier at:

- *IRS.gov* (English)
- *IRS.gov/Spanish* (Español)
- *IRS.gov/Chinese* (中文)
- *IRS.gov/Korean* (한국어)
- *IRS.gov/Russian* (Русский)
- *IRS.gov/Vietnamese* (Tiếng Việt)

Contents

What's New . . . 1
Reminders . . . 2
Calendar . . . 11
Introduction . . . 12
1. Employer Identification Number (EIN) . . . 13
2. Who Are Employees? . . . 14
3. Family Employees . . . 16
4. Employee's Social Security Number (SSN) . . . 17
5. Wages and Other Compensation . . . 18
6. Tips . . . 22
7. Supplemental Wages . . . 24
8. Payroll Period . . . 25
9. Withholding From Employees' Wages . . . 26
10. Required Notice to Employees About the Earned Income Credit (EIC) . . . 31
11. Depositing Taxes . . . 31
12. Filing Forms 941, Form 943, Form 944, or Form 945 . . . 38
13. Reporting Adjustments to Forms 941, Form 943, or Form 944 . . . 40
14. Federal Unemployment (FUTA) Tax . . . 43
15. Special Rules for Various Types of Services and Payments . . . 45
16. Third-Party Payer Arrangements . . . 53
17. Federal Agency Certifying Requirements of Federal Income Taxes Withheld From U.S. Government Employees Working in, or Federal Pension Recipients Residing in, American Samoa, the CNMI, and Guam . . . 54
How To Get Tax Help . . . 56
Index . . . 59

Future Developments

For the latest information about developments related to Pub. 15, such as legislation enacted after it was published, go to *IRS.gov/Pub15*.

What's New

Social security and Medicare taxes for 2027. The rate of social security tax on taxable wages is 6.2% each for

the employer and employee. The social security wage base limit is $192,300.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2026. There is no wage base limit for Medicare tax.

Social security and Medicare taxes apply to the wages of household workers you pay $3,100 or more in cash wages in 2027. Social security and Medicare taxes apply to election workers who are paid $2,700 or more in cash or an equivalent form of compensation in 2027.

Information reporting threshold increased for certain payments. For payments made after calendar year 2025, P.L. 119-21, commonly known as the One Big Beautiful Bill Act, increased the information reporting (for example, Forms 1099-MISC and Forms 1099-NEC) payment threshold from $600 to $2,000 in a calendar year for certain payments to persons engaged in a trade or business and payments for services. The threshold also increased to $2,000 for wage reporting (Form W-2, Wage and Tax Statement) if no federal income, social security, or Medicare tax was withheld, including for payments to H-2A visa holders. For reportable payments made under section 6041(a) or 6041A(a) that are made in calendar year 2026 and subject to backup withholding, P.L. 119-21 also increased the aggregate reportable payment threshold from $600 to $2,000. The $2,000 threshold for the items discussed above is adjusted for inflation for each calendar year after 2026. For 2027, the threshold for the items discussed above will be $X,XXX. For more information, see the General Instructions for Forms W-2 and W-3 and Pub. 1099, General Instructions for Certain Information Returns.

Trump account contribution programs. P.L. 119-21 allows for a new type of traditional individual retirement account to be established for a child who has not reached age 18 at the end of the year the account is established, known as a Trump account. This account has an annual contribution limit of $5,000 (other than exempt contributions), which will be indexed for inflation after tax year 2027. Beginning July 4, 2026, employers may make a section 128 contribution to the Trump account of an employee or of a dependent of the employee of up to $2,500 a year, which will be indexed for inflation after tax year 2027, toward the $5,000 contribution limit. The annual $2,500 limit applies with respect to each employee, not separately for each dependent. A Trump account contribution program may allow employees to make section 128 contributions through salary reduction under a section 125 cafeteria plan, but only if the contributions are made to the Trump account of an employee's dependent. Section 128 contributions aren't included in the employees' gross income and aren't subject to federal income tax withholding. However, section 128 contributions that exceed the annual exclusion amount ($2,500 per employee for employer contributions and $5,000 limit in total including any employer contribution) can't generally be excluded from income and are treated as taxable wages. All contributions are still subject to both the employer share and employee share of social security tax and Medicare tax (and Railroad Retirement Tax Act (RRTA) taxes, if applicable). All contributions are also subject to Federal Unemployment Tax Act (FUTA) tax. Although employer contributions to Trump accounts were previously discussed in Pub. 15-A, Employer's Supplemental Tax Guide, this topic has been moved to Pub. 15-B, Employer's Tax Guide to Fringe Benefits. For more information about Trump account contribution programs, see Pub. 15-B.

New automatic penalty relief. Beginning July 2026, a new Automatic Exemption from Penalty (AEP) program, which is a systemic administrative relief program that replaces the previously available First Time Abate (FTA) administrative relief program, automatically provides penalty relief for taxpayers with a history of filing and paying on time. Taxpayers qualify if they have a history of timely filing the return and paying any tax due in the 3 prior years (or 12 consecutive quarters for quarterly returns). When taxpayers qualify, penalties are not assessed during processing for:

- Failure to file,
- Failure to pay, or
- Failure to deposit, unless the penalty is due to failure to make deposits by electronic funds transfer (EFT).

Taxpayers don't need to take action to receive this relief. If eligible, the IRS will apply AEP and issue a notice confirming that the relief was granted. Not all returns are eligible for AEP. For example, information returns (for example, Form W-2 and Forms 1099) and returns that are filed only in response to specific transactions or infrequent events (for example, Form 706, U.S. Estate Tax Return, and Form 709 Gift Tax Return) generally aren't eligible. At this time, Form CT-1, Employer's Annual Railroad Retirement Tax Return, filers are eligible for AEP, but the relief can't be granted systemically. Form CT-1 filers must contact the IRS by telephone or in writing to request manual application of AEP.

If you don't qualify for AEP, you can still request penalty relief based on reasonable cause.

Erroneous claim for refund or credit penalty. P.L. 119-21 expanded the section 6676 penalty to apply to employment tax refund or credit claims after July 4, 2025. If you file a claim for refund or credit of employment taxes for more than the amount you're entitled to, you may owe a penalty equal to 20% of the amount by which your claim exceeds the amount allowed, unless you can show that the excessive claim was due to reasonable cause.

Reminders

References applicable to other forms. Unless otherwise noted, references throughout this publication to Form W-2 include Forms W-2AS, W-2CM, W-2GU, W-2VI, and Form 499R-2/W-2PR; references to Form W-2c include Form 499R-2c/W-2cPR; references to Form W-3, Transmittal of Wage and Tax Statements, include Form W-3SS and Form W-3 (PR); and references to Form W-3c include Form W-3C (PR).

Permanent extension of individual tax rates. P.L. 119-21 permanently extends the individual income tax rates enacted by the Tax Cuts and Jobs Act (P.L. 115-97).

DRAFT
DRAFT

Employers will continue to use Pub. 15-T, Federal Income Tax Withholding Methods, to figure federal income tax withholding.

Withholding on supplemental wages. The withholding rate on supplemental wages remains 22% (37% if supplemental wages paid to an employee during the calendar year exceed $1 million) because P.L. 119-21 permanently extended the individual tax rates enacted in P.L. 115-97. See section 7 for more information about supplemental wages.

Backup withholding. The backup withholding rate remains 24% because P.L. 119-21 permanently extended the individual tax rates enacted in P.L. 115-97. For more information on backup withholding, see *Backup withholding*, later.

Withholding on qualified tips. For tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows employees and self-employed individuals to deduct up to $25,000 of qualified tips received in occupations that customarily and regularly received tips on or before December 31, 2024, on their income tax returns. Qualified tips are cash tips, which include voluntary cash or charged tips received from customers or, in the case of employees, through tip-sharing arrangements. Mandatory service charges added to the bill are not qualified tips. Employers must use an employee's updated Form W-4, Employee's Withholding Certificate, if one is submitted by the employee, and the federal income tax withholding procedures in Pub. 15-T to allow the employee to account for their expected deduction and receive more money in each paycheck instead of waiting until filing their income tax return to receive the full benefit of this deduction. Tips are still generally subject to both the employer share and employee share of social security tax and Medicare tax if the tips received are $20 or more per month.

Employers and other payers must file information returns (for example, Forms W-2, 1099-MISC, and 1099-NEC) with the Social Security Administration (SSA) or IRS, as applicable, and furnish statements to tip recipients showing cash tips received and the Treasury Tipped Occupation Code(s) of the tip recipient.

Withholding on qualified overtime compensation. For tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows individuals (employees and other workers not treated as employees) to deduct up to $12,500 ($25,000 if married filing jointly) of qualified overtime compensation from their income subject to federal income tax on their income tax returns. Qualified overtime is compensation that exceeds the regular rate of pay (such as the "half" portion of time-and-a-half compensation) that is required to be paid to an individual under section 7 of the Fair Labor Standards Act (FLSA) of 1938. The FLSA provides that employers must generally pay covered, nonexempt employees at least one-and-a-half times their regular rate of pay for hours worked over 40 hours per week. However, there are some exemptions. For example, agricultural employees, as defined by the FLSA, are generally exempt from the overtime requirements of the FLSA. Therefore, farmworkers usually don't qualify for the deduction for qualified overtime compensation, even when the employer chooses to pay overtime compensation. For more information about overtime compensation, go to *dol.gov/agencies/whd/overtime*. For more information about agricultural employment under the FLSA, go to *dol.gov/agencies/whd/fact-sheets/12-agricultural-employment-flsa*. Go to *IRS.gov/OTfaqs* for frequently asked questions about the deduction for qualified overtime compensation.

Employers must use an employee's updated Form W-4, if one is submitted by the employee, and the federal income tax withholding procedures in Pub. 15-T to allow the employee to account for their expected deduction and receive more money in each paycheck instead of waiting until filing their income tax return to receive the full benefit of this deduction. Overtime compensation is still generally subject to both the employer share and employee share of social security tax and Medicare tax.

Employers and other payers must file information returns (for example, Forms W-2, 1099-MISC, and 1099-NEC) with the SSA or IRS, as applicable, and furnish statements to overtime recipients showing qualified overtime compensation paid during the year.

Moving expense reimbursement. P.L. 119-21 permanently eliminates the exclusion for qualified moving expense reimbursements from your employee's income. However, the exclusion is available in the case of a member of the U.S. Armed Forces on active duty who moves because of a permanent change of station due to a military order. The exclusion applies only to reimbursement of moving expenses that the member could deduct if they had paid or incurred them without reimbursement. See *Moving Expenses* in Pub. 3, Armed Forces' Tax Guide, for the definition of what constitutes a permanent change of station and to learn which moving expenses are deductible.

P.L. 119-21 also makes the exclusion available to an employee or new appointee of the intelligence community (as defined in section 3 of the National Security Act of 1947 (50 U.S.C. 3003)) (other than a member of the Armed Forces of the United States) who moves pursuant to a change in assignment which requires relocation. The exclusion applies only to reimbursement of moving expenses that an intelligence community employee or appointee could deduct if they had paid or incurred them without reimbursement.

Direct deposit of employment tax refunds is available. Executive Order (EO) 14247, Modernizing Payments To and From America's Bank Account, directs the Department of the Treasury and the IRS to transition federal disbursements, including tax refunds, to electronic payments. Accordingly, the IRS will issue employment tax return refunds by direct deposit when you provide valid direct deposit information. Direct deposit is a fast, simple, safe, and secure way to have your refund deposited automatically to your checking or savings account. If you don't provide direct deposit information or can't receive an electronic payment, your refund may be delayed while the IRS requests additional information or considers an available alternative payment method or exception. Instead of a direct deposit refund, you can still choose to have your overpayment applied to your next return by checking the appropriate

DRAFT
DRAFT

box on your employment tax return. For more information, see the instructions for your employment tax return and go to *IRS.gov/ModernPayments*.

Make balance due payments electronically. EO 14247 requires electronic payments for all payments made to the federal government, unless an exception applies. Therefore, pay your balance due on your employment tax return electronically. There are several easy, safe, and secure ways to pay your balance due electronically. For more information, see the instructions for your employment tax return and go to *IRS.gov/ModernPayments*.

Employment tax return transcripts are available electronically. You can access Form 940, Form 941, Form 943, Form 944, and Form 945 return transcripts for tax years 2023 and later using your IRS business tax account. For more information, go to *IRS.gov/BusinessTranscript*. To access your IRS business tax account, go to *IRS.gov/BusinessAccount*.

Electronic filing of amended employment tax returns. You can file an amended Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund; Form 943-X, Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund; and Form 945-X, Adjusted Annual Return of Withheld Income Tax or Claim for Refund, electronically using Modernized *e-File* (MeF). At this time, MeF can't be used to file Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund; or Form CT-1 X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund. For more information on electronic filing, go to *IRS.gov/EmploymentEfile*.

Form 941 (sp), Form 943 (sp), and Form 944 (sp). If you prefer your form and instructions in Spanish, you can file Form 941 (sp), Form 943 (sp), or Form 944 (sp).

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

Starting in the first quarter of 2023, the payroll tax credit is first used to reduce the employer share of social security tax up to $250,000 per quarter and any remaining credit reduces the employer share of Medicare tax for the quarter. Any remaining credit, after reducing the employer share of social security tax and the employer share of Medicare tax, is then carried forward to the next quarter. Form 8974 is used to determine the amount of the credit that can be used in the current quarter. The amount from Form 8974, line 12 or, if applicable, line 17, is reported on Form 941, Form 943, or Form 944. For more information about the payroll tax credit, go to *IRS.gov/ResearchPayrollTC*. Also see the line 16 instructions in the Instructions for Form 941 (line 17 instructions in the Instructions for Form 943, or line 13 instructions in the Instructions for Form 944) for information on reducing your record of tax liability for this credit.

Disaster tax relief. Disaster tax relief is available for those impacted by disasters. For more information about disaster tax relief, go to *IRS.gov/DisasterTaxRelief*.

2027 withholding tables. The Percentage Method and Wage Bracket Method withholding tables, the employer instructions on how to figure employee withholding, and the amount to add to a nonresident alien employee's wages for figuring federal income tax withholding are included in Pub. 15-T, available at *IRS.gov/Pub15T*.

Certification program for professional employer organizations (PEOs). The Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act of 2014 required the IRS to establish a voluntary certification program for PEOs. PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, certified professional employer organizations (CPEOs) must meet various requirements described in sections 3511 and 7705 and related published guidance. Certification as a CPEO may affect the employment tax liabilities of both the CPEO and its customers. A CPEO is generally treated for employment tax purposes as the employer of any individual who performs services for a customer of the CPEO and is covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO. To become a CPEO, the organization must apply through the IRS Online Registration System. For more information or to apply to become a CPEO, go to *IRS.gov/CPEO*. Also see Revenue Procedure 2023-18, 2023-13 I.R.B. 605, available at *IRS.gov/irb/2023-13_IRB#REV-PROC-2023-18*.

Outsourcing payroll duties. Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. Before you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and federal income taxes) to a third-party payer, such as a payroll service provider or reporting agent, go to *IRS.gov/OutsourcingPayrollDuties* for helpful information on this topic. If a CPEO pays wages and other compensation to an individual performing services for you, and the services are covered by a CPEO contract, then the CPEO is generally treated as the employer, but only for wages and other compensation paid to the individual by the CPEO. However, with respect to certain employees covered by a CPEO contract, you may also be treated as an employer

DRAFT
DRAFT

of the employees and, consequently, may also be liable for federal employment taxes imposed on wages and other compensation paid by the CPEO to such employees. For more information on the different types of third-party payer arrangements, see section 16.

Aggregate Form 941 or Form 943 filers. Approved section 3504 agents and CPEOs must complete Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers; or Schedule R (Form 943), Allocation Schedule for Aggregate Form 943 Filers, as applicable, when filing an aggregate Form 941 or Form 943. An aggregate quarterly Form 941 or annual Form 943 is filed by an agent approved by the IRS under section 3504 of the Internal Revenue Code. To request approval to act as an agent for an employer, the agent files Form 2678 with the IRS unless you're a state or local government agency acting as an agent under the special procedures provided in Revenue Procedure 2013-39, 2013-52 I.R.B. 830, available at *IRS.gov/irb/2013-52_IRB#RP-2013-39*. An aggregate quarterly Form 941 or annual Form 943 is also filed by CPEOs approved by the IRS under section 7705. To become a CPEO, the organization must apply through the IRS Online Registration System at *IRS.gov/CPEO*. CPEOs file Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement, to notify the IRS that they've started or ended a service contract with a client or customer. CPEOs must generally file Form 941 or Form 943 and the applicable Schedule R electronically. For more information about a CPEO's requirement to file electronically, see *Revenue Procedure 2023-18*.

Other third-party payers that file an aggregate quarterly Form 941 or annual Form 943, such as non-certified PEOs, must complete and file the applicable Schedule R if they have clients that are claiming any employment tax credit (for example, the qualified small business payroll tax credit for increasing research activities).

Aggregate Form 940 filers. Approved section 3504 agents and CPEOs must complete Schedule R (Form 940), Allocation Schedule for Aggregate Form 940 Filers, when filing an aggregate Form 940. Aggregate Forms 940 can be filed by agents acting on behalf of home care service recipients who receive home care services through a program administered by a federal, state, or local government. To request approval to act as an agent on behalf of home care service recipients, the agent files Form 2678 with the IRS unless you're a state or local government agency acting as an agent under the special procedures provided in *Revenue Procedure 2013-39*. Aggregate Forms 940 are also filed by CPEOs approved by the IRS under section 7705. CPEOs file Form 8973 to notify the IRS that they've started or ended a service contract with a client or customer. CPEOs must generally file Form 940 and Schedule R (Form 940) electronically. For more information about a CPEO's requirement to file electronically, see *Revenue Procedure 2023-18*.

Medicaid waiver payments. Notice 2014-7 provides that certain Medicaid waiver payments are excludable from income for federal income tax purposes. See Notice 2014-7, 2014-4 I.R.B. 445, available at *IRS.gov/irb/2014-04_IRB#NOT-2014-7*. For more information, including questions and answers related to Notice 2014-7, go to *IRS.gov/MedicaidWaiverPayments*.

No federal income tax withholding on disability payments for injuries incurred as a direct result of a terrorist attack directed against the United States. Disability payments for injuries incurred as a direct result of a terrorist attack directed against the United States (or its allies) aren't included in income. Because federal income tax withholding is only required when a payment is includible in income, no federal income tax should be withheld from these payments. See Pub. 907, Tax Highlights for Persons With Disabilities; and Pub. 3920, Tax Relief for Victims of Terrorist Attacks.

Voluntary withholding on dividends and other distributions by an Alaska Native Corporation (ANC). A shareholder of an ANC may request voluntary federal income tax withholding on dividends and other distributions paid by an ANC. A shareholder may request voluntary withholding by giving the ANC a completed Form W-4V. For more information, see Notice 2013-77, 2013-50 I.R.B. 632, available at *IRS.gov/irb/2013-50_IRB#NOT-2013-77*.

Definition of marriage. A marriage of two individuals is recognized for federal tax purposes if the marriage is recognized by the state or territory of the United States in which the marriage is entered into, regardless of legal residence. Two individuals who enter into a relationship that is denominated as marriage under the laws of a foreign jurisdiction or an American Indian tribe are recognized as married for federal tax purposes if the relationship would be recognized as marriage under the laws of at least one state or territory of the United States, regardless of legal residence. Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that isn't denominated as a marriage under the law of the state or territory of the United States where such relationship was entered into aren't lawfully married for federal tax purposes, regardless of legal residence.

Differential wage payments. Qualified differential wage payments made by employers to individuals serving in the U.S. Armed Forces are subject to federal income tax withholding but not social security, Medicare, or FUTA tax. See section 5 for more information.

Severance payments. Severance payments are wages subject to social security and Medicare taxes, federal income tax withholding, and FUTA tax.

You must receive written notice from the IRS to file Form 944. If you've been filing quarterly Forms 941 and believe your employment taxes for the calendar year will be $1,000 or less, and you would like to file an annual Form 944 instead of quarterly Forms 941, you must contact the IRS during the first calendar quarter of the tax year to request to file Form 944. You must receive written notice from the IRS to file Form 944 instead of quarterly Forms 941 before you may file this form. For more information on requesting to file Form 944, including the methods and deadlines for making a request, see the Instructions for Form 944.

Employers can request to file quarterly Forms 941 instead of an annual Form 944. If you received notice from the IRS to file Form 944 but would like to file quarterly

DRAFT
DRAFT

Forms 941 instead, you must contact the IRS during the first calendar quarter of the tax year to request to file quarterly Forms 941. You must receive written notice from the IRS to file quarterly Forms 941 instead of Form 944 before you may file these forms. For more information on requesting to file quarterly Forms 941, including the methods and deadlines for making a request, see the Instructions for Form 944.

Correcting Form 941, Form 943, or Form 944. If you discover an error on a previously filed Form 941, make the correction using Form 941-X. If you discover an error on a previously filed Form 943, make the correction using Form 943-X. If you discover an error on a previously filed Form 944, make the correction using Form 944-X. Form 941-X, Form 943-X, and Form 944-X are filed separately from Form 941, Form 943, and Form 944. Form 941-X, Form 943-X, and Form 944-X are used by employers to claim refunds or abatements of employment taxes, rather than Form 843. See section 13 for more information.

Zero wage return. If you haven't filed a "final" Form 940 and "final" Form 941, Form 943, or Form 944, or aren't a "seasonal" employer (Form 941 only), you must continue to file a Form 940 and Forms 941, Form 943, or Form 944, even for periods during which you paid no wages. The IRS encourages you to file your "zero wage" Form 940 and Forms 941, Form 943, or Form 944 electronically. Go to *IRS.gov/EmploymentEfile* for more information on electronic filing.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax deposits. An EFT can be made using the Electronic Federal Tax Payment System (EFTPS), IRS Direct Pay, or your IRS business tax account. If you don't want to use one of these methods, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made using IRS Direct Pay or through your IRS business tax account are also free. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

For more information on making federal tax deposits, see *How To Deposit* in section 11. For more information about IRS Direct Pay, go to *IRS.gov/DirectPay*. For more information about making a payment through your IRS business tax account, go to *IRS.gov/BusinessAccount*. To get more information about EFTPS or to enroll in EFTPS, go to *EFTPS.gov* or call 800-555-4477, 800-244-4829 (Spanish), or 303-967-5916 (not toll free). To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

Residents of the Philippines working in the Commonwealth of the Northern Mariana Islands (CNMI). Employers must withhold and pay social security and Medicare taxes on wages and other compensation paid to residents of the Philippines who don't hold an H-2 status for services performed as employees in the CNMI unless those workers are eligible for exemption from social security and Medicare taxes under an exception listed in section 15. For more information, see Announcement 2012-43, 2012-51 I.R.B. 723, available at *IRS.gov/irb/2012-51_IRB#ANN-2012-43*.

Federal employers in the CNMI. The U.S. Treasury Department and the CNMI Division of Revenue and Taxation entered into an agreement under 5 U.S.C. section 5517 in December 2006. Under this agreement, all federal employers (including the Department of Defense) are required to withhold CNMI income taxes (rather than federal income taxes) and deposit the CNMI taxes with the CNMI Treasury for employees who are subject to CNMI taxes and whose regular place of federal employment is in the CNMI. For more information, including details on completing Form W-2, go to *IRS.gov/5517Agreements*. Federal employers are also required to file quarterly and annual reports with the CNMI Division of Revenue and Taxation. For questions, contact the CNMI Division of Revenue and Taxation.

Pub. 5146 explains employment tax examinations and appeal rights. Pub. 5146 provides employers with information on how the IRS selects employment tax returns to be examined, what happens during an exam, and what options an employer has in responding to the results of an exam, including how to appeal the results. Pub. 5146 also includes information on worker classification issues and tip exams.

Electronic Filing and Payment

Businesses can enjoy the benefits of filing and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, the IRS offers you convenient and secure programs to make filing and payment easier.

Spend less time worrying about taxes and more time running your business. Use *e-file* and electronic payment options to your benefit.

- For *e-file*, go to *IRS.gov/EmploymentEfile* for additional information. A fee may be charged to file electronically.
- For electronic payment options, go to *IRS.gov/Pay*.
- For electronic filing of Forms W-2, including Forms W-2AS, W-2CM, W-2GU, and W-2VI, and Forms 499R-2/W-2PR, go to *SSA.gov/employer*. You may be required to file Forms W-2 electronically. For details, see the General Instructions for Forms W-2 and W-3. If you experience problems filing electronically, contact the SSA at 800-772-6270. To speak with the SSA's Regional Employer Services Liaison Officer, go to the SSA's Regional Employer Services Liaison Officers website at *SSA.gov/employer/wage_reporting_specialists.htm*. The Regional Employer Services Liaison Officers are available to provide assistance with all questions

DRAFT
DRAFT

about the SSA's payroll reporting processes and applications. Employers in the CNMI should contact their local tax department for instructions on completing Form W-2CM. You can get Form W-2CM and its instructions by going to *Finance.gov.mp/forms.php*, or by calling 670-664-1000. The SSA's Business Services Online (BSO) is an independent program from the Government of Puerto Rico electronic filing system. Employers in Puerto Rico must go to *Hacienda.pr.gov* for additional information.

Caution: If you're filing your tax return or paying your federal taxes electronically, a valid employer identification number (EIN) is required at the time the return is filed or the payment is made. If a valid EIN isn't provided, the return or payment won't be processed. This may result in penalties. See section 1 for information about applying for an EIN.

Electronic funds withdrawal (EFW). If you file your employment tax return electronically, you can *e-file* and use EFW to pay the balance due in a single step using tax preparation software or through a tax professional. However, don't use EFW to make federal tax deposits. For more information on paying your taxes using EFW, go to *IRS.gov/EFW*.

Credit or debit card payments. You can pay the balance due shown on your employment tax return by credit or debit card. Your payment will be processed by a payment processor who will charge a processing fee. Don't use a credit or debit card to make federal tax deposits. For more information on paying your taxes with a credit or debit card, go to *IRS.gov/PayByCard*.

Forms in Spanish

Many forms and instructions discussed in this publication have Spanish-language versions available for employers and employees. Some examples include Form 941 (sp), Form 944 (sp), Form SS-4 (sp), Form W-4 (sp), and Form W-9 (sp). Although this publication doesn't reference Spanish-language forms and instructions in each instance that one is available, you can see Pub. 15 (sp) and go to *IRS.gov/SpanishForms* to determine if a Spanish-language version is available.

Hiring New Employees

Eligibility for employment. You must verify that each new employee is legally eligible to work in the United States, including American Samoa, Guam, the CNMI, the U.S. Virgin Islands (USVI), and Puerto Rico. This includes completing the U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification. You can get Form I-9 at *USCIS.gov/Forms*. For more information, go to *USCIS.gov/I-9-Central* or call 888-464-4218, 571-293-7538 (international caller; not toll free), or 877-875-6028 (TTY).

You may use the Social Security Number Verification Service (SSNVS) at *SSA.gov/employer/ssnv.htm* to verify that an employee name matches a social security number (SSN). A person may have a valid SSN but not be authorized to work in the United States. You may use E-Verify at *E-Verify.gov* to confirm the employment eligibility of newly hired employees.

New hire reporting. All 50 states, and most of the territories, have a new hire registry. You're required to report any new employee to a designated state new hire registry. A new employee is an employee who hasn't previously been employed by you or was previously employed by you but has been separated from such prior employment for at least 60 consecutive days.

Many states accept a copy of Form W-4 with employer information added. Go to the Office of Child Support Enforcement website at *acf.gov/css/employers* for more information. Employers in American Samoa, Guam, the CNMI, the USVI, and Puerto Rico should contact their local government for information on their new hire registry.

W-4 request. Ask each new employee to complete the 2027 Form W-4. See section 9.

Name and SSN. Record each new employee's name and SSN from their social security card if it is available. If an employee can't provide their social security card, you should verify their SSN and their eligibility for employment as discussed under *Verification of SSNs* in section 4. Any employee without a social security card should apply for one. See section 4.

Information Returns

You must file Forms W-2 to report wages paid to employees. You may also be required to file information returns to report certain types of payments made during the year. For example, you must file Form 1099-NEC, Nonemployee Compensation, to report payments of $2,000 or more made in 2026 ($X,XXX or more for payments made in 2027) to persons not treated as employees (for example, independent contractors) for services performed for your trade or business. For details about filing Forms 1099 for payments made in 2026 and for information about required electronic filing, see Pub. 1099 and the separate, specific instructions for each information return you file (for example, the Instructions for Forms 1099-MISC and 1099-NEC). Generally, don't use Forms 1099 to report wages and other compensation you paid to employees; report these on Form W-2. See the General Instructions for Forms W-2 and W-3 for details about filing Form W-2 and for information about required electronic filing.

Technical Services Operation (TSO). The IRS operates the TSO to answer questions about reporting on Forms W-2, W-3, and 1099, and other information returns. If you have questions related to reporting on information returns, call 866-455-7438 (toll free), 304-263-8700 (not toll free), or 304-579-4827 (TDD). The center can also be reached by email at *mccirp@irs.gov*. Don't include taxpayer identification numbers (TINs) or attachments in email because email isn't secure.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Employer Responsibilities

The following list provides a brief summary of your basic responsibilities. Because the individual circumstances for each employer can vary greatly, responsibilities for withholding, depositing, and reporting employment taxes can differ. Each item in this list has a page reference to a more detailed discussion in this publication.

New employees: — **Page**

- ☐ Verify work eligibility of new employees 7
- ☐ Record employees' names and SSNs from social security cards 7
- ☐ Ask employees for Form W-4 7

Each payday:

- ☐ Withhold federal income tax based on each employee's Form W-4 26
- ☐ Withhold employee's share of social security and Medicare taxes 29
- ☐ Deposit:
  - Withheld federal income tax,
  - Withheld and employer social security taxes, and
  - Withheld and employer Medicare taxes 31

  Note: Due date of deposit generally depends on your deposit schedule (monthly or semiweekly).

Quarterly (by April 30, July 31, October 31, and January 31):

- ☐ Deposit FUTA tax if undeposited amount is over $500 44
- ☐ File Form 941 (pay tax with return if not required to deposit) 38

Annually (see *Calendar* for due dates): — **Page**

- ☐ File Form 943 if required (pay tax with return if not required to deposit) 38
- ☐ File Form 944 if required (pay tax with return if not required to deposit) 38
- ☐ Remind employees to submit a new Form W-4 if they need to change their federal income tax withholding 26
- ☐ Ask for a new Form W-4 from employees claiming exemption from federal income tax withholding 27
- ☐ Reconcile Forms 941 (or Form 943 or Form 944) with Forms W-2 and W-3 40
- ☐ Furnish each employee a Form W-2 11
- ☐ File Copy A of Forms W-2 and the transmittal Form W-3 with the SSA 11
- ☐ Furnish each payee a Form 1099 (for example, Form 1099-NEC) 11
- ☐ File Forms 1099 and the transmittal Form 1096 11
- ☐ File Form 940 11
- ☐ File Form 945 for any nonpayroll income tax withholding 11

DRAFT
DRAFT

Federal Income Tax Withholding

Caution: References to federal income tax withholding don't apply to employers in American Samoa, Guam, the CNMI, the USVI, and Puerto Rico, unless you have employees who are subject to U.S. income tax withholding. Contact your local tax department for information about income tax withholding.

Withhold federal income tax from each wage payment or supplemental unemployment compensation plan benefit payment according to the employee's Form W-4 and the correct withholding table in Pub. 15-T. Farm operators and crew leaders must withhold federal income tax from the wages of farmworkers if the wages are subject to social security and Medicare taxes. If you're paying supplemental wages to an employee, see section 7. If you have nonresident alien employees, see *Withholding federal income taxes on the wages of nonresident alien employees* in section 9.

See section 8 of Pub. 15-A for information about withholding on pensions (including distributions from tax-favored retirement plans), annuities, and individual retirement arrangements (IRAs).

Nonpayroll Federal Income Tax Withholding

Nonpayroll federal income tax withholding (reported on Forms 1099 and Form W-2G, Certain Gambling Winnings) must be reported on Form 945, Annual Return of Withheld Federal Income Tax. Separate deposits are required for payroll (Form 941, Form 943, or Form 944) and nonpayroll (Form 945) withholding. Nonpayroll items include the following.

- Pensions (including distributions from tax-favored retirement plans, for example, section 401(k), section 403(b), and governmental section 457(b) plans), annuities, and IRA distributions.
- Military retirement.
- Gambling winnings.
- Indian gaming profits.
- Certain government payments on which the recipient elected voluntary federal income tax withholding.
- Dividends and other distributions by an ANC on which the recipient elected voluntary federal income tax withholding.

- Payments subject to backup withholding.

For details on depositing and reporting nonpayroll federal income tax withholding, see the Instructions for Form 945.

Distributions from nonqualified pension plans and deferred compensation plans. Because distributions to participants from some nonqualified pension plans and deferred compensation plans (including section 457(b) plans of tax-exempt organizations) are treated as wages and are reported on Form W-2, federal income tax withheld must be reported on Form 941, Form 943, or Form 944, not on Form 945. However, distributions from such plans to a beneficiary or estate of a deceased employee aren't wages and are reported on Forms 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.; federal income tax withheld must be reported on Form 945.

Backup withholding. You must generally withhold 24% of certain taxable payments if the payee fails to furnish you with their correct TIN. This withholding is referred to as "backup withholding."

Payments subject to backup withholding include interest, dividends, patronage dividends, rents, royalties, commissions, nonemployee compensation, payments made in settlement of payment card or third-party network transactions, and certain other payments you make in the course of your trade or business. In addition, transactions by brokers and barter exchanges and certain payments made by fishing boat operators are subject to backup withholding.

You can use Form W-9 to request payees to furnish their TINs. Form W-9 must be used when payees must certify that the number furnished is correct, or when payees must certify that they're not subject to backup withholding or are exempt from backup withholding. The Instructions for the Requester of Form W-9 include a list of types of payees who are exempt from backup withholding. For more information, see Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s).

Caution: Backup withholding doesn't apply to wages, pensions, annuities, IRAs (including simplified employee pension (SEP) and SIMPLE retirement plans), section 404(k) distributions from an employee stock ownership plan (ESOP), medical savings accounts (MSAs), health savings accounts (HSAs), long-term-care benefits, or real estate transactions.

Recordkeeping

Keep all records of employment taxes for at least 4 years. These should be available for IRS review. Your records should include the following information.

- Your EIN.
- Amounts and dates of all wage, annuity, and pension payments.
- Amounts of tips reported to you by your employees.
- Records of allocated tips.
- The fair market value (FMV) of in-kind wages paid.
- Names, addresses, SSNs, and occupations of employees and recipients.
- Any employee copies of Forms W-2 and W-2c returned to you as undeliverable.
- Dates of employment for each employee.
- Periods for which employees and recipients were paid while absent due to sickness or injury and the amount and weekly rate of payments you or third-party payers made to them.
- Copies of employees' and recipients' federal income tax withholding certificates (Forms W-4, W-4P, W-4R, W-4S, and W-4V).
- Dates and amounts of tax deposits you made and acknowledgment numbers for deposits made by EFTPS.
- Copies of returns filed and confirmation numbers.
- Records of fringe benefits and expense reimbursements provided to your employees, including substantiation.
- Documentation to substantiate any credits claimed. Records related to qualified sick leave wages and qualified family leave wages for leave taken after March 31, 2021, and before October 1, 2021, should be kept for at least 6 years. For more information on substantiation requirements, go to *IRS.gov/PLC*. Records related to qualified wages for the COVID-19 related employee retention credit paid after June 30, 2021, should be kept for at least 7 years. For more information on substantiation requirements, go to *IRS.gov/ERC*.

If a crew leader furnished you with farmworkers, you must keep a record of the name, permanent mailing address, and EIN of the crew leader. If the crew leader has no permanent mailing address, record their present address.

Change of Business Name

Notify the IRS immediately if you change your business name. Write to the IRS office where you file your returns, using the *Without a payment* address provided in the instructions for your employment tax return, to notify the IRS of any business name change. See Pub. 1635 to see if you need to apply for a new EIN.

Change of Business Address or Responsible Party

Notify the IRS immediately if you change your business address or responsible party. Complete and mail Form 8822-B to notify the IRS of a business address or

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

responsible party change. For a definition of "responsible party," see the Instructions for Form SS-4.

Filing Addresses

Generally, your filing address for Form 940, Form 941, Form 943, Form 944, Form 945, or Form CT-1 depends on the location of your residence or principal place of business and whether or not you're including a payment with your return. There are separate filing addresses for these returns if you're a tax-exempt organization or government entity. See the separate instructions for Form 940, Form 941, Form 943, Form 944, Form 945, or Form CT-1 for the filing addresses. Filing addresses are also available at *IRS.gov/FilingAddresses*.

Private Delivery Services (PDSs)

You can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing" rule for tax returns. Go to *IRS.gov/PDS* for the current list of PDSs.

The PDS can tell you how to get written proof of the mailing date.

For the IRS mailing address to use if you're using a PDS, go to *IRS.gov/PDSStreetAddresses*. Select the mailing address listed on the webpage that is in the same state as the address to which you would mail returns filed without a payment, as shown in the instructions for your employment tax return.

PDSs can't deliver items to P.O. boxes. You must use the U.S. Postal Service (USPS) to mail any item to an IRS P.O. box address.

Dishonored Payments

Any form of payment that is dishonored and returned from a financial institution is subject to a penalty. The penalty is $25 or 2% of the payment, whichever is more. However, the penalty on dishonored payments of $24.99 or less is an amount equal to the payment. For example, a dishonored payment of $18 is charged a penalty of $18.

E-News for Payroll Professionals

The IRS has a subscription-based email service for payroll professionals. Subscribers will receive periodic updates from the IRS. The updates may include information regarding recent legislative changes affecting federal payroll reporting, IRS news releases and special announcements pertaining to the payroll industry, new employment tax procedures, and other information specifically affecting federal payroll tax returns. To subscribe, go to *IRS.gov/Newsroom/E-News-Subscriptions*.

Telephone Help

Tax questions. You can call the IRS Business and Specialty Tax Line with your employment tax questions at 800-829-4933.

Help for people with disabilities. Call 800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability) with any employment tax questions. You may also use this number for assistance with unresolved tax problems.

Additional information. Go to *IRS.gov/EmploymentTaxes* for additional employment tax information. For general tax information relevant to agricultural employers, go to *IRS.gov/AgricultureTaxCenter*. For information about employer responsibilities under the Affordable Care Act, go to *IRS.gov/ACA*.

Ordering Employer Tax Forms, Instructions, and Publications

You can view, download, or print most of the forms, instructions, and publications you may need at *IRS.gov/Forms*. Otherwise, you can go to *IRS.gov/OrderForms* to place an order and have them mailed to you. The IRS will process your order as soon as possible. Don't resubmit requests you've already sent us. You can get forms, instructions, and publications faster online.

Instead of ordering paper Forms W-2 and W-3, consider filing them electronically using the SSA's free *e-file* service. Go to the SSA's Employer W-2 Filing Instructions & Information webpage at *SSA.gov/employer* to learn more about BSO. You'll be able to create Forms W-2 online and submit them to the SSA by typing your wage information into easy-to-use fill-in fields. In addition, you can print out completed copies of Forms W-2 to file with state or local governments, distribute to your employees, and keep for your records. Form W-3 will be created for you based on your Forms W-2.

The SSA's BSO is an independent program from the Government of Puerto Rico electronic filing system. Employers in Puerto Rico must go to *Hacienda.pr.gov* for additional information.

Photographs of Missing Children

The IRS is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Calendar

The following is a list of important dates and responsibilities. The dates listed here haven't been adjusted for Saturdays, Sundays, and legal holidays. Pub. 509, Tax Calendars (for use in 2027), adjusts the dates for Saturdays, Sundays, and legal holidays. See section 11 for information about depositing taxes reported on Form 941, Form 943, Form 944, and Form 945. See section 14 for information about depositing FUTA tax. Due dates for forms required for health coverage reporting aren't listed here. For these dates, see Pub. 509.

If any date shown next for filing a return, furnishing a form, or depositing taxes falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. The term "legal holiday" means any legal holiday in the District of Columbia. A statewide legal holiday delays a filing due date only if the IRS office where you're required to file is located in that state. However, a statewide legal holiday doesn't delay the due date of federal tax deposits. See *Deposits Due on Business Days Only* in section 11. For any filing due date, you'll meet the "file" or "furnish" requirement if the envelope containing the return or form is properly addressed, contains sufficient postage, and is postmarked by the USPS on or before the due date, or sent by an IRS-designated PDS on or before the due date. See *Private Delivery Services (PDSs)* under *Reminders*, earlier, for more information.

Fiscal-year taxpayers. The due dates listed next apply whether you use a calendar or a fiscal year.

By January 31

File Form 941 or Form 944. File Form 941 for the fourth quarter of the previous calendar year and deposit any undeposited income, social security, and Medicare taxes. You may pay these taxes with Form 941 if your total tax liability for the quarter (Form 941, line 12) is less than $2,500. File Form 944 for the previous calendar year instead of Form 941 if the IRS has notified you in writing to file Form 944. Pay any undeposited income, social security, and Medicare taxes with your Form 944. You may pay these taxes with Form 944 if your total tax liability for the year (Form 944, line 9) is less than $2,500. For additional rules on when you can pay your taxes with your return, see *Payment with return* in section 11. If you timely deposited all taxes when due, you may file by February 10.

File Form 943. Agricultural employers file Form 943 for the previous calendar year and deposit any undeposited income, social security, and Medicare taxes. You may pay these taxes with Form 943 if your total tax liability for the year (Form 943, line 13) is less than $2,500. If you timely deposited all taxes when due, you may file by February 10.

File Form 945. File Form 945 to report any nonpayroll federal income tax withheld. If you deposited all taxes when due, you may file by February 10. See *Nonpayroll Federal Income Tax Withholding* under *Reminders*, earlier, for more information.

File Form 940. File Form 940 to report any FUTA tax. However, if you deposited all of the FUTA tax when due, you may file by February 10. See section 14 for more information on FUTA tax.

Furnish Forms 1099 and W-2. Furnish each employee a completed 2026 Form W-2. Furnish a 2026 Form 1099-NEC to payees for nonemployee compensation. Most Forms 1099 must be furnished to payees by January 31, but some can be furnished by February 15. For more information, see the Guide to Information Returns chart in Pub. 1099.

File Form W-2. File with the SSA Copy A of all 2026 paper and electronic Forms W-2 with Form W-3. Forms W-2AS, W-2CM, W-2GU, and W-2VI are filed with Form W-3SS. Forms 499R-2/W-2PR are filed with Form W-3 (PR). For more information on reporting Form W-2 information to the SSA electronically, go to the SSA's Employer W-2 Filing Instructions & Information webpage at *SSA.gov/employer*. If filing electronically, via the SSA's Form W-2 Online service, the SSA will generate Form W-3 data from the electronic submission of Form(s) W-2.

Send Copy 1 of Forms W-2AS, W-2CM, W-2GU, and W-2VI, and Form W-3SS to your local tax department at the address shown on Form W-3SS. For more information on Copy 1, contact your local tax department. Employers in the CNMI should contact their local tax department for instructions on how to file Copy 1. For additional information on how to file Forms 499R-2/W-2PR with the Puerto Rico Department of Treasury, go to *Hacienda.pr.gov* or call 787-622-0123.

File Form 1099-NEC reporting nonemployee compensation. File with the IRS Copy A of all 2026 paper and electronic Forms 1099-NEC. Paper forms must be filed with Form 1096, Annual Summary and Transmittal of U.S. Information Returns. For information on filing information returns electronically with the IRS, see Pub. 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G.

By February 15

Request a new Form W-4 from exempt employees. Ask for a new Form W-4 from each employee who claimed exemption from federal income tax withholding last year.

On February 16

Forms W-4 claiming exemption from withholding expire. Any Form W-4 claiming exemption from withholding for the previous year has now expired. Begin withholding for any employee who previously claimed exemption from withholding but hasn't given you a new

DRAFT
DRAFT

Form W-4 for the current year. If the employee doesn't give you a new Form W-4, withhold tax as if they had checked the box for "Single or Married filing separately" in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2027 Form W-4. See section 9 for more information. If the employee gives you a new Form W-4 claiming exemption from withholding after February 15, you may apply the exemption to future wages, but don't refund taxes withheld while the exempt status wasn't in place.

By February 28

File paper 2026 Forms 1099 and 1096. File Copy A of all paper 2026 Forms 1099, except Forms 1099-NEC, with Form 1096 with the IRS. For electronically filed returns, see *By March 31*, later.

File paper Form 8027. File paper Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, with the IRS. See section 6. For electronically filed returns, see *By March 31* next.

By March 31

File electronic 2026 Forms 1099 and 8027. File electronic 2026 Forms 1099, except Forms 1099-NEC, with the IRS. Also file electronic Form 8027 with the IRS. For information on filing information returns electronically with the IRS, see Pub. 1220 and Pub. 1239, Specifications for Electronic Filing of Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips.

By April 30, July 31, October 31, and January 31

Deposit FUTA tax. Deposit FUTA tax for the quarter (including any amount carried over from other quarters) if over $500. If $500 or less, carry it over to the next quarter. See section 14 for more information.

File Form 941. File Form 941 and deposit any undeposited income, social security, and Medicare taxes. You may pay these taxes with Form 941 if your total tax liability for the quarter (Form 941, line 12) is less than $2,500. If you timely deposited all taxes when due, you may file by May 10, August 10, November 10, or February 10, respectively. Don't file Form 941 for these quarters if you have been notified to file Form 944 and you didn't request and receive written notice from the IRS to file quarterly Forms 941.

Before December 1

New Forms W-4. Remind employees to submit a new Form W-4 if their filing status, other income, deductions, or credits have changed or will change for the next year. Also remind employees to submit a new Form W-4 if they made a mid-year change to their Form W-4 based on their use of the IRS Tax Withholding Estimator available at *IRS.gov/W4App*. Employees that made a mid-year change may be underwithheld or overwithheld once their Form W-4 is applied to the next full calendar year.

Introduction

This publication explains your tax responsibilities as an employer, including agricultural employers and employers whose principal place of business is in American Samoa, Guam, the CNMI, the USVI, or Puerto Rico. It explains the requirements for withholding, depositing, reporting, paying, and correcting employment taxes. It explains the forms you must give to your employees, those your employees must give to you, and those you must send to the IRS and the SSA. References to "income tax" in this guide apply only to federal income tax. Contact your state or local tax department to determine their rules. Whenever the term "United States" is used in this publication, it includes American Samoa, Guam, the CNMI, the USVI, and Puerto Rico, unless otherwise noted.

When you pay employees, you don't pay them all the money they earned. As their employer, you have the added responsibility of withholding taxes from their paychecks. The federal income tax and employees' share of social security and Medicare taxes that you withhold from your employees' paychecks are part of their wages that you pay to the U.S. Treasury instead of to your employees. Your employees trust that you pay the withheld taxes to the U.S. Treasury by making federal tax deposits. This is the reason that these withheld taxes are called trust fund taxes. If federal income, social security, or Medicare tax that must be withheld isn't withheld or isn't deposited or paid to the U.S. Treasury, the trust fund recovery penalty may apply. See section 11 for more information.

This publication also provides employers, including employers in the USVI and Puerto Rico, with a summary of their responsibilities in connection with the tax under the Federal Unemployment Tax Act, known as FUTA tax. See section 14 for more information.

Additional employment tax information is available in Pubs. 15-A, 15-B, and 15-T. Pub. 15-A includes specialized information supplementing the basic employment tax information provided in this publication. Pub. 15-B, Employer's Tax Guide to Fringe Benefits, contains information about the employment tax treatment and valuation of various types of noncash compensation. Pub. 15-T includes the federal income tax withholding tables and instructions on how to use the tables.

Most employers must withhold (except FUTA), deposit, report, and pay the following employment taxes.

- Income tax.
- Social security tax.
- Medicare tax.
- FUTA tax.

There are exceptions to these requirements. See section 15 for guidance. Railroad retirement taxes are explained in the Instructions for Form CT-1.

DRAFT
DRAFT

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*.

Or, you can write to:

Internal Revenue Service
Tax Forms and Publications
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

Although we can't respond individually to each comment received, we appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication, check IRS.gov and *How To Get Tax Help* at the end of this publication.

Getting tax forms, instructions, and publications. Go to *IRS.gov/Forms* to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to *IRS.gov/OrderForms* to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

Federal government employers. The information in this publication, including the rules for making federal tax deposits, applies to federal agencies.

State and local government employers. Payments to employees for services in the employ of state and local government employers are generally subject to federal income tax withholding but not FUTA tax. Most elected and appointed public officials of state or local governments are employees under common-law rules. See chapter 3 of Pub. 963, Federal-State Reference Guide. In addition, wages, with certain exceptions, are subject to social security and Medicare taxes. See section 15 for more information on the exceptions.

If an election worker is employed in another capacity with the same government entity, see Revenue Ruling 2000-6 on page 512 of Internal Revenue Bulletin 2000-6 at *IRS.gov/pub/irs-irbs/irb00-06.pdf*.

You can get information on reporting and social security coverage from your local IRS office. If you have any questions about coverage under a section 218 (Social Security Act) agreement, contact the appropriate state official. To find your State Social Security Administrator, go to the National Conference of State Social Security Administrators website at *NCSSSA.org*.

Indian tribal governments. See Pub. 4268 for employment tax information for Indian tribal governments.

Disregarded entities and qualified subchapter S subsidiaries (QSubs). Eligible single-owner disregarded entities and QSubs are treated as separate entities for employment tax purposes. Eligible single-member entities must report and pay employment taxes on wages paid to their employees using the entities' own names and EINs. See Regulations sections 1.1361-4(a)(7) and 301.7701-2(c)(2)(iv).

Useful Items

You may want to see:

Publication

- ❑ **15-A** Employer's Supplemental Tax Guide
- ❑ **15-B** Employer's Tax Guide to Fringe Benefits
- ❑ **15-T** Federal Income Tax Withholding Methods
- ❑ **225** Farmer's Tax Guide
- ❑ **583** Starting a Business and Keeping Records
- ❑ **1099** General Instructions for Certain Information Returns
- ❑ **1635** Employer Identification Number: Understanding Your EIN

1. Employer Identification Number (EIN)

If you're required to report employment taxes or give tax statements to employees or annuitants, you need an EIN.

The EIN is a 9-digit number the IRS issues. The digits are arranged as follows: 00-0000000. It is used to identify the tax accounts of employers and certain others who have no employees. Use your EIN on all of the items you send to the IRS and the SSA. For more information, see Pub. 1635.

If you don't have an EIN, you may apply for one online by going to *IRS.gov/EIN*. You may also apply for an EIN by faxing or mailing Form SS-4 to the IRS. If the principal business was created or organized outside of the United States or U.S. territories, you may also apply for an EIN by calling 267-941-1099 (not toll free). Don't use an SSN in place of an EIN.

You should have only one EIN. If you have more than one and aren't sure which one to use, call 800-829-4933 or 800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability). Give the numbers you have, the name and address to which each was assigned, and the address of your main place of business. The IRS will tell you which number to use. For more information, see Pub. 1635.

If you took over another employer's business (see *Successor employer* in section 9), don't use that employer's EIN. If you've applied for an EIN but don't have your EIN by the time a return is due, file a paper return and enter

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

"Applied For" and the date you applied for it in the space shown for the number.

Caution: Always be sure the EIN on the form you file exactly matches the EIN the IRS assigned to your business. Don't use your SSN or individual taxpayer identification number (ITIN) on forms that ask for an EIN. If you used an EIN (including a prior owner's EIN) on Form 941, Form 943, or Form 944 that is different from the EIN reported on Form W-3, see *Box h—Other EIN used this year* in the General Instructions for Forms W-2 and W-3. On Form W-3 (PR) for Puerto Rico, "Other EIN used this year" is reported in box f. The name and EIN on Form 945 must match the name and EIN on your information returns where federal income tax withholding is reported (for example, backup withholding reported on Form 1099-NEC). Filing a Form 945 with an incorrect EIN or using another business's EIN may result in penalties and delays in processing your return.

Agricultural employers that have crew leaders. An agricultural employer must record the crew leader's name, address, and EIN. See sections 2 and 14.

DRAFT

2. Who Are Employees?

Generally, employees are defined either under common law or under statutes for certain situations. See Pub. 15-A for details on statutory employees and nonemployees.

Employee status under common law. Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. See Pub. 15-A for more information on how to determine whether an individual providing services is an independent contractor or an employee.

Generally, people in business for themselves aren't employees. For example, doctors, lawyers, veterinarians, and others in an independent trade in which they offer their services to the public are usually not employees. If the business is incorporated, corporate officers who work in the business are employees of the corporation.

If an employer-employee relationship exists, it doesn't matter what it is called. The employee may be called an agent or independent contractor. It also doesn't matter how payments are measured or paid, what they're called, or if the employee works full or part time.

Statutory employees. If someone who works for you isn't an employee under the common-law rules discussed earlier, don't withhold federal income tax from their pay, unless backup withholding applies. Although the following persons may not be common-law employees, they're considered employees by statute for social security and Medicare tax purposes if the conditions under *Tests*, later, are met.

a. An agent or commission driver who delivers meat, vegetable, fruit, or bakery products; beverages (other than milk); laundry; or dry cleaning for someone else.

b. A full-time life insurance salesperson who sells primarily for one company.

c. A homeworker who works at home or off premises by the guidelines of the person for whom the work is done, with materials or goods furnished by and returned to that person or to someone that person designates.

d. A traveling or city salesperson (other than an agent or commission driver) who works full time (except for sideline sales activities) for one firm or person getting orders from customers. The orders must be for merchandise for resale or supplies for use in the customer's business. The customers must be retailers, wholesalers, contractors, or operators of hotels, restaurants, or other businesses dealing with food or lodging.

Tests. Withhold social security and Medicare taxes from statutory employees' wages if all three of the following tests apply.

1. The service contract states or implies that almost all of the services are to be performed personally by them.
2. They have little or no investment in the equipment and property used to perform the services (other than an investment in transportation facilities).
3. The services are performed on a continuing basis for the same payer.

Persons in *a* or *d*, earlier, are also employees for FUTA tax purposes if tests 1 through 3 are met.

Pub. 15-A gives examples of the employer-employee relationship.

Statutory nonemployees. Direct sellers, qualified real estate agents, and certain companion sitters are, by law, considered nonemployees. They're generally treated as self-employed for all federal tax purposes, including income and employment taxes. See Pub. 15-A for more information.

Farmworkers. In general, you're an employer of farmworkers if your employees:

- Raise or harvest agricultural or horticultural products on your farm (including the raising and feeding of livestock);
- Work in connection with the operation, management, conservation, improvement, or maintenance of your farm and its tools and equipment, if the major part of such service is performed on a farm;
- Provide services relating to salvaging timber, or clearing land of brush and other debris, left by a hurricane (also known as hurricane labor), if the major part of such service is performed on a farm;
- Handle, process, or package any agricultural or horticultural commodity in its unmanufactured state if you

DRAFT

produced over half of the commodity (for a group of up to 20 unincorporated operators, all of the commodity); or

- Do work for you related to cotton ginning, turpentine, gum resin products, or the operation and maintenance of irrigation facilities.

For this purpose, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, as well as plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

Farmwork doesn't include reselling activities that don't involve any substantial activity of raising agricultural or horticultural commodities, such as a retail store or a greenhouse used primarily for display or storage. It also doesn't include processing services that change a commodity from its raw or natural state, or services performed after a commodity has been changed from its raw or natural state.

Crew leaders. If you're a crew leader, you're an employer of farmworkers. A crew leader is a person who furnishes and pays (either on their own behalf or on behalf of the farm operator) workers to do farmwork for the farm operator. If there is no written agreement between you and the farm operator stating that you're their employee and if you pay the workers (either for yourself or for the farm operator), then you're a crew leader. For FUTA tax rules, see section 14.

If you're a crew leader, you're not considered the employee of the farm operator for services you perform in furnishing farmworkers and as a member of the crew.

H-2A agricultural workers. On Form W-2, don't check box 13 (Statutory employee), as H-2A workers aren't statutory employees.

Treating employees as nonemployees. You'll generally be liable for social security and Medicare taxes and withheld income tax if you don't deduct and withhold these taxes because you treated an employee as a nonemployee. You may be able to figure your liability using special section 3509 rates for the employee share of social security and Medicare taxes and federal income tax withholding. The applicable rates depend on whether you filed required Forms 1099. You can't recover the employee share of social security tax, Medicare tax, or income tax withholding from the employee if the tax is paid under section 3509. You're liable for the income tax withholding regardless of whether the employee paid income tax on the wages. You continue to owe the full employer share of social security and Medicare taxes. The employee remains liable for the employee share of social security and Medicare taxes. See section 3509 for details. Also see the Instructions for Form 941-X, the Instructions for Form 943-X, or the Instructions for Form 944-X.

Section 3509 rates aren't available if you intentionally disregard the requirement to withhold taxes from the employee or if you withheld income taxes but not social security or Medicare tax. Section 3509 isn't available for reclassifying statutory employees. See *Statutory employees*, earlier in this section.

If the employer issued required information returns, the section 3509 rates are the following.

- For social security tax: employer rate of 6.2% plus 20% of the employee rate of 6.2%, for a total rate of 7.44% of wages.
- For Medicare tax: employer rate of 1.45% plus 20% of the employee rate of 1.45%, for a total rate of 1.74% of wages.
- For Additional Medicare Tax: 0.18% (20% of the employee rate of 0.9%) of wages subject to Additional Medicare Tax.
- For federal income tax withholding, the rate is 1.5% of wages.

If the employer didn't issue required information returns, the section 3509 rates are the following.

- For social security tax: employer rate of 6.2% plus 40% of the employee rate of 6.2%, for a total rate of 8.68% of wages.
- For Medicare tax: employer rate of 1.45% plus 40% of the employee rate of 1.45%, for a total rate of 2.03% of wages.
- For Additional Medicare Tax: 0.36% (40% of the employee rate of 0.9%) of wages subject to Additional Medicare Tax.
- For federal income tax withholding, the rate is 3.0% of wages.

Relief provisions. If you have a reasonable basis for not treating a worker as an employee, you may be relieved from having to pay employment taxes for that worker. To get this relief, you must file all required federal tax returns, including information returns, on a basis consistent with your treatment of the worker. You (or your predecessor) must not have treated any worker holding a substantially similar position as an employee for any periods beginning after 1977. See Pub. 1976, Do You Qualify for Relief Under Section 530.

IRS help. If you want the IRS to determine whether a worker is an employee, file Form SS-8.

Voluntary Classification Settlement Program (VCSP). Employers who are currently treating their workers (or a class or group of workers) as independent contractors or other nonemployees and want to voluntarily reclassify their workers as employees for future tax periods may be eligible to participate in the VCSP if certain requirements are met. File Form 8952 to apply for the VCSP. For more information, go to *IRS.gov/VCSP*.

Business Owned and Operated by Spouses

If you and your spouse jointly own and operate a business and share in the profits and losses, you may be partners in a partnership, whether or not you have a formal partnership agreement. See Pub. 541 for more details. The partnership is considered the employer of any employees,

DRAFT DRAFT

and is liable for any employment taxes due on wages paid to its employees.

Exception—qualified joint venture. For tax years beginning after 2006, the Small Business and Work Opportunity Tax Act of 2007 (P.L. 110-28) provides that a "qualified joint venture," whose only members are spouses filing a joint income tax return, can elect not to be treated as a partnership for federal tax purposes. A qualified joint venture conducts a trade or business where:

- The only members of the joint venture are spouses who file a joint income tax return,
- Both spouses materially participate (see *Material participation* in the instructions for Schedule C (Form 1040), line G) in the trade or business (mere joint ownership of property isn't enough),
- Both spouses elect to not be treated as a partnership, and
- The business is co-owned by both spouses and isn't held in the name of a state law entity such as a partnership or limited liability company (LLC).

To make the election, all items of income, gain, loss, deduction, and credit must be divided between the spouses, in accordance with each spouse's interest in the venture, and reported as sole proprietors on a separate Schedule C (Form 1040) or Schedule F (Form 1040). Each spouse must also file a separate Schedule SE (Form 1040) to pay self-employment taxes, as applicable. See the Instructions for Form 1040-SS for American Samoa, Guam, the CNMI, the USVI, and Puerto Rico.

Spouses using the qualified joint venture rules are treated as sole proprietors for federal tax purposes and generally don't need an EIN. If employment taxes are owed by the qualified joint venture, either spouse may report and pay the employment taxes due on the wages paid to the employees using the EIN of that spouse's sole proprietorship. Generally, filing as a qualified joint venture won't increase the spouses' total tax owed on the joint income tax return. However, it gives each spouse credit for social security earnings on which retirement benefits are based and for Medicare coverage without filing a partnership return.

If your spouse is your employee, not your partner, see *One spouse employed by another* in section 3. For more information on qualified joint ventures, go to *IRS.gov/QJV*.

Exception—community income. If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. territory, you can treat the business either as a sole proprietorship (of the spouse who carried on the business) or a partnership. You may still make an election to be taxed as a qualified joint venture instead of a partnership. See *Exception—qualified joint venture*, earlier, in this section.

3. Family Employees

Child employed by parents. Payments for the services of a child under age 18 who works for their parent in a trade or business aren't subject to social security and Medicare taxes if the trade or business is a sole proprietorship or a partnership in which each partner is a parent of the child. If these payments are for work other than in a trade or business, such as domestic work in the parent's private home, they're not subject to social security and Medicare taxes until the child reaches age 21. However, see *Covered services of a child or spouse*, later. Payments for the services of a child under age 21 who works for their parent, whether or not in a trade or business, aren't subject to FUTA tax. Payments for the services of a child of any age who works for their parent are generally subject to income tax withholding unless the payments are for domestic work in the parent's home, or unless the payments are for work other than in a trade or business and are less than $50 in the quarter or the child isn't regularly employed to do such work.

One spouse employed by another. The wages for the services of an individual who works for their spouse in a trade or business are subject to income tax withholding and social security and Medicare taxes, but not to FUTA tax. However, the payments for services of one spouse employed by another in other than a trade or business, such as domestic service in a private home, aren't subject to social security, Medicare, and FUTA taxes.

Covered services of a child or spouse. The wages for the services of a child or spouse are subject to income tax withholding as well as social security, Medicare, and FUTA taxes if they work for:

- A corporation, even if it is controlled by the child's parent or the individual's spouse;
- A partnership, even if the child's parent is a partner, unless each partner is a parent of the child;
- A partnership, even if the individual's spouse is a partner; or
- An estate, even if it is the estate of a deceased parent.

In these situations, the child or spouse is considered to work for the corporation, partnership, or estate, not you.

Parent employed by their child. When the employer is a child employing their parent, the following rules apply.

- Payments for the services of a parent in their child's (the employer's) trade or business are subject to income tax withholding and social security and Medicare taxes.
- Payments for the services of a parent not in their child's (the employer's) trade or business are generally not subject to social security and Medicare taxes.

Domestic services subject to social security and Medicare taxes. Social security and Medicare taxes do

DRAFT
DRAFT

apply to payments made to a parent for domestic services if all of the following apply.

- The parent is employed by their child (the employer).
- The employer has a child or stepchild (including an adopted child) living in the home.
- The employer is a surviving spouse, divorced and not remarried, or living with a spouse who, because of a mental or physical condition, can't care for their child or stepchild for at least 4 continuous weeks in the calendar quarter in which the service is performed.
- The child or stepchild of the employer is either under age 18 or, due to a mental or physical condition, requires the personal care of an adult for at least 4 continuous weeks in the calendar quarter in which the service is performed.

Payments made to a parent employed by their child aren't subject to FUTA tax, regardless of the type of services provided.

4. Employee's Social Security Number (SSN)

You're required to get each employee's name and SSN and to enter them on Form W-2. An employee's SSN consists of 9 digits arranged as follows: 000-00-0000. This requirement also applies to resident and nonresident alien employees. You should ask your employee to show you their social security card, but the employee isn't required to show the card if it isn't available. However, if an employee can't provide their social security card, you should verify their SSN and their eligibility for employment as discussed later in this section under *Verification of SSNs*.

Caution: Don't accept a social security card that says "Not valid for employment." An SSN issued with this legend doesn't permit employment.

You may, but aren't required to, photocopy the social security card if the employee provides it. If you don't provide the correct employee name and SSN on Form W-2, you may owe a penalty unless you have reasonable cause. See Pub. 1586, Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs on Information Returns, for information on the requirement to solicit the employee's SSN.

Tip: In many cases, a replacement social security card can be applied for online without visiting an SSA office. In some cases, an SSN application can also be started online before visiting an SSA office. For more information, go to *SSA.gov/number-card*.

Applying for a social security card. Any employee who is legally eligible to work in the United States and doesn't have a social security card can get one by completing Form SS-5, Application for a Social Security Card, and submitting the necessary documentation. You can get Form SS-5 from the SSA website at *SSA.gov/forms/ss-5.pdf*, at SSA offices, or by calling 800-772-1213 or 800-325-0778 (TTY). The employee must complete and sign Form SS-5; it can't be filed by the employer. You may be asked to supply a letter to accompany Form SS-5 if the employee has exceeded their yearly or lifetime limit for the number of replacement cards allowed.

Where to get and file Form SS-5 in the U.S. territories. Below is a list of the U.S. SSA offices located in the U.S. territories.

American Samoa
1 Utulei Rd
Centennial Building 3rd Floor, Suite 302
Pago Pago, AS 96799

Guam
770 East Sunset Blvd
Suite 155
Barrigada, GU 96913

Commonwealth of the Northern Mariana Islands
Marina Heights Business Park
MH II Building, Suite 201
Saipan, MP 96950

U.S. Virgin Islands
8000 Nisky Shopping CT
1st Floor, Suite 14
St. Thomas, VI 00802

Additional information is available on the Social Security Office Locator page at *secure.ssa.gov/ICON*. Also go to this website and enter your ZIP code to find your nearest SSA office in Puerto Rico.

Applying for an SSN. If you file Form W-2 on paper and your employee applied for an SSN but doesn't have one when you must file Form W-2, enter "Applied For" on the form. If you're filing electronically, enter all zeros (000-00-0000 if creating forms online or 000000000 if uploading a file) in the SSN field. When the employee receives the SSN, file Copy A of Form W-2c, Corrected Wage and Tax Statement, with the SSA to show the employee's SSN. Furnish Copies B, C, and 2 of Form W-2c to the employee. Up to 25 Forms W-2c for each Form W-3c, Transmittal of Corrected Wage and Tax Statements, may be filed per session online with no limit on the number of sessions. For more information, go to the SSA's Employer W-2 Filing Instructions & Information webpage at *SSA.gov/employer*. Advise your employee to correct the SSN on their original Form W-2.

Correctly record the employee's name and SSN. Record the name and SSN of each employee as they're shown on the employee's social security card. If the employee's name isn't correct as shown on the card (for example, because of marriage or divorce), the employee should request an updated card from the SSA. Continue to report the employee's wages under the old name until

DRAFT
DRAFT

the employee shows you the updated social security card with the corrected name.

If the SSA issues the employee an updated card after a name change, or a new card with a different SSN after a change in alien work status, file a Form W-2c to correct the name/SSN reported for the most recently filed Form W-2. It isn't necessary to correct other years if the previous name and number were used for years before the most recent Form W-2.

IRS ITINs for aliens. Don't accept an ITIN in place of an SSN for employee identification or for work. An ITIN is only available to resident and nonresident aliens who aren't eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number, formatted like an SSN, that starts with the number "9" and has a range of numbers from "50–65," "70–88," "90–92," and "94–99" for the fourth and fifth digits (for example, 9NN-7N-NNNN). For more information about ITINs, see the Instructions for Form W-7 or go to *IRS.gov/ITIN*.

Caution: An individual with an ITIN who later becomes eligible to work in the United States must obtain an SSN. If the individual is currently eligible to work in the United States, instruct the individual to apply for an SSN and follow the instructions under *Applying for an SSN*, earlier in this section. Don't use an ITIN in place of an SSN on Form W-2.

Verification of SSNs. Employers and authorized reporting agents can use the Social Security Number Verification Service (SSNVS) to instantly verify that an employee name matches an SSN for up to 10 names and SSNs (per screen) at a time, or submit an electronic file of up to 250,000 names and SSNs and usually receive the results the next business day. Go to *SSA.gov/employer/ssnv.htm* for more information. A person may have a valid SSN but not be authorized to work in the United States. Employers may use E-Verify at *E-Verify.gov* to confirm the employment eligibility of newly hired employees.

Accessing the SSNVS. The SSA's BSO is used to access the SSNVS. BSO users will need a social security online account. You can use an existing *Login.gov* credential or *ID.me* credential. If you don't have a *Login.gov* credential or an *ID.me* credential, you'll need to create one. For more information, go to the SSA's website at *SSA.gov/bso*.

5. Wages and Other Compensation

Wages subject to federal employment taxes generally include all pay you give to an employee for services performed. The pay may be in cash or in other forms. It includes salaries, vacation allowances, bonuses, commissions, and taxable fringe benefits. It doesn't matter how you measure or make the payments. Amounts an employer pays as a bonus for signing or ratifying a contract in connection with the establishment of an employer-employee relationship and an amount paid to an employee for cancellation of an employment contract and relinquishment of contract rights are wages subject to social security, Medicare, and FUTA taxes and income tax withholding. Also, compensation paid to a former employee for services performed while still employed is wages subject to employment taxes.

Cash wages paid to farmworkers. Cash wages that you pay to employees for farmwork are generally subject to social security tax and Medicare tax. You may also be required to withhold, deposit, and report Additional Medicare Tax. See section 9 for more information. If the wages are subject to social security and Medicare taxes, they're also subject to federal income tax withholding. You're liable for the payment of these taxes to the federal government whether or not you collect them from your employees. If, for example, you withhold less than the correct tax from an employee's wages, you're still liable for the full amount. You may also be liable for FUTA tax, which isn't withheld by you or paid by the employee. FUTA tax is discussed in section 14. Cash wages include checks, money orders, and any kind of money or cash.

More information. See section 6 for a discussion of tips and section 7 for a discussion of supplemental wages. Also see section 15 for exceptions to the general rules for wages. Pub. 15-A provides additional information on wages, including nonqualified deferred compensation, and other compensation. Pub. 15-B provides information on other forms of compensation, including:

- Accident and health benefits,
- Achievement awards,
- Adoption assistance,
- Athletic facilities,
- De minimis (minimal) benefits,
- Dependent care assistance,
- Educational assistance,
- Employee discounts,
- Employee stock options,
- Employer-provided cell phones,
- Group-term life insurance coverage,
- Health savings accounts,
- Lodging on your business premises,
- Meals,
- No-additional-cost services,
- Retirement planning services,
- Transportation (commuting) benefits,
- Tuition reduction, and
- Working condition benefits.

Noncash wages, including commodity wages, paid to farmworkers. Noncash wages include food, lodging,

clothing, transportation passes, farm products, or other goods or commodities. Noncash wages paid to farmworkers, including commodity wages, aren't subject to social security tax, Medicare tax, or federal income tax withholding. However, you and your employee can agree to have federal income tax withheld on noncash wages.

Noncash wages, including commodity wages, are treated as cash wages if the substance of the transaction is a cash payment. Noncash wages treated as cash wages are subject to social security tax, Medicare tax, and federal income tax withholding.

Report the value of noncash wages in box 1 of Form W-2 (box 7 of Form 499R-2/W-2PR) together with cash wages. Noncash wages for farmwork are subject to federal income tax unless a specific exclusion applies. Don't show noncash wages in box 3 or 5 of Form W-2 (box 20 or 22 of Form 499R-2/W-2PR), unless the substance of the transaction is a cash payment and they're being treated as cash wages.

Share farmers. You don't have to withhold or pay social security and Medicare taxes on amounts paid to share farmers under share-farming arrangements.

A "share farmer" working for you isn't your employee. However, the share farmer may be subject to self-employment tax. In general, share farming is an arrangement in which certain commodity products are shared between the farmer and the owner (or tenant) of the land. For details, see Regulations section 31.3121(b)(16)-1.

Compensation paid to H-2A visa holders. Report compensation of $2,000 or more paid in 2026 ($X,XXX or more for payments made in 2027) to foreign agricultural workers who entered the country on H-2A visas in box 1 of Form W-2 (box 7 of Form 499R-2/W-2PR) but don't report it as social security wages (box 3 of Form W-2 or box 20 of Form 499R-2/W-2PR) or Medicare wages (box 5 of Form W-2 or box 22 of Form 499R-2/W-2PR) on Form W-2 because compensation paid to H-2A workers for agricultural labor performed in connection with this visa isn't subject to social security and Medicare taxes. On Form W-2, don't check box 13 (Statutory employee), as H-2A workers aren't statutory employees.

An employer isn't required to withhold federal income tax from compensation paid to an H-2A worker for agricultural labor performed in connection with this visa but may withhold if the worker asks for withholding and the employer agrees. In that case, the worker must give the employer a completed Form W-4. Federal income tax withheld should be reported in box 2 of Form W-2.

These reporting rules apply when the H-2A worker provides their TIN to the employer. If the H-2A worker doesn't provide a TIN and the total annual wages to the H-2A worker are at least $2,000 in 2026 ($X,XXX or more for payments made in 2027), the employer is required to backup withhold. See the Instructions for Forms 1099-MISC and 1099-NEC and the Instructions for Form 945.

For more information on foreign agricultural workers on H-2A visas, go to *IRS.gov/H2A*.

Employee business expense reimbursements. A reimbursement or allowance arrangement is a system by which you pay the advances, reimbursements, and charges for your employees' business expenses. How you report a reimbursement or allowance amount depends on whether you have an accountable or a nonaccountable plan. If a single payment includes both wages and an expense reimbursement, you must specify the amount of the reimbursement.

These rules apply to all allowable ordinary and necessary employee business expenses.

Accountable plan. To be an accountable plan, your reimbursement or allowance arrangement must require your employees to meet all three of the following rules.

1. They must have paid or incurred allowable expenses while performing services as your employees. The reimbursement or advance must be payment for the expenses and must not be an amount that would have otherwise been paid to the employee as wages.
2. They must substantiate these expenses to you within a reasonable period of time.
3. They must return any amounts in excess of substantiated expenses within a reasonable period of time.

Amounts paid under an accountable plan aren't wages and aren't subject to income, social security, Medicare, and FUTA taxes.

If the expenses covered by this arrangement aren't substantiated (or amounts in excess of substantiated expenses aren't returned within a reasonable period of time), the amount paid under the arrangement in excess of the substantiated expenses is treated as paid under a nonaccountable plan. This amount is subject to income, social security, Medicare, and FUTA taxes for the first payroll period following the end of the reasonable period of time.

A reasonable period of time depends on the facts and circumstances. Generally, it is considered reasonable if your employees receive their advance within 30 days of the time they pay or incur the expenses, adequately account for the expenses within 60 days after the expenses were paid or incurred, and return any amounts in excess of expenses within 120 days after the expenses were paid or incurred. Alternatively, it is considered reasonable if you give your employees a periodic statement (at least quarterly) that asks them to either return or adequately account for outstanding amounts and they do so within 120 days.

Nonaccountable plan. Payments to your employee for travel and other necessary expenses of your business under a nonaccountable plan are wages and are treated as supplemental wages and subject to income, social security, Medicare, and FUTA taxes. Your payments are treated as paid under a nonaccountable plan if:

- Your employee isn't required to or doesn't substantiate timely those expenses to you with receipts or other documentation,
- You advance an amount to your employee for business expenses and your employee isn't required to or

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

doesn't return timely any amount they don't use for business expenses,

- You advance or pay an amount to your employee regardless of whether you reasonably expect the employee to have business expenses related to your business, or
- You pay an amount as a reimbursement you would have otherwise paid as wages.

See section 7 for more information on supplemental wages.

Per diem or other fixed allowance. You may reimburse your employees by travel days, miles, or some other fixed allowance under the applicable revenue procedure. In these cases, your employee is considered to have accounted to you if your reimbursement doesn't exceed rates established by the federal government. The standard mileage rate for auto expenses is provided in Pub. 15-B.

The government per diem rates for meals and lodging in the continental United States can be found by going to the U.S. General Services Administration website at *GSA.gov/PerDiemRates*. Other than the amount of these expenses, your employees' business expenses must be substantiated (for example, the business purpose of the travel or the number of business miles driven). For information on substantiation methods, see Pub. 463, Travel, Gift, and Car Expenses.

If the per diem or allowance paid exceeds the amounts substantiated, you must report the excess amount as wages. This excess amount is subject to income tax withholding and payment of social security, Medicare, and FUTA taxes. Show the amount equal to the substantiated amount (that is, the nontaxable portion) in box 12 of Form W-2 using code "L." Employers in Puerto Rico report the amount in box 12 (no code needed).

Wages not paid in money. If in the course of your trade or business you pay your employees in a medium that is neither cash nor a readily negotiable instrument, such as a check, you're said to pay them "in kind." Payments in kind may be in the form of goods, lodging, food, clothing, or services. Generally, the FMV of such payments at the time they're provided is subject to federal income tax withholding and social security, Medicare, and FUTA taxes.

However, noncash payments for household work, agricultural labor, and service not in the employer's trade or business are exempt from social security, Medicare, and FUTA taxes. Withhold income tax on these payments only if you and the employee agree to do so. Nonetheless, noncash payments for agricultural labor, such as commodity wages, are treated as cash payments subject to employment taxes if the substance of the transaction is a cash payment. See *Noncash wages, including commodity wages, paid to farmworkers*, earlier in this section, for more information.

Meals and lodging. The value of meals isn't taxable income and isn't subject to federal income tax withholding and social security, Medicare, and FUTA taxes if the meals are furnished for the employer's convenience and on the employer's premises. The value of lodging isn't subject to federal income tax withholding and social security, Medicare, and FUTA taxes if the lodging is furnished for the employer's convenience, on the employer's premises, and as a condition of employment.

"For the convenience of the employer" means you have a substantial business reason for providing the meals and lodging other than to provide additional compensation to the employee. For example, meals you provide at the place of work so that an employee is available for emergencies during their lunch period are generally considered to be for your convenience. You must be able to show these emergency calls have occurred or can reasonably be expected to occur, and that the calls have resulted, or will result, in you calling on your employees to perform their jobs during their meal period.

Whether meals or lodging are provided for the convenience of the employer depends on all of the facts and circumstances. A written statement that the meals or lodging is for your convenience isn't sufficient.

50% test. If over 50% of the employees who are provided meals on an employer's business premises receive these meals for the convenience of the employer, all meals provided on the premises are treated as furnished for the convenience of the employer. If this 50% test is met, the value of the meals is excludable from income for all employees and isn't subject to federal income tax withholding or employment taxes. For more information, see Pub. 15-B.

Health insurance plans. If you pay the cost of an accident or health insurance plan for your employees, including an employee's spouse and dependents, your payments aren't wages and aren't subject to social security, Medicare, and FUTA taxes, or federal income tax withholding. Generally, this exclusion also applies to qualified long-term-care insurance contracts. However, for income tax withholding, the value of health insurance benefits must be included in the wages of S corporation employees who own more than 2% of the S corporation (2% shareholders). For social security, Medicare, and FUTA taxes, the health insurance benefits are excluded from the 2% shareholder's wages. See Announcement 92-16 for more information. You can find Announcement 92-16 on page 53 of Internal Revenue Bulletin 1992-5.

Health savings accounts (HSAs) and medical savings accounts (MSAs). Your contributions to an employee's HSA or Archer MSA aren't subject to social security, Medicare, or FUTA tax, or federal income tax withholding if it is reasonable to believe at the time of payment of the contributions they'll be excludable from the income of the employee. To the extent it isn't reasonable to believe they'll be excludable, your contributions are subject to these taxes. Employee contributions to their HSAs or MSAs through a payroll deduction plan must be included in wages and are subject to social security, Medicare, and FUTA taxes, and federal income tax withholding. However, HSA contributions made under a salary reduction arrangement in a section 125 cafeteria plan aren't wages

DRAFT
DRAFT

and aren't subject to employment taxes or withholding. For more information, see the Instructions for Form 8889.

Medical care reimbursements. Generally, medical care reimbursements paid for an employee under an employer's self-insured medical reimbursement plan aren't wages and aren't subject to social security, Medicare, and FUTA taxes, or federal income tax withholding. See Pub. 15-B for a rule regarding inclusion of certain reimbursements in the gross income of highly compensated individuals.

Differential wage payments. Differential wage payments are any payments made by an employer to an individual for a period during which the individual is performing service in the uniformed services while on active duty for a period of more than 30 days and represent all or a portion of the wages the individual would have received from the employer if the individual were performing services for the employer.

Differential wage payments are wages for income tax withholding, but aren't subject to social security, Medicare, or FUTA tax. Employers should report differential wage payments in box 1 of Form W-2 (box 7 of Form 499R-2/W-2PR). For more information about the tax treatment of differential wage payments, see Revenue Ruling 2009-11, 2009-18 I.R.B. 896, available at *IRS.gov/irb/2009-18_IRB#RR-2009-11*.

Fringe benefits. You must generally include fringe benefits in an employee's wages (but see *Nontaxable fringe benefits* next). The benefits are subject to income tax withholding and employment taxes. Fringe benefits include cars you provide, flights on aircraft you provide, free or discounted commercial flights, vacations, discounts on property or services, memberships in country clubs or other social clubs, and tickets to entertainment or sporting events. In general, the amount you must include is the amount by which the FMV of the benefit is more than the sum of what the employee paid for it plus any amount the law excludes. There are other special rules you and your employees may use to value certain fringe benefits. See Pub. 15-B for more information.

Nontaxable fringe benefits. Some fringe benefits aren't taxable (or are minimally taxable) if certain conditions are met. See Pub. 15-B for details. The following are some examples of nontaxable fringe benefits.

- Services provided to your employees at no additional cost to you.
- Qualified employee discounts.
- Working condition fringes that are property or services that would be allowable as a business expense or depreciation expense deduction to the employee if they had paid for them. Examples include a company car for business use and subscriptions to business magazines.
- Certain minimal value fringes (including an occasional cab ride when an employee must work overtime and meals you provide at eating places you run for your employees if the meals aren't furnished at below cost).
- Qualified transportation fringes subject to specified conditions and dollar limitations (including transportation in a commuter highway vehicle, any transit pass, and qualified parking).
- The use of on-premises athletic facilities operated by you if substantially all of the use is by employees, their spouses, and their dependent children.
- Qualified tuition reduction an educational organization provides to its employees for education. For more information, see Pub. 970.
- Employer-provided cell phones provided primarily for a noncompensatory business reason.

However, don't exclude the following fringe benefits from the wages of highly compensated employees unless the benefit is available to other employees on a nondiscriminatory basis.

- No-additional-cost services.
- Qualified employee discounts.
- Meals provided at an employer-operated eating facility.
- Reduced tuition for education.

For more information, including the definition of a "highly compensated employee," see Pub. 15-B.

When taxable fringe benefits are treated as paid. You may choose to treat certain taxable noncash fringe benefits as paid by the pay period, by the quarter, or on any other basis you choose, as long as you treat the benefits as paid at least once a year. You don't have to make a formal choice of payment dates or notify the IRS of the dates you choose. You don't have to make this choice for all employees. You may change methods as often as you like, as long as you treat all benefits provided in a calendar year as paid by December 31 of the calendar year. See section 4 of Pub. 15-B for more information, including a discussion of the special accounting rule for fringe benefits provided during November and December.

Valuation of fringe benefits. Generally, you must determine the value of fringe benefits no later than January 31 of the next year. Before January 31, you may reasonably estimate the value of the fringe benefits for purposes of withholding and depositing on time.

Withholding federal income tax on fringe benefits. You may add the value of fringe benefits to regular wages for a payroll period and figure withholding taxes on the total, or you may withhold federal income tax on the value of the fringe benefits at the optional flat 22% supplemental wage rate. However, see *Withholding on supplemental wages when an employee receives more than $1 million of supplemental wages during the calendar year* in section 7.

You may choose not to withhold income tax on the value of an employee's personal use of a vehicle you provide. You must, however, withhold social security and Medicare taxes on the use of the vehicle. See Pub. 15-B for more information on this election.

Withholding social security and Medicare taxes on fringe benefits. You add the value of fringe benefits to

regular wages for a payroll period and figure social security and Medicare taxes on the total.

If you withhold less than the required amount of social security and Medicare taxes from the employee in a calendar year but report and pay the proper amount, you may recover the taxes from the employee. See Pub. 15-B for more information.

Depositing taxes on fringe benefits. Once you choose when fringe benefits are paid, you must deposit taxes in the same deposit period you treat the fringe benefits as paid. To avoid a penalty, deposit the taxes following the general deposit rules for that deposit period.

If you determine by January 31 you overestimated the value of a fringe benefit at the time you withheld and deposited for it, you may claim a refund for the overpayment or have it applied to your next employment tax return. See *Valuation of fringe benefits*, earlier in this section. If you underestimated the value and deposited too little, you may be subject to a failure-to-deposit (FTD) penalty. See section 11 for information on deposit penalties.

If you deposited the required amount of taxes but withheld a lesser amount from the employee, you can recover from the employee the social security, Medicare, or income tax you deposited on their behalf and included in the employee's Form W-2. However, you must recover the income tax before April 1 of the following year.

Back pay. Back pay, including retroactive wage increases (but not amounts paid as liquidated damages), is taxed as ordinary wages in the year paid. For information on reporting back pay to the SSA, see Pub. 957.

Sick pay. In general, sick pay is any amount you pay under a plan to an employee who is unable to work because of sickness or injury. These amounts are sometimes paid by a third party, such as an insurance company or an employees' trust. In either case, these payments are subject to social security, Medicare, and FUTA taxes. These taxes don't apply to sick pay paid more than 6 calendar months after the last calendar month in which the employee worked for the employer. The payments are always subject to federal income tax. See section 6 of Pub. 15-A for more information.

Overtime compensation. Overtime compensation is subject to social security, Medicare, and FUTA taxes. Overtime is also subject to federal income tax withholding. However, for tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows individuals (employees and other workers not treated as employees) to deduct up to $12,500 ($25,000 if married filing jointly) of qualified overtime compensation on their income tax returns. Qualified overtime is compensation that exceeds the regular rate of pay (such as the "half" portion of time-and-a-half compensation) that is required to be paid to an individual under section 7 of the FLSA of 1938. The FLSA provides that employers must generally pay covered, nonexempt employees at least one-and-a-half times their regular rate of pay for hours worked over 40 hours per week. However, there are some exemptions. For example, agricultural employees, as defined by the FLSA, are generally exempt from the overtime requirements of the FLSA. Therefore, farmworkers usually don't qualify for the deduction for qualified overtime compensation, even when the employer chooses to pay overtime compensation. For more information about overtime compensation, go to *dol.gov/agencies/whd/overtime*. For more information about agricultural employment under the FLSA, go to *dol.gov/agencies/whd/fact-sheets/12-agricultural-employment-flsa*. Go to *IRS.gov/OTfaqs* for frequently asked questions about the deduction for qualified overtime compensation.

Employers must use an employee's updated Form W-4, if one is submitted by the employee, and the federal income tax withholding procedures in Pub. 15-T to allow the employee to account for their expected deduction and receive more money in each paycheck instead of waiting until filing their income tax return to receive the full benefit of this deduction.

Identity protection services. The value of identity protection services provided by an employer to an employee isn't included in an employee's gross income and doesn't need to be reported on an information return (such as Form W-2) filed for an employee. This includes identity protection services provided before a data breach occurs. This exception doesn't apply to cash received instead of identity protection services or to proceeds received under an identity theft insurance policy. For more information, see Announcement 2015-22, 2015-35 I.R.B. 288, available at *IRS.gov/irb/2015-35_IRB#ANN-2015-22*; and Announcement 2016-02, 2016-3 I.R.B. 283, available at *IRS.gov/irb/2016-03_IRB#ANN-2016-02*.

6. Tips

Cash tips your employee receives from customers are generally subject to withholding. Your employee must report cash tips to you by the 10th of the month after the month the tips are received. Cash tips include tips paid by cash, check, debit card, and credit card. The report should include tips you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement. Both directly and indirectly tipped employees must report tips to you. No report is required for months when tips are less than $20. If you don't give your employees any specific method to report tips (for example, an electronic tip reporting system), your employees must give you a statement reporting their tips. The statement must be signed and dated by the employee and must include:

- The employee's name, address, and SSN;
- Your name and address;
- The month and year (or the beginning and ending dates, if the statement is for a period of less than 1 calendar month) the report covers; and
- The total of tips received during the month or period.

DRAFT
DRAFT

You're permitted to establish a system for electronic tip reporting by employees. See Regulations section 31.6053-1(d). You may also suggest that your employees see Pub. 531, Reporting Tip Income.

Collecting taxes on tips. You must collect federal income tax (see *Federal income tax withholding on tips*, later), employee social security tax, and employee Medicare tax on the employee's tips. The withholding rules for withholding an employee's share of Medicare tax on tips also apply to withholding the Additional Medicare Tax once wages and tips exceed $200,000 in the calendar year.

You can collect these taxes from the employee's wages (excluding tips) or from other funds they make available. See *Tips are treated as supplemental wages* in section 7 for more information. Stop collecting the employee share of social security tax when their wages and tips for tax year 2027 reach $192,300; collect the income and employee Medicare taxes for the whole year on all wages and tips. You're responsible for the employer social security tax on wages and tips until the wages (including tips) reach the limit. You're responsible for the employer Medicare tax for the whole year on all wages and tips. Tips are considered to be paid at the time the employee reports them to you. Deposit taxes on tips based on your deposit schedule as described in section 11. File Form 941 or Form 944 to report withholding and employment taxes on tips.

Ordering rule. If, by the 10th of the month after the month for which you received an employee's report on tips, you don't have enough employee funds available to deduct the employee tax, you no longer have to collect it. If there aren't enough funds available, withhold taxes in the following order.

1. Withhold on regular wages and other compensation.
2. Withhold social security and Medicare taxes on tips.
3. Withhold income tax on tips.

Federal income tax withholding on tips. For tax years beginning after 2024 and ending before 2029, P.L. 119-21 allows employees and self-employed individuals to deduct up to $25,000 of qualified tips received in occupations that customarily and regularly received tips on or before December 31, 2024, on their income tax returns. Qualified tips are cash tips, which include voluntary cash or charged tips received from customers or, in the case of employees, through tip-sharing arrangements. Mandatory service charges added to the bill are not qualified tips.

Employers must use an employee's updated Form W-4, if one is submitted by the employee, and the federal income tax withholding procedures in Pub. 15-T to allow the employee to account for their expected deduction and receive more money in each paycheck instead of waiting until filing their income tax return to receive the full benefit of this deduction.

Reporting tips. Report tips and any collected and uncollected social security and Medicare taxes on Form W-2 (Form 499R-2/W-2PR for employers in Puerto Rico) and on Form 941, lines 5b, 5c, and, if applicable, 5d (Form 944, lines 4b, 4c, and, if applicable, 4d). Report a negative adjustment on Form 941, line 9 (Form 944, line 6), for the uncollected social security and Medicare taxes. Enter the amount of uncollected social security tax and Medicare tax in box 12 of Form W-2 with codes "A" and "B," respectively. On Form 499R-2/W-2PR, enter the amount of uncollected social security and Medicare taxes in boxes 25 and 26, respectively. Don't include any uncollected Additional Medicare Tax in box 12 of Form W-2. Also use box 12 of Form W-2 to report cash tips using code "TP." Use box 14b of Form W-2 to report the Treasury Tipped Occupation Code(s) if cash tips are reported in box 12 with code "TP." Enter up to two code(s) based on the occupation(s) that the tips were received in. If tips were received in more than two occupations, include the Treasury Tipped Occupation Code for any two of the three or more occupations in which tips were received. If any tips were received in a nonqualifying occupation, then "000" must be input as one of the occupation code(s). See *IRS.gov/TippedOccupations* for the applicable codes(s). For additional information on reporting tips, see section 13 and the General Instructions for Forms W-2 and W-3. Employers in Puerto Rico, see the General Instructions for Forms W-3 (PR) and W-3C (PR).

Revenue Ruling 2012-18 provides guidance for employers regarding social security and Medicare taxes imposed on tips, including information on the reporting of the employer share of social security and Medicare taxes under section 3121(q), the difference between tips and service charges, and the section 45B credit. See Revenue Ruling 2012-18, 2012-26 I.R.B. 1032, available at *IRS.gov/irb/2012-26_IRB#RR-2012-18*.

FUTA tax on tips. If an employee reports to you in writing $20 or more of tips in a month, the tips are also subject to FUTA tax.

Allocated tips. If you operate a large food or beverage establishment, you must report allocated tips under certain circumstances. However, don't withhold income, social security, or Medicare tax on allocated tips.

A large food or beverage establishment is one that is located in the 50 states or the District of Columbia, provides food or beverages for consumption on the premises, where tipping is customary, and where there were normally more than 10 employees on a typical business day during the preceding year.

The tips may be allocated by one of three methods—hours worked, gross receipts, or good-faith agreement. For information about these allocation methods, and for information about required electronic filing of Form 8027, see the Instructions for Form 8027. For more information on filing Form 8027 electronically with the IRS, see Pub. 1239.

Tip Rate Determination and Education Program. Employers may participate in the Tip Rate Determination and Education Program. The program primarily consists of two voluntary agreements developed to improve tip income reporting by helping taxpayers to understand and meet their tip reporting responsibilities. The two agreements are the Tip Rate Determination Agreement (TRDA) and the

DRAFT
DRAFT

Tip Reporting Alternative Commitment (TRAC), including an Employer-Designed Tip Reporting Alternative Commitment (EmTRAC). A tip agreement, the Gaming Industry Tip Compliance Agreement (GITCA), is available for the gaming (casino) industry. For more information, see Pub. 3144.

More information. Advise your employees to see Pub. 531 or use the IRS Interactive Tax Assistant at *IRS.gov/TipIncome* for help in determining if their tip income is taxable and for information about how to report tip income.

7. Supplemental Wages

Caution: References to federal income tax withholding don't apply to employers in American Samoa, Guam, the CNMI, the USVI, and Puerto Rico, unless you have employees who are subject to U.S. income tax withholding. Contact your local tax department for information about income tax withholding.

Supplemental wages are wage payments to an employee that aren't regular wages. They include, but aren't limited to, bonuses, commissions, overtime pay (see *Overtime compensation* in section 5), payments for accumulated sick leave, severance pay, awards, prizes, back pay, reported tips (see *Federal income tax withholding on tips* in section 6), retroactive pay increases, and payments for nondeductible moving expenses. However, employers have the option to treat overtime pay and tips as regular wages instead of supplemental wages. Other payments subject to the supplemental wage rules include taxable fringe benefits and expense allowances paid under a nonaccountable plan. However, a taxable fringe benefit must be subject to federal income tax withholding to be considered supplemental wages. How you withhold on supplemental wages depends on whether the supplemental payment is identified as a separate payment from regular wages. See Regulations section 31.3402(g)-1 for additional guidance. Also see Revenue Ruling 2008-29, 2008-24 I.R.B. 1149, available at *IRS.gov/irb/2008-24_IRB#RR-2008-29*.

Withholding on supplemental wages when an employee receives more than $1 million of supplemental wages from you during the calendar year. Special rules apply to the extent supplemental wages paid to any one employee during the calendar year exceed $1 million. If a supplemental wage payment, together with other supplemental wage payments made to the employee during the calendar year, exceeds $1 million, the excess is subject to withholding at 37% (or the highest rate of income tax for the year). Withhold using the 37% rate without regard to the employee's Form W-4. In determining supplemental wages paid to the employee during the year, include payments from all businesses under common control. For more information, see Treasury Decision 9276, 2006-37 I.R.B. 423, available at *IRS.gov/irb/2006-37_IRB#TD-9276*.

Withholding on supplemental wage payments to an employee who doesn't receive $1 million of supplemental wages during the calendar year. If the supplemental wages paid to the employee during the calendar year are less than or equal to $1 million, the following rules apply in determining the amount of income tax to be withheld.

Supplemental wages combined with regular wages. If you pay supplemental wages with regular wages but don't specify the amount of each, withhold federal income tax as if the total were a single payment for a regular payroll period.

Supplemental wages identified separately from regular wages. If you pay supplemental wages separately (or combine them in a single payment and specify the amount of each), the federal income tax withholding method depends partly on whether you withhold income tax from your employee's regular wages.

1. If you withheld income tax from an employee's regular wages in the current or immediately preceding calendar year, you can use one of the following methods for the supplemental wages.
   a. Withhold a flat 22% (no other percentage allowed).
   b. If the supplemental wages are paid concurrently with regular wages, add the supplemental wages to the concurrently paid regular wages and withhold federal income tax as if the total were a single payment for a regular payroll period. If there are no concurrently paid regular wages, add the supplemental wages to, alternatively, either the regular wages paid or to be paid for the current payroll period or the regular wages paid for the preceding payroll period. Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment. Subtract the tax already withheld or to be withheld from the regular wages. Withhold the remaining tax from the supplemental wages. If there were other payments of supplemental wages paid during the payroll period made before the current payment of supplemental wages, aggregate all the payments of supplemental wages paid during the payroll period with the regular wages paid during the payroll period, figure the tax on the total, subtract the tax already withheld from the regular wages and the previous supplemental wage payments, and withhold the remaining tax.
2. If you didn't withhold income tax from the employee's regular wages in the current or immediately preceding calendar year, use method 1b.

Regardless of the method you use to withhold income tax on supplemental wages, they're subject to social security, Medicare, and FUTA taxes.

Example 1. You pay John Peters a base salary on the first of each month. John's most recent Form W-4

DRAFT
DRAFT

is from 2018, and John is single, claims one withholding allowance, and didn't enter an amount for additional withholding on Form W-4. In January, John is paid $1,000. You decide to use the Wage Bracket Method of withholding. Using Worksheet 3 and the withholding tables in section 3 of Pub. 15-T, you withhold $X from this amount. In February, John receives salary of $1,000 plus a commission of $500, which you combine with regular wages and don't separately identify. You figure the withholding based on the total of $1,500. The correct withholding from the tables is $XX.

Example 2. You pay Sharon Warren a base salary on the first of each month. Sharon submitted a 2027 Form W-4 and checked the box for "Single or Married filing separately." Sharon didn't complete Steps 2, 3, and 4 on Form W-4. Sharon's May 1 pay is $2,000. You decide to use the Wage Bracket Method of withholding. Using Worksheet 2 and the withholding tables in section 2 of Pub. 15-T, you withhold $XX. On May 15, Sharon receives a bonus of $1,000. Electing to use supplemental wage withholding method 1b, you do the following.

1. Add the bonus amount to the amount of wages from the most recent base salary pay date (May 1) ($2,000 + $1,000 = $3,000).
2. Determine the amount of withholding on the combined $3,000 amount to be $XXX using the wage bracket tables.
3. Subtract the amount withheld from wages on the most recent base salary pay date (May 1) from the combined withholding amount ($XXX – $XX = $XXX).
4. Withhold $XXX from the bonus payment.

Example 3. The facts are the same as in *Example 2*, except you elect to use the flat rate method of withholding on the bonus. You withhold 22% of $1,000, or $220, from Sharon's bonus payment.

Example 4. The facts are the same as in *Example 2*, except you elect to pay Sharon a second bonus of $2,000 on May 29. Using supplemental wage withholding method 1b, you do the following.

1. Add the first and second bonus amounts to the amount of wages from the most recent base salary pay date (May 1) ($2,000 + $1,000 + $2,000 = $5,000).
2. Determine the amount of withholding on the combined $5,000 amount to be $XXX using the wage bracket tables.
3. Subtract the amounts withheld from wages on the most recent base salary pay date (May 1) and the amounts withheld from the first bonus payment from the combined withholding amount ($XXX – $XX – $XXX = $XXX).
4. Withhold $XXX from the second bonus payment.

Tips are treated as supplemental wages. Withhold income tax on tips from wages earned by the employee or from other funds the employee makes available (see *Federal income tax withholding on tips* in section 6). Don't withhold the income tax due on tips from employee tips. If an employee receives regular wages and reports tips, figure income tax withholding as if the tips were supplemental wages. If you withheld income tax from the regular wages in the current or immediately preceding calendar year, you can withhold on the tips by method 1a or 1b discussed earlier in this section under *Supplemental wages identified separately from regular wages*. If you didn't withhold income tax from the regular wages in the current or immediately preceding calendar year, add the tips to the regular wages and withhold income tax on the total by method 1b discussed earlier. Employers also have the option to treat tips as regular wages rather than supplemental wages. Service charges aren't tips; therefore, withhold taxes on service charges as you would on regular wages.

Vacation pay. Vacation pay is subject to withholding as if it were a regular wage payment. When vacation pay is in addition to regular wages for the vacation period (for example, an annual lump-sum payment for unused vacation leave), treat it as a supplemental wage payment. If the vacation pay is for a time longer than your usual payroll period, spread it over the pay periods for which you pay it.

8. Payroll Period

Your payroll period is a period of service for which you usually pay wages. When you have a regular payroll period, withhold income tax for that time period even if your employee doesn't work the full period.

No regular payroll period. When you don't have a regular payroll period, withhold the tax as if you paid wages for a daily or miscellaneous payroll period. Figure the number of days (including Sundays and holidays) in the period covered by the wage payment. If the wages are unrelated to a specific length of time (for example, commissions paid on completion of a sale), count back the number of days from the payment period to the latest of:

- The last wage payment made during the same calendar year;
- The date employment began, if during the same calendar year; or
- January 1 of the same year.

Employee paid for period less than 1 week. When you pay an employee for a period of less than 1 week, and the employee signs a statement under penalties of perjury indicating they aren't working for any other employer during the same week for wages subject to withholding, figure withholding based on a weekly payroll period. If the employee later begins to work for another employer for wages subject to withholding, the employee must notify you within 10 days. You then figure withholding based on the daily or miscellaneous period.

DRAFT
DRAFT

9. Withholding From Employees' Wages

Caution: References to federal income tax withholding don't apply to employers in American Samoa, Guam, the CNMI, the USVI, and Puerto Rico, unless you have employees who are subject to U.S. income tax withholding. Contact your local tax department for information about income tax withholding.

Federal Income Tax Withholding

Redesigned Form W-4. The IRS redesigned Form W-4 for 2020 and subsequent years. Before 2020, the value of a withholding allowance was tied to the amount of the personal exemption. Due to changes in the law, taxpayers can no longer claim personal exemptions or dependency exemptions; therefore, Form W-4 no longer asks an employee to report the number of withholding allowances that they are claiming. The revised Form W-4 is divided into five steps. Step 1 and Step 5 apply to all employees. In Step 1, employees enter personal information like their name and filing status. In Step 5, employees sign the form. Employees who complete only Step 1 and Step 5 will have their withholding figured based on their filing status's standard deduction and tax rates with no other adjustments. If applicable, in Step 2, employees increase their withholding to account for higher tax rates due to income from other jobs in their household. Under Step 2, employees either enter an additional amount to withhold per payroll period in Step 4(c) or check the box in Step 2(c) for higher withholding rate tables to apply to their wages. In Step 3, employees decrease their withholding by reporting the annual amount of any credits they will claim on their income tax return. In Step 4, employees may increase or decrease their withholding based on the annual amount of other income or deductions they will report on their income tax return and they may also request any additional federal income tax they want withheld each pay period.

An employee who submitted Form W-4 in any year before 2020 isn't required to submit a new form merely because of the redesign. Employers will continue to figure withholding based on the information from the employee's most recently submitted Form W-4. The withholding tables in Pub. 15-T allow employers to figure withholding based on a Form W-4 for 2019 or earlier, as well as the redesigned Form W-4. While you may ask your employee who was first paid wages before 2020 who hasn't yet submitted a redesigned Form W-4 to submit a new Form W-4 using the redesigned version of the form, you should explain to them that they're not required to do this and if they don't submit a new Form W-4, withholding will continue based on a valid Form W-4 previously submitted. All newly hired employees must use the redesigned form. Similarly, any other employees who wish to adjust their withholding must use the redesigned form.

Pub. 15-T provides an optional computational bridge to treat 2019 and earlier Forms W-4 as if they were 2020 or later Forms W-4 for purposes of figuring federal income tax withholding. This computational bridge allows you to use computational procedures and data fields for a 2020 and later Form W-4 to arrive at the equivalent withholding for an employee that would have applied using the computational procedures and data fields on a 2019 or earlier Form W-4. See *How To Treat 2019 and Earlier Forms W-4 as if They Were 2020 or Later Forms W-4* under *Introduction* in Pub. 15-T.

More information. For more information about the redesigned Form W-4 and regulations that provide guidance for employers concerning income tax withholding from employees' wages, see Treasury Decision 9924, 2020-44 I.R.B. 943, available at *IRS.gov/irb/2020-44_IRB#TD-9924*. For information about Form W-4, go to *IRS.gov/FormW4*. Employer instructions on how to figure employee withholding are provided in Pub. 15-T, available at *IRS.gov/Pub15T*.

Tip: Farm operators and crew leaders must withhold federal income tax from the wages of farmworkers if the wages are subject to social security and Medicare taxes.

Using Form W-4 to figure withholding. To know how much federal income tax to withhold from employees' wages, you should have a Form W-4 on file for each employee. Encourage employees to file an updated Form W-4 for 2027, especially if they owed taxes or received a large refund when filing their 2026 tax returns.

Ask all new employees to give you a signed Form W-4 when they start work. Make the form effective with the first wage payment. If a new employee doesn't give you a completed Form W-4 in 2027 (including an employee who previously worked for you and was rehired in 2027, and who fails to furnish a Form W-4), treat the new employee as if they had checked the box for "Single or Married filing separately" in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2027 Form W-4. An employee who was paid wages before 2020 and who failed to furnish a Form W-4 should continue to be treated as single and claiming zero allowances on a 2019 Form W-4. If you use the optional computational bridge, described earlier under *Redesigned Form W-4*, you may treat this employee as if they had checked the box for "Single or Married filing separately" in Step 1(c), and made no entries in Step 2 and Step 3, an entry of $8,600 in Step 4(a), and an entry of zero in Step 4(b) of the 2027 Form W-4.

Electronic system to receive Form W-4. You may establish a system to electronically receive Forms W-4 from your employees. See Regulations section 31.3402(f)(5)-1(c) and Pub. 15-T for more information.

Effective date of Form W-4. A Form W-4 for 2026 or earlier years remains in effect for 2027 unless the employee gives you a 2027 Form W-4. When you receive a new Form W-4 from an employee, don't adjust withholding for pay periods before the effective date of the new form. If an employee gives you a Form W-4 that replaces an existing Form W-4, begin withholding no later than the start of the first payroll period ending on or after the 30th day from the date when you received the replacement Form

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

W-4. For exceptions, see *Exemption from federal income tax withholding*, *IRS review of requested Forms W-4*, and *Invalid Forms W-4*, later in this section.

Caution: A Form W-4 that makes a change for the next calendar year won't take effect in the current calendar year.

Successor employer. If you're a successor employer (see *Successor employer*, later in this section), secure new Forms W-4 from the transferred employees unless the "Alternative Procedure" in section 5 of Revenue Procedure 2004-53 applies. See Revenue Procedure 2004-53, 2004-34 I.R.B. 320, available at *IRS.gov/irb/2004-34_IRB#RP-2004-53*.

IRS Tax Withholding Estimator for employees. You may advise your employees to use the IRS Tax Withholding Estimator available at *IRS.gov/W4App* for help in determining how to complete their Forms W-4. An employee that makes a mid-year change to their withholding after using the IRS Tax Withholding Estimator may be underwithheld or overwithheld once their Form W-4 is applied to the next full calendar year. Therefore, you should remind employees that made a mid-year change to revisit the IRS Tax Withholding Estimator in early January and submit a new Form W-4 for the year.

Completing Form W-4. The amount of any federal income tax withholding must be based on filing status, income (including income from other jobs), deductions, and credits. Your employees may not base their withholding amounts on a fixed dollar amount or percentage. However, an employee may specify a dollar amount to be withheld each pay period in addition to the amount of withholding based on filing status and other information reported on Form W-4.

Employees that are married filing jointly and have spouses that also currently work, or employees that hold more than one job at the same time, should account for their higher tax rate by completing Step 2 of their 2027 Form W-4. Employees also have the option to report on their 2027 Form W-4 other income they will receive that isn't subject to withholding and other deductions they will claim in order to increase the accuracy of their federal income tax withholding.

See Pub. 505 for more information about completing Form W-4. Along with Form W-4, you may wish to order Pub. 505 for use by your employees.

Don't accept any withholding or estimated tax payments from your employees in addition to withholding based on their Form W-4. If they require additional withholding, they should submit a new Form W-4 and, if necessary, pay estimated tax by filing Form 1040-ES or by making an electronic payment of estimated taxes. Employees who receive tips may provide funds to their employer for withholding on tips; see *Collecting taxes on tips* in section 6.

Exemption from federal income tax withholding. Generally, an employee may claim exemption from federal income tax withholding because they had no federal income tax liability last year and expect none this year. See the Form W-4 instructions for more information. However, the wages are still subject to social security and Medicare taxes. See also *Invalid Forms W-4*, later in this section.

A Form W-4 claiming exemption from withholding is effective when it is given to the employer and only for that calendar year. To continue to be exempt from withholding, an employee must give you a new Form W-4 by February 15. If the employee doesn't give you a new Form W-4 by February 15, begin withholding as if they had checked the box for "Single or Married filing separately" in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2027 Form W-4. If the employee provides a new Form W-4 claiming exemption from withholding on February 16 or later, you may apply it to future wages but don't refund any taxes withheld while the exempt status wasn't in place.

Withholding federal income taxes on the wages of nonresident alien employees. In general, you must withhold federal income taxes on the wages of nonresident alien employees. However, see Pub. 515 for exceptions to this general rule. See section 5 for more guidance on H-2A visa workers.

Withholding adjustment for nonresident alien employees. Nonresident aliens may not claim the standard deduction on their tax returns; therefore, employers must add an amount to the wages of nonresident alien employees performing services within the United States in order to figure the amount of federal income tax to withhold from their wages. The amount is added to their wages solely for calculating federal income tax withholding. The amount isn't included in any box on the employee's Form W-2 and doesn't increase the income tax liability of the employee. The amount also doesn't increase the social security tax or Medicare tax liability of the employer or the employee, or the FUTA tax liability of the employer. See *Withholding Adjustment for Nonresident Alien Employees* under *Introduction* in Pub. 15-T for the amount to add to their wages for the payroll period.

Supplemental wage payment. The adjustment for determining the amount of income tax withholding for nonresident alien employees doesn't apply to a supplemental wage payment (see section 7) if the 37% mandatory flat rate withholding applies or if the 22% optional flat rate withholding is being used to calculate income tax withholding on the supplemental wage payment.

Nonresident alien employee's Form W-4. When completing Forms W-4, nonresident aliens are required to:

- Not claim exemption from income tax withholding (even if they meet both of the conditions to claim exemption from withholding listed in the Form W-4 instructions);
- Request withholding as if they're single, regardless of their actual filing status;
- Not claim the child tax credit or credit for other dependents in Step 3 of Form W-4 (if the nonresident alien is a resident of Canada, Mexico, or South Korea, or a student from India, or a business apprentice from

DRAFT
DRAFT

India, they may claim, under certain circumstances (see Pub. 519, U.S. Tax Guide for Aliens), the child tax credit or credit for other dependents); and

- Write "Nonresident Alien" or "NRA" in the space below Step 4(c) of Form W-4.

If you maintain an electronic Form W-4 system, you should provide a field for nonresident aliens to enter nonresident alien status instead of writing "Nonresident Alien" or "NRA" in the space below Step 4(c) of Form W-4. You should instruct nonresident aliens to see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing Form W-4.

Form 8233. If a nonresident alien employee claims a tax treaty exemption from withholding, the employee must submit Form 8233 with respect to the income exempt under the treaty, instead of Form W-4. For more information, see the Instructions for Form 8233 and *Pay for Personal Services Performed* under *Withholding on Specific Income* in Pub. 515.

IRS review of requested Forms W-4. When requested by the IRS, you must make original Forms W-4 available for inspection by an IRS employee. You may also be directed to send certain Forms W-4 to the IRS. You may receive a notice from the IRS requiring you to submit a copy of Form W-4 for one or more of your named employees. Send the requested copy or copies of Form W-4 to the IRS at the address provided and in the manner directed by the notice. The IRS may also require you to submit copies of Form W-4 to the IRS as directed by a revenue procedure or notice published in the Internal Revenue Bulletin.

After submitting a copy of a requested Form W-4 to the IRS, continue to withhold federal income tax based on that Form W-4 if it is valid (see *Invalid Forms W-4*, later in this section). However, if the IRS later notifies you in writing that the employee isn't entitled to claim exemption from withholding or a claimed amount of deductions or credits, withhold federal income tax based on the effective date, employee's permitted filing status, and withholding instructions specified in the IRS notice (commonly referred to as a "lock-in letter").

Initial lock-in letter. The IRS uses information reported on Form W-2 to identify employees with withholding compliance problems. In some cases, if a serious underwithholding problem is found to exist for a particular employee, the IRS may issue a lock-in letter to the employer specifying the employee's permitted filing status and providing withholding instructions for the specific employee. You'll also receive a copy for the employee that identifies the permitted filing status and provides a description of the withholding instructions you're required to follow and the process by which the employee can provide additional information to the IRS for purposes of determining the appropriate withholding and/or modifying the specified filing status. You must furnish the employee copy to the employee within 10 business days of receipt if the employee is employed by you as of the date of the notice. You may follow any reasonable business practice to furnish the employee copy to the employee. Begin withholding based on the notice on the date specified in the notice.

Implementation of lock-in letter. When you receive the notice specifying the permitted filing status and providing withholding instructions, you may not withhold immediately on the basis of the notice. You must begin withholding tax on the basis of the notice for any wages paid after the date specified in the notice. The delay between your receipt of the notice and the date to begin the withholding on the basis of the notice permits the employee time to contact the IRS.

Seasonal employees and employees not currently performing services. If you receive a notice for an employee who isn't currently performing services for you, you're still required to furnish the employee copy to the employee and withhold based on the notice if any of the following apply.

- You're paying wages for the employee's prior services and the wages are subject to income tax withholding on or after the date specified in the notice.
- You reasonably expect the employee to resume services within 12 months of the date of the notice.
- The employee is on a leave of absence that doesn't exceed 12 months or the employee has a right to reemployment after the leave of absence.

Termination and rehire of employees. If you must furnish and withhold based on the notice and the employment relationship is terminated after the date of the notice, you must continue to withhold based on the notice if you continue to pay any wages subject to income tax withholding. You must also withhold based on the notice or modification notice (explained next) if the employee resumes the employment relationship with you within 12 months after the termination of the employment relationship.

Modification notice. After issuing the notice specifying the permitted filing status and providing withholding instructions, the IRS may issue a subsequent notice (modification notice) that modifies the original notice. The modification notice may change the permitted filing status and withholding instructions. You must withhold federal income tax based on the effective date specified in the modification notice.

New Form W-4 after IRS notice. After the IRS issues a notice or modification notice, if the employee provides you with a new Form W-4 claiming complete exemption from withholding or a completed Form W-4 that results in less withholding than would result under the IRS notice or modification notice, disregard the new Form W-4. You must withhold based on the notice or modification notice unless the IRS notifies you to withhold based on the new Form W-4. If the employee wants to put a new Form W-4 into effect that results in less withholding than required, the employee must contact the IRS.

If, after you receive an IRS notice or modification notice, your employee gives you a new completed Form W-4 that results in more withholding than would result under the notice or modification notice, you must withhold tax based on the new Form W-4. Otherwise, disregard any subsequent Forms W-4 provided by the employee and withhold based on the IRS notice or modification notice.

DRAFT
DRAFT

Caution: If, in a year before 2020, you received a lock-in letter for an employee, then for 2027 you should continue to follow the instructions in the lock-in letter. You will use the withholding methods described in Pub. 15-T for an employee with a Form W-4 from 2019 or earlier, or you may use the optional computational bridge to treat 2019 and earlier Forms W-4 as if they were 2020 or later Forms W-4 for purposes of figuring federal income tax withholding. See *How To Treat 2019 and Earlier Forms W-4 as if They Were 2020 or Later Forms W-4* under *Introduction* in Pub. 15-T. You should continue following the instructions in the pre-2020 lock-in letter until you receive a letter releasing your employee from the lock-in procedures, you receive a modification notice, or your employee gives you a new Form W-4 that results in more withholding than would result under the notice.

For additional information about employer withholding compliance, see *IRS.gov/WHC*.

Substitute Forms W-4. You're encouraged to have your employees use the official version of Form W-4. You may use a substitute version of Form W-4 to meet your business needs. However, your substitute Form W-4 must contain language that is identical to the official Form W-4 and your form must meet all current IRS rules for substitute forms. At the time you provide your substitute form to the employee, you must provide them with all tables, instructions, and worksheets from the current Form W-4. For more information, see Pub. 15-T.

You can't accept substitute Forms W-4 developed by employees. An employee who submits an employee-developed substitute Form W-4 after October 10, 2007, will be treated as failing to furnish a Form W-4. However, continue to honor any valid employee-developed Forms W-4 you accepted before October 11, 2007.

Invalid Forms W-4. Any unauthorized change or addition to Form W-4 makes it invalid. This includes taking out any language by which the employee certifies the form is correct. A Form W-4 is also invalid if, by the date an employee gives it to you, they clearly indicate it is false. An employee who submits a false Form W-4 may be subject to a $500 penalty. You may treat a Form W-4 as invalid if the employee wrote "exempt" below Step 4(c) and checked the box in Step 2(c) or entered numbers for Steps 3 and 4.

When you get an invalid Form W-4, don't use it to figure federal income tax withholding. Tell the employee it is invalid and ask for another one. If the employee doesn't give you a valid one, and you have an earlier Form W-4 for this employee that is valid, withhold as you did before. If you don't have an earlier Form W-4 that is valid, withhold tax as if the employee had checked the box for "Single or Married filing separately" in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2027 Form W-4. However, an employee who was paid wages in 2019 who never submitted a valid Form W-4 and submits an invalid Form W-4 in 2027 should continue to be treated as single and claiming zero allowances on a 2019 Form W-4. If you use the optional computational bridge, described earlier under *Redesigned Form W-4*, you may treat this employee as if they had checked the box for "Single or Married filing separately" in Step 1(c), and made no entries in Step 2 and Step 3, an entry of $8,600 in Step 4(a), and an entry of zero in Step 4(b) of the 2027 Form W-4.

Amounts exempt from levy on wages, salary, and other income. If you receive a Notice of Levy on Wages, Salary, and Other Income (a notice in the Form 668 series), you must withhold amounts as described in the instructions for these forms. Pub. 1494 has tables to figure the amount exempt from levy. If a levy issued in a prior year is still in effect and the taxpayer submits a new Statement of Exemptions and Filing Status, use the current-year Pub. 1494 to figure the exempt amount.

Social Security and Medicare Taxes

The Federal Insurance Contributions Act (FICA) provides for a federal system of old-age, survivors, disability, and hospital insurance. The old-age, survivors, and disability insurance part is financed by the social security tax. The hospital insurance part is financed by the Medicare tax. Each of these taxes is reported separately.

Generally, you're required to withhold social security and Medicare taxes from your employees' wages and pay the employer share of these taxes. Certain types of wages and compensation aren't subject to social security and Medicare taxes. See section 5 and section 15 for details. Generally, employee wages are subject to social security and Medicare taxes regardless of the employee's age or whether they are receiving social security benefits. If the employee reported tips, see section 6.

The $150 test or the $2,500 test for farmwork. All cash wages that you pay to an employee during the year for farmwork are subject to social security and Medicare taxes and federal income tax withholding if either of the two tests below is met.

- You pay cash wages to an employee of $150 or more in a year for farmwork (count all cash wages paid on a time, piecework, or other basis). The $150 test applies separately to each farmworker that you employ. If you employ a family of workers, each member is treated separately. Don't count wages paid by other employers.
- The total that you pay for farmwork (cash and noncash) to all your employees is $2,500 or more during the year.

Exceptions. Annual cash wages of less than $150 you pay to a **seasonal** farmworker aren't subject to social security and Medicare taxes, or federal income tax withholding, even if you pay $2,500 or more to all your farmworkers. However, these wages count toward the $2,500 test for determining whether other farmworkers' wages are subject to social security and Medicare taxes.

A seasonal farmworker is a worker who:

- Is employed in agriculture as a hand-harvest laborer,
- Is paid piece rates in an operation that is usually paid on a piece-rate basis in the region of employment,

- Commutes daily from their permanent home to the farm, and
- Had been employed in agriculture less than 13 weeks in the preceding calendar year.

Wages paid to a child under age 18 working on a farm that is a sole proprietorship or a partnership in which each partner is a parent of a child aren't subject to social security and Medicare taxes. However, these wages count toward the $2,500 test for determining whether other farmworkers' wages are subject to social security and Medicare taxes.

Deducting the tax. Deduct the employee tax from each wage payment. If you're not sure that the wages that you pay to a farmworker during the year will be taxable, you may either deduct the tax when you make the payments or wait until the $2,500 test or the $150 test discussed earlier has been met.

Tax rates and the social security wage base limit. Social security and Medicare taxes have different rates and only the social security tax has a wage base limit. The wage base limit is the maximum wage subject to the tax for the year. Determine the amount of withholding for social security and Medicare taxes by multiplying each payment by the employee tax rate.

For 2027, the social security tax rate is 6.2% (amount withheld) each for the employer and employee (12.4% total). The social security wage base limit is $192,300. The tax rate for Medicare is 1.45% (amount withheld) each for the employee and employer (2.9% total). There is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

Additional Medicare Tax withholding. In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of $200,000 in a calendar year. You're required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of $200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Additional Medicare Tax is only imposed on the employee. There is no employer share of Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the $200,000 withholding threshold.

For more information on what wages are subject to Medicare tax, see section 15. For more information on Additional Medicare Tax, go to *IRS.gov/ADMTfaqs*.

Successor employer. When corporate acquisitions meet certain requirements, wages paid by the predecessor are treated as if paid by the successor for purposes of applying the social security wage base limit and for applying the Additional Medicare Tax withholding threshold (that is, $200,000 in a calendar year). You should determine whether or not you should file Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations, by reviewing the Instructions for Schedule D (Form 941). See Regulations section 31.3121(a)(1)-1(b) for more information. Also see Revenue Procedure 2004-53, 2004-34 I.R.B. 320, available at *IRS.gov/irb/2004-34_IRB#RP-2004-53*.

Example. Early in 2027, you bought all of the assets of a plumbing business from Adam Black. Julian Gold, who had been employed by Adam and received $2,000 in wages before the date of purchase, continued to work for you. The wages you paid to Julian are subject to social security tax on the first $190,300 ($192,300 minus $2,000). Medicare tax is due on all of the wages you pay Julian during the calendar year. You should include the $2,000 Julian received while employed by Adam in determining whether Julian's wages exceed the $200,000 threshold for Additional Medicare Tax withholding.

Employee's portion of taxes paid by employer. If you pay your employee's social security and Medicare taxes without deducting them from the employee's pay, you must include the amount of the payments in the employee's wages for social security and Medicare taxes. This increase in the employee's wage payment for your payment of the employee's social security and Medicare taxes is also subject to employee social security and Medicare taxes. This again increases the amount of the additional taxes that you must pay. For more information, see Revenue Ruling 86-14, 1986-1 C.B. 304, and Pub. 15-A.

Household and agricultural employers. If you would rather pay a household or agricultural employee's share of the social security and Medicare taxes without withholding them from the employee's wages, you may do so. If you don't withhold the taxes, however, you must still pay them on behalf of the employee. Any **employee** social security and Medicare taxes that you pay are additional income to the employee. Include it in box 1 of the employee's Form W-2 (box 7 of Form 499R-2/W-2PR), but don't count it as social security and Medicare wages and don't include it in boxes 3 and 5 (boxes 20 and 22 of Form 499R-2/W-2PR). Also, don't count the additional income as wages for FUTA tax purposes. Different rules apply to employer payments of social security and Medicare taxes for non-household and non-agricultural employees. See section 7 of Pub. 15-A.

Example. Gavrielle operates a small family fruit farm. Gavrielle employs day laborers in the picking season to allow Gavrielle time to get the crops to market. Gavrielle doesn't deduct the employees' share of social security and Medicare taxes from their pay; instead, Gavrielle pays it on their behalf. When Gavrielle prepares the employees' Forms W-2, Gavrielle adds each employee's share of social security and Medicare taxes that Gavrielle paid to the employee's wage income (box 1 of Form W-2), but doesn't include it in box 3 (social security wages) or box 5 (Medicare wages and tips).

For 2027, Gavrielle paid Dan $1,000 during the year. Gavrielle enters $1,076.50 in box 1 of Dan's Form W-2 ($1,000 wages plus $76.50 social security and Medicare taxes paid for Dan). Gavrielle enters $1,000.00 in boxes 3 and 5 of Dan's Form W-2.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Sick pay payments. Social security and Medicare taxes apply to most payments of sick pay, including payments made by third parties such as insurance companies. For details on third-party payers of sick pay, see Pub. 15-A.

Motion picture project employers. All wages paid by a motion picture project employer to a motion picture project worker during a calendar year are subject to a single social security tax wage base limit ($192,300 for 2027) and a single FUTA tax wage base limit ($7,000 for 2027) regardless of the worker's status as a common-law employee of multiple clients of the motion picture project employer. For more information, including the definition of a "motion picture project employer" and a "motion picture project worker," see section 3512.

Withholding social security and Medicare taxes on nonresident alien employees. In general, if you pay wages to nonresident alien employees, you must withhold social security and Medicare taxes as you would for a U.S. citizen or resident alien. However, see Pub. 515 for exceptions to this general rule. One such exception is for foreign agricultural workers on H-2A visas, who are exempt from social security and Medicare taxes. See *Compensation paid to H-2A visa holders* in section 5.

International social security agreements. The United States has social security agreements, also known as totalization agreements, with many countries that eliminate dual social security coverage and taxation. Compensation subject to social security and Medicare taxes may be exempt under one of these agreements. You can get more information and a list of agreement countries from the SSA at *SSA.gov/international*. Also see Pub. 519.

Religious exemption. An exemption from social security and Medicare taxes is available to members of a recognized religious sect opposed to insurance. This exemption is available only if both the employee and the employer are members of the sect. For more information, see Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers.

Foreign persons treated as American employers. Under section 3121(z), a foreign person who meets both of the following conditions is generally treated as an American employer for purposes of paying FICA taxes on wages paid to an employee who is a U.S. citizen or resident.

1. The foreign person is a member of a domestically controlled group of entities.
2. The employee of the foreign person performs services in connection with a contract between the U.S. Government (or an instrumentality of the U.S. Government) and any member of the domestically controlled group of entities. Ownership of more than 50% constitutes control.

Part-Time Workers

Part-time workers and workers hired for short periods of time are treated the same as full-time employees for federal income tax withholding and social security, Medicare, and FUTA tax purposes.

Generally, it doesn't matter whether the part-time worker or worker hired for a short period of time has another job or has the maximum amount of social security tax withheld by another employer. See *Successor employer*, earlier in this section, for an exception to this rule.

Income tax withholding may be figured the same way as for full-time workers or it may be figured by the part-year employment method explained in section 6 of Pub. 15-T.

10. Required Notice to Employees About the Earned Income Credit (EIC)

You must notify employees, except for employees in American Samoa, Guam, Puerto Rico, the CNMI, and the USVI, who have no federal income tax withheld that they may be able to claim a tax refund because of the EIC. Although you don't have to notify employees who claim exemption from withholding on Form W-4 about the EIC, you're encouraged to notify any employees whose wages for 2026 were less than $62,974 ($70,244 if married filing jointly) that they may be eligible to claim the credit for 2026. This is because eligible employees may get a refund of the amount of the EIC that is more than the tax they owe.

You'll meet this notification requirement if you issue the employee Form W-2 with the EIC notice on the back of Copy B, or a substitute Form W-2 with the same statement. You'll also meet the requirement by providing Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC), or your own statement that contains the same wording.

If a substitute for Form W-2 is given to the employee on time but doesn't have the required statement, you must notify the employee within 1 week of the date the substitute for Form W-2 is given. If Form W-2 is required but isn't given on time, you must give the employee Notice 797 or your written statement by the date Form W-2 is required to be given. If Form W-2 isn't required, you must notify the employee by February 8, 2027.

11. Depositing Taxes

Generally, you must deposit federal income tax withheld and both the employer and employee social security and Medicare taxes. You must use EFT to make all federal tax deposits. See *How To Deposit*, later in this section, for information on electronic deposit requirements.

Payment with return. You may make a payment with a timely filed Form 941, Form 943, Form 944, or Form 945

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

instead of depositing, without incurring a penalty, if one of the following applies.

- You're a monthly schedule depositor (defined later) and make a payment in accordance with the accuracy of deposits rule, discussed later in this section. This payment may be $2,500 or more.
- Your Form 941 total tax liability (Form 941, line 12) for either the current quarter or the prior quarter is less than $2,500, and you didn't incur a $100,000 next-day deposit obligation during the current quarter. However, if you're unsure that your total tax liability for the current quarter will be less than $2,500 (and your liability for the prior quarter wasn't less than $2,500), make deposits using the semiweekly or monthly rules so you won't be subject to an FTD penalty.
- Your Form 943 total tax liability (Form 943, line 13) for the year is less than $2,500. However, if you're unsure that you will report less than $2,500, deposit under the rules explained in this section so that you won't be subject to an FTD penalty.
- Your Form 944 total tax liability for the year (Form 944, line 9) is less than $2,500, or your Form 944 total tax liability for the year (Form 944, line 9) is $2,500 or more and you already deposited the taxes you owed for the first, second, and third quarters of the year; your net tax for the fourth quarter is less than $2,500; and you're paying, in full, the tax you owe for the fourth quarter with a timely filed return.
- Your Form 945 total tax liability (Form 945, line 3) for the year is less than $2,500. However, if you're unsure that you will report less than $2,500, deposit under the rules explained in this section so that you won't be subject to an FTD penalty.

Separate deposit requirements for nonpayroll (Form 945) tax liabilities. Separate deposits are required for nonpayroll and payroll income tax withholding. Don't combine deposits for Forms 941 (or Form 943 or Form 944) and Form 945 tax liabilities. Generally, the deposit rules for nonpayroll liabilities are the same as discussed next, except the rules apply to an annual rather than a quarterly return period. If the total amount of tax for the year reported on Form 945 is less than $2,500, you're not required to make deposits during the year. See the separate Instructions for Form 945 for more information.

Separate deposit requirements for employers of both farm and nonfarm workers. If you employ both farm and nonfarm workers, you must treat employment taxes for the farmworkers (Form 943 taxes) separately from employment taxes for the nonfarm workers (Form 941/944 taxes). Form 943 taxes and Form 941/944 taxes aren't combined for purposes of applying any of the deposit schedule rules. If a deposit is due, deposit the Form 941/944 taxes and the Form 943 taxes by making separate deposits. For example, if you're a monthly schedule depositor for both Form 941/944 taxes and Form 943 taxes and your tax liability at the end of April is $1,500 reportable on Form 941/944 and $1,200 reportable on Form 943, deposit both amounts by May 15. Use one transaction to deposit the $1,500 of Form 941/944 taxes and another transaction to deposit the $1,200 of Form 943 taxes.

When To Deposit

There are two deposit schedules—monthly and semiweekly—that determine when you must deposit social security, Medicare, and withheld federal income taxes. These schedules tell you when a deposit is due after a tax liability arises. Your tax liability is based on the dates payments were made or wages were paid. For taxable noncash fringe benefits, see *When taxable fringe benefits are treated as paid* in section 5. Before the beginning of each calendar year, you must determine which of the two deposit schedules you're required to use. The deposit schedule you must use is based on the total tax liability you reported on Forms 941, line 12; Form 943, line 13; Form 944, line 9; or Form 945, line 3, during a lookback period, discussed next. Your deposit schedule isn't determined by how often you pay your employees or make deposits. See special rules for Form 943, Form 944, and Form 945, later in this section. Also see *Application of Monthly and Semiweekly Schedules*, later in this section.

Caution: These rules don't apply to FUTA tax. See section 14 for information on depositing FUTA tax.

Lookback period. If you're a Form 941 filer, your deposit schedule for a calendar year is determined from the total taxes reported on Forms 941, line 12, in a 4-quarter lookback period. The lookback period begins July 1 and ends June 30 as shown next in Table 1. If you reported $50,000 or less of taxes for the lookback period, you're a monthly schedule depositor; if you reported more than $50,000, you're a semiweekly schedule depositor.

Table 1. **Lookback Period for Calendar Year 2027***

July 1, 2025, through Sept. 30, 2025	Oct. 1, 2025, through Dec. 31, 2025	Jan. 1, 2026, through Mar. 31, 2026	Apr. 1, 2026, through June 30, 2026

* The lookback period for a 2027 Form 941 filer who filed Form 944 in either 2025 or 2026 is calendar year 2025.

If you're a Form 943 or Form 944 filer for the current year or either of the preceding 2 years, your deposit schedule for a calendar year is determined from the total taxes reported during the second preceding calendar year (either on your Forms 941 for all 4 quarters of that year, your Form 943 for that year, or your Form 944 for that year). The lookback period for 2027 for a Form 943 or Form 944 filer is calendar year 2025. If you reported $50,000 or less of taxes for the lookback period, you're a monthly schedule depositor; if you reported more than $50,000, you're a semiweekly schedule depositor.

If you're a Form 945 filer, your deposit schedule for a calendar year is determined from the total taxes reported on line 3 of your Form 945 for the second preceding calendar year. The lookback period for 2027 for a Form 945 filer is calendar year 2025.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Adjustments and the lookback rule. Adjustments made on Form 941-X, Form 943-X, Form 944-X, and Form 945-X don't affect the amount of tax liability for previous periods for purposes of the lookback rule.

Example. An employer originally reported a tax liability of $45,000 for the lookback period. The employer discovered, during January 2027, that the tax reported for one of the lookback period quarters was understated by $10,000 and corrected this error by filing Form 941-X. This employer is a monthly schedule depositor for 2027 because the lookback period tax liabilities are based on the amounts originally reported, and they were $50,000 or less. The $10,000 adjustment is also not treated as part of the 2027 taxes.

Deposit period. The term "deposit period" refers to the period during which tax liabilities are accumulated for each required deposit due date. For monthly schedule depositors, the deposit period is a calendar month. The deposit periods for semiweekly schedule depositors are Wednesday through Friday and Saturday through Tuesday.

Tip: If you're an agent with an approved Form 2678, the deposit rules apply to you based on the total employment taxes accumulated by you for your own employees and on behalf of all employers for whom you're authorized to act. For more information on an agent with an approved Form 2678, see Revenue Procedure 2013-39, 2013-52 I.R.B. 830, available at *IRS.gov/irb/2013-52_IRB#RP-2013-39*.

Monthly Deposit Schedule

For Form 941 filers, you're a monthly schedule depositor for a calendar year if the total taxes on Forms 941, line 12, for the 4 quarters in your lookback period were $50,000 or less. For Form 943, Form 944, or Form 945 filers, you're a monthly schedule depositor for a calendar year if the total taxes on Form 943, line 13; Form 944, line 9; or Form 945, line 3, during your lookback period were $50,000 or less. Under the monthly deposit schedule, deposit employment taxes on payments made during a month by the 15th day of the following month. See also *Deposits Due on Business Days Only* and *$100,000 Next-Day Deposit Rule*, later in this section. Monthly schedule depositors shouldn't file Form 941, Form 943, Form 944, or Form 945 on a monthly basis.

New employers. For Form 941 filers, your tax liability for any quarter in the lookback period before you started or acquired your business is considered to be zero. Therefore, you're a monthly schedule depositor for the first calendar year of your business. For Form 943, Form 944, or Form 945 filers, your tax liability in the lookback period before you started or acquired your business is considered to be zero. Therefore, you're a monthly schedule depositor for the first and second calendar years of your business. However, see *$100,000 Next-Day Deposit Rule*, later in this section.

Semiweekly Deposit Schedule

For Form 941 filers, you're a semiweekly schedule depositor for a calendar year if the total taxes on Forms 941, line 12, during your lookback period were more than $50,000. For Form 943, Form 944, or Form 945 filers, you're a semiweekly schedule depositor for a calendar year if the total taxes on Form 943, line 13; Form 944, line 9; or Form 945, line 3, during your lookback period were more than $50,000. Under the semiweekly deposit schedule, deposit employment taxes for payments made on Wednesday, Thursday, and/or Friday by the following Wednesday. Deposit taxes for payments made on Saturday, Sunday, Monday, and/or Tuesday by the following Friday. See also *Deposits Due on Business Days Only*, later in this section.

Caution: Semiweekly schedule depositors must complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and submit it with Form 941. If you file Form 943 and are a semiweekly schedule depositor, complete Form 943-A, Agricultural Employer's Record of Federal Tax Liability, and submit it with Form 943. If you file Form 944 or Form 945 and are a semiweekly schedule depositor, complete Form 945-A, Annual Record of Federal Tax Liability, and submit it with your return.

Table 2. **Semiweekly Deposit Schedule**

IF the payday falls on a...	THEN deposit taxes by the following...
Wednesday, Thursday, and/or Friday	Wednesday.
Saturday, Sunday, Monday, and/or Tuesday	Friday.

Semiweekly deposit period spanning 2 quarters (Form 941 filers). If you have more than 1 pay date during a semiweekly period and the pay dates fall in different calendar quarters, you'll need to make **separate deposits** for the separate liabilities.

Example. If you have a pay date on Wednesday, September 29, 2027 (third quarter), and another pay date on Friday, October 1, 2027 (fourth quarter), two separate deposits would be required even though the pay dates fall within the same semiweekly period. Both deposits would be due on Wednesday, October 6, 2027.

Semiweekly deposit period spanning 2 return periods (Form 943, Form 944, or Form 945 filers). The period covered by a return is the return period. The return period for annual Form 943, Form 944, and Form 945 is a calendar year. If you have more than 1 pay date during a semiweekly period and the pay dates fall in different return periods, you'll need to make separate deposits for the separate liabilities. For example, if a return period ends on Thursday, taxes accumulated on Wednesday and Thursday are subject to one deposit obligation, and taxes accumulated on Friday are subject to a separate obligation.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Separate deposits are required because 2 different return periods are affected.

Summary of Steps To Determine Your Deposit Schedule

1. Identify your lookback period (see *Lookback period*, earlier in this section).
2. Add the total taxes you reported on Forms 941, line 12; Form 943, line 13; Form 944, line 9; or Form 945, line 3, during the lookback period.
3. Determine if you're a monthly or semiweekly schedule depositor using the following table.

IF the total taxes you reported in the lookback period were...	THEN you're a...
$50,000 or less	monthly schedule depositor.
more than $50,000	semiweekly schedule depositor.

Example of Monthly and Semiweekly Schedules

Rose Co. reported Form 941 taxes as follows.

2026 Lookback period		2027 Lookback period	
3rd quarter 2024	$12,000	3rd quarter 2025	$12,000
4th quarter 2024	12,000	4th quarter 2025	12,000
1st quarter 2025	12,000	1st quarter 2026	12,000
2nd quarter 2025	12,000	2nd quarter 2026	15,000
	$48,000		$51,000

Rose Co. is a monthly schedule depositor for 2026 because its tax liability for the 4 quarters in its lookback period (third quarter 2024 through second quarter 2025) wasn't more than $50,000. However, for 2027, Rose Co. will be a semiweekly schedule depositor because the total taxes exceeded $50,000 for the 4 quarters in its lookback period (third quarter 2025 through second quarter 2026).

Example for employers of farmworkers. Red Co. reported taxes on its 2025 Form 943, line 13, of $48,000. On its 2026 Form 943, line 13, it reported taxes of $60,000.

Red Co. is a monthly schedule depositor for 2027 because its taxes for its lookback period ($48,000 for calendar year 2025) weren't more than $50,000. However, for 2028, Red Co. will be a semiweekly schedule depositor because the total taxes for its lookback period ($60,000 for calendar year 2026) exceeded $50,000.

Deposits Due on Business Days Only

If a deposit is required to be made on a day that isn't a business day, the deposit is considered timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. For example, if a deposit is required to be made on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day).

Semiweekly schedule depositors have at least 3 business days following the close of the semiweekly period to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a legal holiday, you'll have an additional day for each day that is a legal holiday to make the required deposit. For example, if a semiweekly schedule depositor accumulated taxes for payments made on Friday and the following Monday is a legal holiday, the deposit normally due on Wednesday may be made on Thursday (this allows 3 business days to make the deposit).

Legal holiday. The term "legal holiday" means any legal holiday in the District of Columbia. For purposes of the deposit rules, the term "legal holiday" doesn't include other statewide legal holidays. Legal holidays for 2027 are listed next.

- January 1—New Year's Day
- January 18—Birthday of Martin Luther King, Jr.
- February 15—Washington's Birthday
- April 16—District of Columbia Emancipation Day
- May 31—Memorial Day
- June 18—Juneteenth National Independence Day (observed)
- July 5—Independence Day (observed)
- September 6—Labor Day
- October 11—Indigenous Peoples' Day (Columbus Day)
- November 11—Veterans Day
- November 25—Thanksgiving Day
- December 24—Christmas Day (observed)
- December 31—New Year's Day 2028 (observed)

Application of Monthly and Semiweekly Schedules

The terms "monthly schedule depositor" and "semiweekly schedule depositor" don't refer to how often you pay employees or make deposits. The terms identify which set of deposit rules you must follow when an employment tax liability arises. The deposit rules are based on the dates when wages are paid (cash basis), not on when tax liabilities are accrued for accounting purposes.

Monthly schedule example. Spruce Co. is a monthly schedule depositor with seasonal employees. It paid wages each Friday during February but didn't pay any wages during March. Under the monthly deposit schedule, Spruce Co. must deposit the combined tax liabilities for the February paydays by March 15. Spruce Co. doesn't have a deposit requirement for March (due by April 15) because no wages were paid and, therefore, it didn't have a tax liability for March.

Semiweekly schedule example. Green, Inc., is a semiweekly schedule depositor and pays wages once each month on the last Friday of the month. Although Green,

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Inc., has a semiweekly deposit schedule, it will deposit just once a month because it pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: Green, Inc.'s tax liability for the April 30, 2027 (Friday), payday must be deposited by May 5, 2027 (Wednesday). Under the semiweekly deposit schedule, liabilities for wages paid on Wednesday through Friday must be deposited by the following Wednesday.

$100,000 Next-Day Deposit Rule

If you accumulate $100,000 or more in taxes on any day during a monthly or semiweekly deposit period (see *Deposit period*, earlier in this section), you must deposit the tax by the next business day, whether you're a monthly or semiweekly schedule depositor. Determine whether you meet the $100,000 next-day deposit threshold before reducing your liability for nonrefundable credits.

For purposes of the $100,000 rule, don't continue accumulating a tax liability after the end of a deposit period. For example, if a semiweekly schedule depositor has accumulated a liability of $95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a $10,000 liability on Wednesday, the $100,000 next-day deposit rule doesn't apply because the $10,000 is accumulated in the next deposit period. Thus, $95,000 must be deposited by Friday and $10,000 must be deposited by the following Wednesday.

However, once you accumulate at least $100,000 in a deposit period, stop accumulating at the end of that day and begin to accumulate anew on the next day. For example, Fir Co. is a semiweekly schedule depositor. On Monday, Fir Co. accumulates taxes of $110,000 and must deposit this amount on Tuesday, the next business day. On Tuesday, Fir Co. accumulates additional taxes of $30,000. Because the $30,000 isn't added to the previous $110,000 and is less than $100,000, Fir Co. must deposit the $30,000 by Friday (following the semiweekly deposit schedule).

Caution: If you're a monthly schedule depositor and accumulate a $100,000 tax liability on any day during the deposit period, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year.

Example. Elm, Inc., started its business on May 3, 2027. On Wednesday, May 5, it paid wages for the first time and accumulated a tax liability of $40,000. On Friday, May 7, Elm, Inc., paid wages and accumulated a liability of $60,000, bringing its total accumulated tax liability to $100,000. Because this was the first year of its business, the tax liability for its lookback period is considered to be zero, and it would be a monthly schedule depositor based on the lookback rules. However, because Elm, Inc., accumulated a $100,000 liability on May 7, it became a semiweekly schedule depositor on May 8. It will be a semiweekly schedule depositor for the remainder of 2027 and for 2028. Elm, Inc., is required to deposit the $100,000 by Monday, May 10, the next business day.

Accuracy of Deposits Rule

You must deposit 100% of your tax liability on or before the deposit due date. However, penalties won't be applied for depositing less than 100% if both of the following conditions are met.

- Any deposit shortfall doesn't exceed the greater of $100 or 2% of the amount of taxes otherwise required to be deposited.
- The deposit shortfall is paid or deposited by the shortfall makeup date as described next.

Makeup Date for Deposit Shortfall

1. **Monthly schedule depositor.** Deposit the shortfall or pay it with your return by the due date of your return for the return period in which the shortfall occurred. You may pay the shortfall with your return even if the amount is $2,500 or more.
2. **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of:
   a. The first Wednesday or Friday (whichever comes first) that falls on or after the 15th day of the month following the month in which the shortfall occurred, or
   b. The due date of your return (for the return period of the tax liability).

For example, if a semiweekly schedule depositor has a deposit shortfall during September 2027, the shortfall makeup date is October 15, 2027 (Friday). However, if the shortfall occurred on the required April 7, 2027 (Wednesday), deposit due date for the March 31, 2027 (Wednesday), pay date, the return due date for the March 31 pay date (April 30, 2027) would come before the May 19, 2027 (Wednesday), shortfall makeup date. In this case, the shortfall must be deposited by April 30, 2027.

How To Deposit

You must deposit employment taxes, including Form 945 taxes, by EFT. See *Payment with return*, earlier in this section, for exceptions explaining when taxes may be paid with the tax return instead of being deposited.

Electronic deposit requirement. You must use EFT to make all federal tax deposits. An EFT can be made using EFTPS, IRS Direct Pay, or your IRS business tax account. If you don't want to use one of these methods, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made using IRS Direct Pay or through your IRS business tax account are also free. For more information about IRS Direct Pay and making payments through your IRS business tax account, go to *IRS.gov/Pay*. To get more information

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

about EFTPS or to enroll in EFTPS, go to *EFTPS.gov* or call 800-555-4477 (toll free), 800-244-4829 (Spanish), or 303-967-5916 (not toll free). To contact EFTPS using TRS for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

When you receive your EIN. If you're a new employer that indicated a federal tax obligation when requesting an EIN, you'll be pre-enrolled in EFTPS. You'll receive information about Express Enrollment in your Employer Identification Number (EIN) Package and an additional mailing containing your EFTPS personal identification number (PIN) and instructions for activating your PIN. Call the toll-free number located in your "How to Activate Your Enrollment" brochure to activate your enrollment and begin making your payroll tax deposits. If you outsource any of your payroll and related tax duties to a third-party payer, such as a payroll service provider (PSP) or reporting agent, be sure to tell them about your EFTPS enrollment.

Deposit record. For your records, an EFT Trace Number will be provided with each successful payment. The number can be used as a receipt or to trace the payment.

Depositing on time. EFTPS accepts same-day payments of $1 million or less if the payment is submitted before 3:00 p.m. Eastern time on a business day. If your payment is more than $1 million, you must submit the deposit by 8:00 p.m. Eastern time the day before the date the deposit is due. If you use a third party to make a deposit on your behalf, they may have different cutoff times.

Same-day wire payment option. If you fail to submit a timely deposit transaction on EFTPS, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS) to make a same-day wire payment. To use the same-day wire payment method, you'll need to make arrangements with your financial institution ahead of time. Check with your financial institution regarding availability, deadlines, and costs. Your financial institution may charge you a fee for payments made this way. To learn more about the information you'll need to give to your financial institution to make a same-day wire payment, go to *IRS.gov/SameDayWire*.

How to claim credit for overpayments. If you deposited more than the right amount of taxes for a quarter, you can choose on Form 941 for that quarter (or on Form 943, Form 944, or Form 945 for that year) to have the overpayment refunded or applied as a credit to your next return. Don't ask EFTPS to request a refund from the IRS for you.

Deposit Penalties

Although the deposit penalties information provided next refers specifically to Form 941, these rules also apply to Form 943, Form 944, and Form 945. The penalties won't apply if the employer qualifies for the exceptions to the deposit requirements discussed under *Payment with return*, earlier, in this section. Also see *New automatic penalty relief* under *What's New*.

Penalties may apply if you don't make required deposits on time or if you make deposits for less than the required amount. The penalties don't apply if any failure to make a proper and timely deposit was due to reasonable cause and not to willful neglect. If you receive a penalty notice, you can provide an explanation of why you believe reasonable cause exists.

If you timely filed your employment tax return, the IRS may also waive deposit penalties if you inadvertently failed to deposit and it was the first quarter that you were required to deposit any employment tax, or if you inadvertently failed to deposit the first time after your deposit frequency changed. You must also meet the net worth and size limitations applicable to awards of administrative and litigation costs under section 7430; for individuals, this means that your net worth can't exceed $2 million, and for businesses, your net worth can't exceed $7 million and you also can't have more than 500 employees.

The IRS may also waive the deposit penalty the first time you're required to make a deposit if you inadvertently send the payment to the IRS rather than deposit it by EFT.

For amounts not properly or timely deposited, the penalty rates are as follows.

Penalty	Charged for...
2%	Deposits made 1 to 5 days late.
5%	Deposits made 6 to 15 days late.
10%	Deposits made 16 or more days late, but before 10 days from the date of the first notice the IRS sent asking for the tax due.
10%	Amounts that should have been deposited, but instead were paid directly to the IRS, or paid with your tax return. But see *Payment with return*, earlier in this section, for exceptions.
15%	Amounts still unpaid more than 10 days after the date of the first notice the IRS sent asking for the tax due or the day on which you received notice and demand for immediate payment, whichever is earlier.

Late deposit penalty amounts are determined using calendar days, starting from the due date of the liability.

Special rule for former Form 944 filers. If you filed Form 944 for the prior year and file Forms 941 for the current year, the FTD penalty won't apply to a late deposit of employment taxes for January of the current year if the taxes are deposited in full by March 15 of the current year.

Order in which deposits are applied. Deposits are generally applied to the most recent tax liability within the quarter. If you receive an FTD penalty notice, you may designate how your deposits are to be applied in order to minimize the amount of the penalty if you do so within 90 days of the date of the notice. Follow the instructions on the penalty notice you receive. For more information on designating deposits, see Revenue Procedure 2001-58. You can find Revenue Procedure 2001-58 on page 579 of Internal Revenue Bulletin 2001-50 at *IRS.gov/pub/irs-irbs/irb01-50.pdf*.

DRAFT
DRAFT

Example. Cedar, Inc., is required to make a deposit of $1,000 on November 15 and $1,500 on December 15. It doesn't make the deposit on November 15. On December 15, Cedar, Inc., deposits $2,000. Under the deposits rule, which applies deposits to the most recent tax liability, $1,500 of the deposit is applied to the December 15 deposit and the remaining $500 is applied to the November deposit. Accordingly, $500 of the November 15 liability remains undeposited. The penalty on this underdeposit will apply as explained earlier.

Trust fund recovery penalty. If federal income, social security, or Medicare tax that must be withheld (that is, trust fund taxes) aren't withheld or aren't deposited or paid to the U.S. Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid trust fund tax. If these unpaid taxes can't be immediately collected from the employer or business, the trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. The trust fund recovery penalty won't apply to any amount of trust fund taxes an employer holds back in anticipation of any credits to which they're entitled.

A **responsible person** can be an officer or employee of a corporation, a partner or employee of a partnership, an accountant, a volunteer director/trustee, or an employee of a sole proprietorship, or any other person or entity that is responsible for collecting, accounting for, or paying over trust fund taxes. A responsible person may also include one who signs checks for the business or otherwise has authority to cause the spending of business funds.

"Willfully" means voluntarily, consciously, and intentionally. A responsible person acts willfully if the person knows the required actions of collecting, accounting for, or paying over trust fund taxes aren't taking place, or recklessly disregards obvious and known risks to the government's right to receive trust fund taxes.

Separate accounting when deposits aren't made or withheld taxes aren't paid. Separate accounting may be required if you don't pay over withheld employee social security, Medicare, or income tax; deposit required taxes; make required payments; or file tax returns. In this case, you would receive written notice from the IRS requiring you to deposit taxes into a special trust account for the U.S. Government. You may be charged with criminal penalties if you don't comply with the special bank deposit requirements for the special trust account for the U.S. Government.

"Averaged" FTD penalty. The IRS may assess an "averaged" FTD penalty of 2% to 10% if you're a monthly schedule depositor and didn't properly complete Form 941, line 16; Form 943, line 17; Form 944, line 13; or Form 945, line 7, when your tax liability shown on Form 941, line 12; Form 943, line 13; Form 944, line 9; or Form 945, line 3, equaled or exceeded $2,500.

The IRS may also assess an "averaged" FTD penalty of 2% to 10% if you're a semiweekly schedule depositor and your tax liability shown on Form 941, line 12; Form 943, line 13; Form 944, line 9; or Form 945, line 3, equaled or exceeded $2,500 and you:

- Completed Form 941, line 16, instead of Schedule B (Form 941); Form 943, line 17, instead of Form 943-A; Form 944, line 13, instead of Form 945-A; or Form 945, line 7, instead of Form 945-A;
- Failed to attach a properly completed Schedule B (Form 941), Form 943-A, or Form 945-A, as applicable; or
- Improperly completed Schedule B (Form 941), Form 943-A, or Form 945-A by, for example, entering tax deposits instead of tax liabilities in the numbered spaces.

The FTD penalty is figured by distributing your total tax liability shown on Form 941, line 12; Form 943, line 13; Form 944, line 9; or Form 945, line 3, equally throughout the tax period. Then we apply your deposits and payments to the averaged liabilities in the date order we received your deposits. We figure the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts. Your deposits and payments may not be counted as timely because the actual dates of your tax liabilities can't be accurately determined.

You can avoid an "averaged" FTD penalty by reviewing your return before you file it. Follow these steps before submitting your Form 941, Form 943, Form 944, or Form 945.

- If you're a monthly schedule depositor, report your tax liabilities (not your deposits) in the monthly entry spaces on Form 941, line 16; Form 943, line 17; Form 944, line 13; or Form 945, line 7.
- If you're a semiweekly schedule depositor, report your tax liabilities (not your deposits) on Schedule B (Form 941), Form 943-A, or Form 945-A, as applicable, on the lines that represent the dates your employees were paid.
- Verify that your total liability shown on Form 941, line 16, or the bottom of Schedule B (Form 941) equals your tax liability shown on Form 941, line 12.
- Verify that your total liability shown on Form 943, line 17, or Form 943-A, line M, equals your tax liability shown on Form 943, line 13.
- Verify that your total liability shown on Form 944, line 13, or Form 945-A, line M, equals your tax liability shown on Form 944, line 9.
- Verify that your total liability shown on Form 945, line 7, or Form 945-A, line M, equals your tax liability shown on Form 945, line 3.
- Don't show negative amounts on Form 941, line 16, or Schedule B (Form 941); Form 943, line 17, or Form 943-A; Form 944, line 13, or Form 945-A; or Form 945, line 7, or Form 945-A.
- For prior-period errors, don't adjust your tax liabilities reported on Form 941, line 16, or Schedule B (Form 941); Form 943, line 17, or Form 943-A; Form 944, line 13, or Form 945-A; or Form 945, line 7, or Form

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

945-A. Instead, file an adjusted return (Form 941-X, 943-X, 944-X, or 945-X) if you're also adjusting your tax liability. If you're only adjusting your deposits in response to an FTD penalty notice, see the Instructions for Schedule B (Form 941), the Instructions for Form 943-A (for Form 943), or the Instructions for Form 945-A (for Forms 944 and 945).

Caution: In addition to civil penalties, you may be subject to criminal prosecution (brought to trial) for willfully:

- Evading tax;
- Failing to collect or truthfully account for and pay over tax;
- Failing to file a return, supply information, or pay any tax due;
- Furnishing false or fraudulent Forms W-2 to employees or failing to furnish Forms W-2;
- Committing fraud and providing false statements;
- Preparing and filing a fraudulent return; or
- Committing identity theft.

DRAFT

12. Filing Forms 941, Form 943, Form 944, or Form 945

Form 941. If you paid wages subject to federal income tax withholding (including withholding on sick pay and supplemental unemployment benefits) or social security and Medicare taxes, you must file Form 941 quarterly even if you have no taxes to report, unless you filed a final return, you receive an IRS notification that you're eligible to file Form 944, or the exceptions discussed later apply. Also, if you're required to file Forms 941 but believe your employment taxes for the calendar year will be $1,000 or less, and you would like to file Form 944 instead of Forms 941, you must contact the IRS during the first calendar quarter of the tax year to request to file Form 944. You must receive written notice from the IRS to file Form 944 instead of Forms 941 before you may file this form. For more information on requesting to file Form 944, including the methods and deadlines for making a request, see the Instructions for Form 944. Form 941 must be filed by the last day of the month that follows the end of the quarter. However, if you made timely deposits in full payment of your taxes for the quarter, you may file by the 10th day of the 2nd month that follows the end of the quarter. See *Calendar*, earlier.

Form 943. You must file Form 943 for each calendar year beginning with the first year that you pay $2,500 or more for farmwork or you employ a farmworker who meets the $150 test explained under *Social Security and Medicare Taxes* in section 9. Don't report these wages on Form 941, Form 944, or Form 945. File your 2026 Form 943 by February 1, 2027. However, if you made timely deposits in full payment of your taxes for the year, you may file by February 10, 2027.

Form 944. If you receive written notification that you qualify for the Form 944 program, you must file Form 944 instead of Forms 941. You must file Form 944 even if you have no taxes to report (or you have taxes in excess of $1,000 to report) unless you filed a final return for the prior year. If you received notification to file Form 944, but prefer to file Forms 941, you can request to have your filing requirement changed to Forms 941 during the first calendar quarter of the tax year. For more information on requesting to file Forms 941, including the methods and deadlines for making a request, see the Instructions for Form 944. File your 2026 Form 944 by February 1, 2027. However, if you made timely deposits in full payment of your taxes for the year, you may file by February 10, 2027.

Form 945. If you withhold or are required to withhold federal income tax (including backup withholding) from nonpayroll payments, you must file Form 945. All federal income tax withholding from nonpayroll payments that is reported on Forms 1099 or Form W-2G must be included on Form 945 and not on another form such as Form 1040-ES, Estimated Tax for Individuals. Don't report on Form 945 withholding that is required to be reported on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. You don't have to file Form 945 for those years in which you don't have a nonpayroll tax liability. File your 2026 Form 945 by February 1, 2027. However, if you made timely deposits in full payment of your taxes for the year, you may file by February 10, 2027.

DRAFT

Exceptions. The following exceptions apply to the filing requirements for Form 941 and Form 944.

- **Seasonal employers who don't have to file Forms 941 for quarters when they have no tax liability because they have paid no wages.** To alert the IRS you won't have to file a return for 1 or more quarters during the year, check the "Seasonal employer" box on Form 941, line 18. When you fill out Form 941, be sure to check the box on the top of the form that corresponds to the quarter reported. Generally, the IRS won't inquire about unfiled returns if at least one taxable return is filed each year. However, you must check the "Seasonal employer" box on **every** Form 941 you file. Otherwise, the IRS will expect a return to be filed for each quarter.
- **Household employers reporting social security and Medicare taxes and/or withheld income tax.** If you file Form 941, Form 943, or Form 944 for business employees, you may include taxes for household employees on your Form 941, Form 943, or Form 944. Otherwise, report social security and Medicare taxes and income tax withholding for household employees on Schedule H (Form 1040). See Pub. 926 for more information.
- **Agricultural employers reporting social security, Medicare, and withheld income taxes.** Report these taxes on Form 943.

Railroad employers. Employers that pay Railroad Retirement Tax Act (RRTA) taxes use Form CT-1 to report

TREASURY/IRS AND OMB USE ONLY DRAFT

employment taxes imposed by the RRTA, and Form 941 or Form 944 to report federal income tax withheld from their employees' wages and other compensation.

E-file. The IRS *e-file* program allows a taxpayer to electronically file Form 941, Form 943, Form 944, and Form 945. For more information, go to *IRS.gov/EmploymentEfile* or call 866-255-0654.

Electronic filing by reporting agents. Reporting agents filing Form 941, Form 943, Form 944, or Form 945 for groups of taxpayers can file them electronically. For details, see Pub. 3112, IRS *e-file* Application & Participation. For information on electronic filing, see Revenue Procedure 2007-40, 2007-26 I.R.B. 1488, available at *IRS.gov/irb/2007-26_IRB#RP-2007-40*. For information on the different types of third-party payer arrangements, see section 16.

Electronic filing by CPEOs. With the exception of the first quarter (Form 941 only) for which a CPEO is certified, CPEOs are required to electronically file Form 941 with Schedule R (Form 941), or, if applicable, Form 943 with Schedule R (Form 943). Under certain circumstances, the IRS may waive the electronic filing requirement. To request a waiver, the CPEO must file a written request using the IRS Online Registration System for Professional Employer Organizations at least 45 days before the due date of the return for which the CPEO is unable to electronically file. For more information on filing a waiver request electronically, go to *IRS.gov/CPEO*. Also see *Revenue Procedure 2023-18*.

Penalties. For each whole or part month a return isn't filed when required, there is a failure-to-file (FTF) penalty of 5% of the unpaid tax due with that return. The maximum penalty is generally 25% of the tax due. Also, for each whole or part month the tax is paid late, there is a failure-to-pay (FTP) penalty of 0.5% per month of the amount of tax. For individual filers only, the FTP penalty is reduced from 0.5% per month to 0.25% per month if an installment agreement is in effect. You must have filed your return on or before the due date of the return to qualify for the reduced penalty. The maximum amount of the FTP penalty is also 25% of the tax due. If both penalties apply in any month, the FTF penalty is reduced by the amount of the FTP penalty. The penalties won't be charged if you have reasonable cause for failing to file or pay. If you receive a penalty notice, you can provide an explanation of why you believe reasonable cause exists. In addition, you may qualify for an automatic exemption from the penalty, see *New automatic penalty relief* under *What's New*. In addition to any penalties, interest accrues from the due date of the tax on any unpaid balance.

If income, social security, or Medicare tax that must be withheld isn't withheld or isn't paid, you may be personally liable for the trust fund recovery penalty. See *Trust fund recovery penalty* in section 11.

Generally, the use of a third-party payer, such as a PSP or reporting agent, doesn't relieve an employer of the responsibility to ensure tax returns are filed and all taxes are paid or deposited correctly and on time. However, see *Certified professional employer organization (CPEO)* in section 16 for an exception.

Erroneous claim for refund or credit penalty. If you file a claim for refund or credit of employment taxes for more than the amount you're entitled to, you may owe a penalty equal to 20% of the amount by which your claim exceeds the amount allowed, unless you can show that the excessive claim was due to reasonable cause.

Don't file more than one return per return period. Employers with multiple locations or divisions must file only one Form 941 per quarter or one Form 944 per year. An agricultural employer must file only one Form 943 per year. A payer of nonpayroll payments that withheld federal income tax or backup withholding must file only one Form 945 per year. Filing more than one return may result in processing delays and correspondence between you and the IRS. For information on making adjustments to previously filed returns, see section 13.

Reminders about filing.

- Don't report more than 1 calendar quarter on a Form 941.
- If you need Form 941, Form 943, Form 944, or Form 945, go to *IRS.gov/Forms*. Also see *Ordering Employer Tax Forms, Instructions, and Publications*, earlier.
- Enter your name and EIN on Form 941, Form 943, Form 944, or Form 945. Be sure they're exactly as they appeared on earlier returns.
- See the Instructions for Form 941, Instructions for Form 943, Instructions for Form 944, or Instructions for Form 945 for information on preparing the form.

Final return. If you go out of business, you must file a final return for the last quarter (last year for Form 943, Form 944, or Form 945) in which wages (nonpayroll payments for Form 945) are paid. If you continue to pay wages or other compensation for periods following termination of your business, you must file returns for those periods. See the Instructions for Form 941, Instructions for Form 943, Instructions for Form 944, or Instructions for Form 945 for details on how to file a final return.

If you're required to file a final return, you're also required to furnish Forms W-2 to your employees and file Forms W-2 and W-3 with the SSA by the due date of your final return. Don't send an original or copy of your Form 941, Form 943, or Form 944 to the SSA. See the General Instructions for Forms W-2 and W-3 for more information. Employers in Puerto Rico, see the General Instructions for Forms W-3 (PR) and W-3C (PR).

Filing late returns for previous years. Get a copy of Form 941, Form 943, Form 944, or Form 945 (and separate instructions) with a revision date showing the year, and, if applicable, quarter for which your delinquent return is being filed. Prior-year and/or quarterly Form 941, Form 943, Form 944, and Form 945 are available, respectively, at *IRS.gov/Form941*, *IRS.gov/Form943*, *IRS.gov/Form944*, and *IRS.gov/Form945* (look under "Other items

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

you may find useful" for a link to prior revisions). Also see *Ordering Employer Tax Forms, Instructions, and Publications*, earlier. Contact the IRS at 800-829-4933 if you have any questions about filing late returns.

Table 3. **Social Security and Medicare Tax Rates *(for 3 Prior Years)***

Calendar year	Wage base limit (each employee)	Tax rate on taxable wages and tips
2026—social security	$184,500	12.4%
2026—Medicare	All wages	2.9%
2025—social security	$176,100	12.4%
2025—Medicare	All wages	2.9%
2024—social security	$168,600	12.4%
2024—Medicare	All wages	2.9%

Reconciling Forms W-2 and W-3 with Forms 941, Form 943, or Form 944. When there are discrepancies between Forms 941, Form 943, or Form 944 filed with the IRS and Forms W-2 and W-3 filed with the SSA, the IRS or the SSA may contact you to resolve the discrepancies.

Take the following steps to help reduce discrepancies.

1. Report bonuses as wages and as social security and Medicare wages on Forms W-2 and on Forms 941, Form 943, or Form 944.
2. Report both social security and Medicare wages and taxes separately on Forms W-2 and W-3, and on Forms 941, Form 943, or Form 944.
3. Report the employee share of social security taxes on Form W-2 in the box for social security tax withheld (box 4), not as social security wages. On Form 499R-2/W-2PR, social security tax withheld is reported in box 21.
4. Report the employee share of Medicare taxes on Form W-2 in the box for Medicare tax withheld (box 6), not as Medicare wages. On Form 499R-2/W-2PR, Medicare tax withheld is reported in box 23.
5. Make sure the social security wage amount for each employee doesn't exceed the annual social security wage base limit ($192,300 for 2027).
6. Don't report noncash wages that aren't subject to social security or Medicare tax, as discussed earlier under *Wages not paid in money* in section 5, as social security or Medicare wages.
7. If you used an EIN on any Forms 941, Form 943, or Form 944 for the year that is different from the EIN reported on Form W-3, enter the other EIN on Form W-3 in the box for "Other EIN used this year" (box h). On Form W-3 (PR), "Other EIN used this year" is reported in box f.
8. Be sure the amounts on Form W-3 are the total of amounts from Forms W-2.
9. Reconcile Form W-3 with your four quarterly Forms 941, annual Form 943, or annual Form 944 by comparing amounts reported for the following items.
   a. Federal income tax withheld.
   b. Social security and Medicare wages.
   c. Social security and Medicare taxes. Generally, the amounts shown on Forms 941, Form 943, or Form 944, including current-year adjustments, should be approximately twice the amounts shown on Form W-3 because Forms 941, Form 943, and Form 944 report both the employer and employee social security and Medicare taxes while Form W-3 reports only the employee taxes.

Don't report backup withholding or withholding on nonpayroll payments, such as pensions, annuities, and gambling winnings, on Forms 941, Form 943, or Form 944. Withholding on nonpayroll payments is reported on Forms 1099 or Form W-2G and must be reported on Form 945. Only taxes and withholding reported on Form W-2 should be reported on Forms 941, Form 943, or Form 944.

Amounts reported on Forms W-2 and W-3, and Forms 941, Form 943, or Form 944, may not match for valid reasons. For example, if you withheld any Additional Medicare Tax from your employee's wages, the amount of Medicare tax that is reported on Forms 941, line 5c, Column 2; Form 943, line 5; or Form 944, line 4c, Column 2, won't be twice the amount of the Medicare tax withheld that is reported in box 6 of Form W-3 (box 13 of Form W-3 (PR)) because the Additional Medicare Tax is only imposed on the employee; there is no employer share of Additional Medicare Tax. Make sure there are valid reasons for any mismatch. Keep your reconciliation so you'll have a record of why amounts didn't match in case there are inquiries from the IRS or the SSA. See the Instructions for Schedule D (Form 941) if you need to explain any discrepancies that were caused by an acquisition, statutory merger, or consolidation.

13. Reporting Adjustments to Forms 941, Form 943, or Form 944

Current-Period Adjustments

In certain cases, amounts reported as social security and Medicare taxes on Form 941, lines 5a–5d, Column 2 (Form 943, lines 3, 5, and 7; or Form 944, lines 4a–4d, Column 2), must be adjusted to arrive at your correct tax liability (for example, excluding amounts withheld by a third-party payer or amounts you weren't required to withhold). Current-period adjustments are reported on Form 941, lines 7–9; Form 943, line 10; or Form 944, line 6, and include the following types of adjustments.

Fractions-of-cents adjustment. If there is a small difference between total taxes after adjustments and

DRAFT
DRAFT

nonrefundable credits (Form 941, line 12; Form 943, line 13; or Form 944, line 9) and total deposits (Form 941, line 13; Form 943, line 14; or Form 944, line 10), it may have been caused, all or in part, by rounding to the nearest cent each time you figured payroll. This rounding occurs when you figure the amount of social security and Medicare taxes to be withheld and deposited from each employee's wages. The IRS refers to rounding differences relating to employee withholding of social security and Medicare taxes as "fractions-of-cents" adjustments. If you pay your taxes with Form 941 (or Form 943 or Form 944) instead of making deposits because your total taxes for the quarter (year for Form 943 or Form 944) are less than $2,500, you may also report a fractions-of-cents adjustment.

To determine if you have a fractions-of-cents adjustment for 2027, multiply the total wages and tips for the quarter subject to:

- Social security tax reported on Form 941, Form 943, or Form 944 by 6.2% (0.062);
- Medicare tax reported on Form 941, Form 943, or Form 944 by 1.45% (0.0145); and
- Additional Medicare Tax reported on Form 941, Form 943, or Form 944 by 0.9% (0.009).

Compare these amounts (the employee share of social security and Medicare taxes) with the total social security and Medicare taxes actually withheld from employees and shown in your payroll records for the quarter (Form 941) or the year (Form 943 or Form 944). If there is a small difference, the amount, positive or negative, may be a fractions-of-cents adjustment. Fractions-of-cents adjustments are reported on Form 941, line 7; Form 943, line 10; or Form 944, line 6. If the actual amount withheld is less, report a negative adjustment using a minus sign (if possible; otherwise, use parentheses) in the entry space. If the actual amount is more, report a positive adjustment.

Adjustment of tax on third-party sick pay. Report both the employer share and employee share of social security and Medicare taxes for sick pay on Form 941, lines 5a and 5c (or Form 943, lines 2 and 4; or Form 944, lines 4a and 4c). If the aggregate wages paid for an employee by the employer and third-party payer exceed $200,000 for the calendar year, report the Additional Medicare Tax on Form 941, line 5d (Form 943, line 7; or Form 944, line 4d). Show as a negative adjustment on Form 941, line 8 (or Form 943, line 10; or Form 944, line 6), the social security and Medicare taxes withheld on sick pay by a third-party payer. See section 6 of Pub. 15-A for more information.

Adjustment of tax on tips. If, by the 10th of the month after the month you received an employee's report on tips, you don't have enough employee funds available to withhold the employee's share of social security and Medicare taxes, you no longer have to collect it. However, report the entire amount of these tips on Form 941, lines 5b and 5c (or Form 944, lines 4b and 4c). If the aggregate wages and tips paid for an employee exceed $200,000 for the calendar year, report the Additional Medicare Tax on Form 941, line 5d (or Form 944, line 4d). Include as a negative adjustment on Form 941, line 9 (or Form 944, line 6), the total uncollected employee share of the social security and Medicare taxes.

Adjustment of tax on group-term life insurance premiums paid for former employees. The employee share of social security and Medicare taxes for premiums on group-term life insurance over $50,000 for a former employee is paid by the former employee with their tax return and isn't collected by the employer. However, include all social security and Medicare taxes for such coverage on Form 941, lines 5a and 5c (or Form 944, lines 4a and 4c). For Form 943, include the social security wages and Medicare wages on lines 2 and 4, respectively; and report the social security tax and Medicare tax on lines 3 and 5, respectively. If the amount paid for an employee for premiums on group-term life insurance combined with other wages exceeds $200,000 for the calendar year, report the Additional Medicare Tax on Form 941, line 5d (or Form 944, line 4d). For Form 943, include the Additional Medicare Tax wages on line 6 and report the Additional Medicare Tax on line 7. Back out the amount of the employee share of these taxes as a negative adjustment on Form 941, line 9 (or Form 943, line 10; or Form 944, line 6). See Pub. 15-B for more information on group-term life insurance.

For the above adjustments, prepare and retain a brief supporting statement explaining the nature and amount of each. Don't attach the statement to Form 941, Form 943, or Form 944. The uncollected employee share of social security and Medicare taxes is reported under codes "M" and "N" in box 12 of Form W-2. See the General Instructions for Forms W-2 and W-3 for more information.

Example. Cedar, Inc., filed Form 941 and was entitled to the following current-period adjustments.

- **Fractions of cents.** Cedar, Inc., determined the amounts withheld and deposited for social security and Medicare taxes during the quarter were a net $1.44 more than the employee share of the amount figured in Column 2 of Form 941, lines 5a–5d (social security and Medicare taxes). This difference was caused by adding or dropping fractions of cents when figuring social security and Medicare taxes for each wage payment. Cedar, Inc., must report a positive $1.44 fractions-of-cents adjustment on Form 941, line 7.
- **Third-party sick pay.** Cedar, Inc., included taxes of $2,000 for sick pay in Column 2 of Form 941, lines 5a and 5c, for social security and Medicare taxes. However, the third-party payer of the sick pay withheld and paid the employee share ($1,000) of these taxes. Cedar, Inc., is entitled to a $1,000 sick pay adjustment (negative) on Form 941, line 8.
- **Life insurance premiums.** Cedar, Inc., paid group-term life insurance premiums for policies in excess of $50,000 for former employees. The former employees must pay the employee share of the social security and Medicare taxes ($200) on the policies. However, Cedar, Inc., must include the employee

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

share of these taxes with the social security and Medicare taxes reported in Column 2 of Form 941, lines 5a and 5c. Therefore, Cedar, Inc., is entitled to a negative $200 adjustment on Form 941, line 9.

No change to record of federal tax liability. Don't make any changes to your record of federal tax liability reported on Form 941, line 16, or Schedule B (Form 941) (for Form 943 filers, Form 943, line 17, or Form 943-A; or for Form 944 filers, Form 944, line 13, or Form 945-A) for current-period adjustments. The amounts reported on the record reflect the actual amounts you withheld from employees' wages for social security and Medicare taxes. Because the current-period adjustments make the amounts reported on Form 941, lines 5a–5d, Column 2 (or Form 943, lines 3, 5, and 7; or Form 944, lines 4a–4d, Column 2), equal the actual amounts you withheld (the amounts reported on the record), no additional changes to the record of federal tax liability are necessary for these adjustments.

Prior-Period Adjustments

Forms for prior-period adjustments. Use Form 941-X, Form 943-X, or Form 944-X to make a correction after you discover an error on a previously filed Form 941, Form 943, or Form 944. There are also Form 945-X and Form CT-1 X to report corrections on the corresponding returns. Use Form 843 when requesting a refund or abatement of assessed interest or penalties.

See Revenue Ruling 2009-39, 2009-52 I.R.B. 951, for examples of how the interest-free adjustment and claim for refund rules apply in 10 different situations. You can find Revenue Ruling 2009-39 at *IRS.gov/irb/2009-52_IRB#RR-2009-39*.

Background. Treasury Decision 9405 changed the process for making interest-free adjustments to employment taxes reported on Form 941, Form 943, and Form 944 and for filing a claim for refund of employment taxes. Treasury Decision 9405, 2008-32 I.R.B. 293, is available at *IRS.gov/irb/2008-32_IRB#TD-9405*. You'll use the adjustment process if you underreported employment taxes and are making a payment, or if you overreported employment taxes and will be applying the credit to the Form 941, Form 943, or Form 944 period during which you file Form 941-X, Form 943-X, or Form 944-X. You'll use the claim process if you overreported employment taxes and are requesting a refund or abatement of the overreported amount. We use the terms "correct" and "corrections" to include interest-free adjustments under sections 6205 and 6413, and claims for refund and abatement under sections 6402, 6414, and 6404.

Correcting employment taxes. When you discover an error on a previously filed Form 941, Form 943, or Form 944, you must:

- Correct that error using Form 941-X, Form 943-X, or Form 944-X;
- File a separate Form 941-X, Form 943-X, or Form 944-X for each Form 941, Form 943, or Form 944 you're correcting; and
- File Form 941-X, Form 943-X, or Form 944-X separately. Don't file with Form 941, Form 943, or Form 944.

Report current-quarter adjustments for fractions of cents, third-party sick pay, tips, and group-term life insurance on Form 941 using lines 7–9, on Form 943 using line 10, and on Form 944 using line 6. See *Current-Period Adjustments*, earlier in this section.

Report the correction of underreported and overreported amounts for the same tax period on a single Form 941-X, Form 943-X, or Form 944-X unless you're requesting a refund. If you're requesting a refund and are correcting both underreported and overreported amounts, file one Form 941-X, Form 943-X, or Form 944-X correcting the underreported amounts only and a second Form 941-X, Form 943-X, or Form 944-X correcting the overreported amounts.

See the chart on the last page of Form 941-X, Form 943-X, or Form 944-X for help in choosing whether to use the adjustment process or the claim process. See the Instructions for Form 941-X, the Instructions for Form 943-X, or the Instructions for Form 944-X for details on how to make the adjustment or claim for refund or abatement.

E-file. The IRS *e-file* program allows a taxpayer to electronically file Form 941-X, Form 943-X, and Form 945-X. For more information, go to *IRS.gov/EmploymentEfile* or call 866-255-0654.

Income tax withholding adjustments. In a current calendar year, correct prior-quarter income tax withholding errors by making the correction on Form 941-X when you discover the error.

You may make an adjustment only to correct income tax withholding errors discovered during the same calendar year in which you paid the wages. This is because the employee uses the amount shown on Form W-2 or, if applicable, Form W-2c, as a credit when filing their income tax return (Form 1040, etc.).

You can't adjust amounts reported as income tax withheld in a prior calendar year unless it is to correct an administrative error or section 3509 applies. An administrative error occurs if the amount you entered on Form 941, Form 943, or Form 944 isn't the amount you actually withheld. For example, if the total income tax actually withheld was incorrectly reported on Form 941, Form 943, or Form 944 due to a mathematical or transposition error, this would be an administrative error. The administrative error adjustment corrects the amount reported on Form 941, Form 943, or Form 944 to agree with the amount actually withheld from employees and reported on their Forms W-2.

Additional Medicare Tax withholding adjustments. Generally, the rules discussed earlier in this section under *Income tax withholding adjustments* apply to Additional Medicare Tax withholding adjustments. That is, you may make an adjustment to correct Additional Medicare Tax

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

withholding errors discovered during the same calendar year in which you paid wages. You can't adjust amounts reported in a prior calendar year unless it is to correct an administrative error or section 3509 applies. If you have overpaid Additional Medicare Tax, you can't file a claim for refund for the amount of the overpayment unless the amount wasn't actually withheld from the employee's wages (which would be an administrative error).

If a prior-year error was a nonadministrative error, you may correct only the **wages and tips** subject to Additional Medicare Tax withholding.

Collecting underwithheld taxes from employees. If you withheld no income, social security, or Medicare tax, or less than the correct amount from an employee's wages, you can make it up from later pay to that employee. But you're the one who owes the underpayment. Reimbursement is a matter for settlement between you and the employee. Underwithheld income tax and Additional Medicare Tax must be recovered from the employee on or before the last day of the calendar year. There are special rules for tax on tips (see section 6) and fringe benefits (see section 5).

Refunding amounts incorrectly withheld from employees. If you withheld more than the correct amount of income, social security, or Medicare tax from wages paid, repay or reimburse the employee the excess. Any excess income tax or Additional Medicare Tax withholding must be repaid or reimbursed to the employee before the end of the calendar year in which it was withheld. Keep in your records the employee's written receipt showing the date and amount of the repayment or record of reimbursement. If you didn't repay or reimburse the employee, you must report and pay each excess amount when you file Form 941 for the quarter (or Form 943 or Form 944 for the year) in which you withheld too much tax.

Correcting filed Forms W-2 and W-3. When adjustments are made to correct wages and social security and Medicare taxes because of a change in the wage totals reported for a previous year, you also need to file Form W-2c and Form W-3c with the SSA. Up to 25 Forms W-2c per Form W-3c may be filed per session online, with no limit on the number of sessions. For more information, go to the SSA's Employer W-2 Filing Instructions & Information webpage at *SSA.gov/employer*.

Exceptions to interest-free corrections of employment taxes. A correction won't be eligible for interest-free treatment if:

- The failure to report relates to an issue raised in an IRS examination of a prior return, or
- The employer knowingly underreported its employment tax liability.

A correction won't be eligible for interest-free treatment after the earlier of the following.

- Receipt of an IRS notice and demand for payment after assessment.
- Receipt of an IRS notice of determination under section 7436.

Wage Repayments

If an employee repays you for wages received in error, don't offset the repayments against current-year wages unless the repayments are for amounts received in error in the current year.

Repayment of current-year wages. If you receive repayments for wages paid during a prior quarter in the current year, report adjustments on Form 941-X to recover income tax withholding and social security and Medicare taxes for the repaid wages.

Repayment of prior-year wages. If you receive repayments for wages paid during a prior year, report an adjustment on Form 941-X, Form 943-X, or Form 944-X to recover the social security and Medicare taxes. You can't make an adjustment for income tax withholding because the wages were income to the employee for the prior year. You can't make an adjustment for Additional Medicare Tax withholding because the employee determines liability for Additional Medicare Tax on the employee's income tax return for the prior year.

You must also file Forms W-2c and W-3c with the SSA to correct social security and Medicare wages and taxes. Don't correct wages (box 1) on Form W-2c for the amount paid in error. Give a copy of Form W-2c to the employee.

Employee reporting of repayment. The wages paid in error in the prior year remain taxable to the employee for that year. This is because the employee received and had use of those funds during that year. The employee isn't entitled to file an amended return (Form 1040-X) to recover the income tax on these wages. Instead, the employee may be entitled to a deduction or credit for the repaid wages on their income tax return for the year of repayment. However, the employee should file an amended return (Form 1040-X) to recover any Additional Medicare Tax paid on the wages paid in error in the prior year. If an employee asks about reporting their wage repayment, you may tell the employee to see *Repayments* in Pub. 525, Taxable and Nontaxable Income, for more information.

14. Federal Unemployment (FUTA) Tax

Caution: FUTA tax doesn't apply to employers in American Samoa, Guam, and the CNMI, but it does apply to employers in the USVI and Puerto Rico. Services rendered to a federally recognized Indian tribal government (or any subdivision, subsidiary, or business wholly owned by such an Indian tribe) are exempt from FUTA tax, subject to the tribe's compliance with state law. For more information, see section 3309(d) and Pub. 4268.

The Federal Unemployment Tax Act (FUTA), with state unemployment systems, provides for payments of

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. For a list of state unemployment agencies, go to the U.S. Department of Labor's website at *oui.doleta.gov/unemploy/agencies.asp*. Only the employer pays FUTA tax; it isn't withheld from the employee's wages. For more information, see the Instructions for Form 940.

Who must pay? Use the following three tests to determine whether you must pay FUTA tax. Each test applies to a different category of employee, and each is independent of the others. If a test describes your situation, you're subject to FUTA tax on the wages you pay to employees in that category during the current calendar year.

1. **General test.**
   You're subject to FUTA tax in 2027 on the wages you pay employees who aren't farmworkers or household workers if:
   a. You paid wages of $1,500 or more in any calendar quarter in 2026 or 2027, or
   b. You had one or more employees for at least some part of a day in any 20 or more different weeks in 2026 or 20 or more different weeks in 2027.
2. **Household employees test.**
   You're subject to FUTA tax in 2027 if you paid total cash wages of $1,000 or more to household employees in any calendar quarter in 2026 or 2027. A household employee is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.
3. **Farmworkers test.**
   You're subject to FUTA tax in 2027 on the wages you pay to farmworkers if:
   a. You paid cash wages of $20,000 or more to farmworkers during any calendar quarter in 2026 or 2027, or
   b. You employed 10 or more farmworkers during at least some part of a day (whether or not at the same time) during any 20 or more different weeks in 2026 or 20 or more different weeks in 2027.

To determine whether you meet either test above for farmworkers, you must count wages paid to aliens admitted on a temporary basis to the United States to perform farmwork, also known as H-2A visa workers. However, wages paid to H-2A visa workers aren't subject to FUTA tax.

Generally, farmworkers supplied by crew leaders, as defined earlier in section 2, are considered employees of the farm operator for purposes of the FUTA tax unless (a) the crew leader is registered under the Migrant and Seasonal Agricultural Worker Protection Act; or (b) substantially all of the workers supplied by the crew leader operate or maintain tractors, harvesting or crop-dusting machines, or other machines provided by the crew leader. Therefore, if (a) or (b) applies, the farmworkers are generally employees of the crew leader.

Figuring FUTA tax. For 2027, the FUTA tax rate is 6.0%. The tax applies to the first $7,000 you pay to each employee as wages during the year. The $7,000 is the federal wage base. Your state wage base may be different.

Generally, you can take a credit against your FUTA tax for amounts you paid into state unemployment funds. The credit may be as much as 5.4% of FUTA taxable wages. If you're entitled to the maximum 5.4% credit, the FUTA tax rate after credit is 0.6%. You're entitled to the maximum credit if you paid your state unemployment taxes in full, on time, and on all the same wages as are subject to FUTA tax, and as long as the state isn't determined to be a credit reduction state. See the Instructions for Form 940 to determine the credit.

In some states, the wages subject to state unemployment tax are the same as the wages subject to FUTA tax. However, certain states exclude some types of wages from state unemployment tax, even though they're subject to FUTA tax (for example, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits). In such a case, you may be required to deposit more than 0.6% FUTA tax on those wages. See the Instructions for Form 940 for further guidance.

Successor employer. If you acquired a business from an employer who was liable for FUTA tax, you may be able to count the wages that employer paid to the employees who continue to work for you when you figure the $7,000 FUTA tax wage base. See the Instructions for Form 940.

Depositing FUTA tax. For deposit purposes, figure FUTA tax quarterly. Determine your FUTA tax liability by multiplying the amount of taxable wages paid during the quarter by 0.6%. This amount may need to be adjusted, however, depending on your entitlement to the credit for state unemployment contributions. See the Instructions for Form 940. Stop depositing FUTA tax on an employee's wages when taxable wages reach $7,000 for the calendar year.

If your FUTA tax liability for any calendar quarter is $500 or less, you don't have to deposit the tax. Instead, you may carry it forward and add it to the liability figured in the next quarter to see if you must make a deposit. If your FUTA tax liability for any calendar quarter is over $500 (including any FUTA tax carried forward from an earlier quarter), you must deposit the tax by EFT. See section 11 for more information on EFTs.

Household employees. You're not required to deposit FUTA taxes for household employees unless you report their wages on Forms 941, Form 943, or Form 944. See Pub. 926 for more information.

When to deposit. Deposit the FUTA tax by the last day of the first month that follows the end of the quarter. If the due date for making your deposit falls on a Saturday, Sunday, or legal holiday, you may make your deposit on the next business day. See *Legal holiday* in section 11 for a list of legal holidays occurring in 2027.

If your liability for the fourth quarter (plus any undeposited amount from any earlier quarter) is over $500, deposit the entire amount by the due date of Form 940 (January 31). If it is $500 or less, you can, by January 31, make

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

a deposit; pay the tax using IRS Direct Pay, your IRS business tax account, or a credit or debit card; or pay the tax with your Form 940. If you file Form 940 electronically, you can *e-file* and use EFW to pay the balance due. For more information on paying your taxes, go to *IRS.gov/Pay*.

Caution: In years when there are credit reduction states, you must include liabilities owed for credit reduction with your fourth quarter deposit. You may deposit the anticipated extra liability throughout the year, but it isn't due until the due date for the deposit for the fourth quarter, and the associated liability should be recorded as being incurred in the fourth quarter. See the Instructions for Form 940 for more information.

Table 4. **When To Deposit FUTA Taxes**

Quarter	Ending	Due date
Jan.–Feb.–Mar.	Mar. 31	Apr. 30
Apr.–May–June	June 30	July 31
July–Aug.–Sept.	Sept. 30	Oct. 31
Oct.–Nov.–Dec.	Dec. 31	Jan. 31

Reporting FUTA tax. Use Form 940 to report FUTA tax. File your 2026 Form 940 by February 1, 2027. However, if you deposited all FUTA tax when due, you may file on or before February 10, 2027.

Form 940 e-file. The Form 940 *e-file* program allows a taxpayer to electronically file an original Form 940 and an amended Form 940. For more information, go to *IRS.gov/EmploymentEfile* or call 866-255-0654.

Household employees. If you didn't report employment taxes for household employees on Forms 941, Form 943, or Form 944, report FUTA tax for these employees on Schedule H (Form 1040). See Pub. 926 for more information. You must have an EIN to file Schedule H (Form 1040).

Electronic filing by reporting agents. Reporting agents filing Forms 940 for groups of taxpayers can file them electronically. See *Electronic filing by reporting agents* in section 12.

Electronic filing by CPEOs. CPEOs are required to electronically file Form 940 with Schedule R (Form 940). Under certain circumstances, the IRS may waive the electronic filing requirement. To request a waiver, the CPEO must file a written request using the IRS Online Registration System for Professional Employer Organizations at least 45 days before the due date of the return for which the CPEO is unable to electronically file. For more information on filing a waiver request electronically, go to *IRS.gov/CPEO*. Also see *Revenue Procedure 2023-18*.

15. Special Rules for Various Types of Services and Payments

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

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)	FUTA
Agricultural labor:			
1. Service on farm in connection with cultivating soil; raising or harvesting any agricultural or horticultural commodity; the care of livestock, poultry, bees, fur-bearing animals, or wildlife.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met.	Taxable if either test in section 14 is met.
2. Service in employ of owner or operator of farm if major part of the services are performed on farm; in management or maintenance, etc., of farm, tools, or equipment; or in salvaging timber; or clearing brush and other debris left by hurricane.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met.	Taxable if either test in section 14 is met.
3. In connection with the production and harvesting of turpentine and other oleoresinous products.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met.	Taxable if either test in section 14 is met.
4. Cotton ginning.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met.[1]	Taxable if either test in section 14 is met.
5. In connection with hatching of poultry.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met (not farmwork if performed off farm).	Taxable if either test in section 14 is met.
6. In operation or maintenance of ditches, canals, reservoirs, or waterways used only for supplying or storing water for farming purposes and not owned or operated for profit.	Taxable if wages subject to social security tax and Medicare tax.	Taxable if $150 test or $2,500 test in section 9 is met.	Taxable if either test in section 14 is met.
7. In processing, packaging, delivering, etc., any agricultural or horticultural commodity in its unmanufactured state:			
a. In employ of farm operator.	Taxable if wages subject to social security tax and Medicare tax.	If operator produced over half of commodity processed, taxable if $150 test or $2,500 test in section 9 is met; otherwise taxable (not farmwork).[1]	If employer produced over half of commodity processed, taxable if either test in section 14 is met; otherwise taxable (not farmwork).
b. In employ of unincorporated group of farm operators (never more than 20).	Taxable if wages subject to social security tax and Medicare tax.	If group produced all commodity processed, taxable if $150 test or $2,500 test in section 9 is met; otherwise taxable (not farmwork).[1]	If employer produced over half of commodity processed, taxable if either test in section 14 is met; otherwise taxable (not farmwork).
c. In employ of other groups of farm operators (including cooperative organizations and commercial handlers).	Taxable if wages subject to social security tax and Medicare tax.	Taxable (not farmwork).[1]	If employer produced over half of commodity processed, taxable if either test in section 14 is met; otherwise taxable (not farmwork).
8. Handling or processing commodities after delivery to terminal market for commercial canning or freezing.	Taxable if wages subject to social security tax and Medicare tax.	Taxable (not farmwork).[1]	Taxable (not farmwork).
Aliens:			
1. Resident:			
a. Service performed in the United States.[2]	Same as U.S. citizen.	Same as U.S. citizen. (Exempt if any part of service as crew member of foreign vessel or aircraft is performed outside the United States.)	Same as U.S. citizen.

[1] Wages for services not considered farmwork are reported on Forms 941 or Form 944. Other exemptions may apply. See section 5 and section 13.
[2] Benefits provided under cafeteria plans may qualify for exclusion from wages for social security, Medicare, and FUTA taxes.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Aliens *(continued)*:			
b. Service performed outside the United States.[2]	Withhold.	Taxable if (1) working for an American employer, or (2) an American employer by agreement covers U.S. citizens and residents employed by its foreign affiliates or subsidiary of an American employer.	Exempt unless on or in connection with an American vessel or aircraft and either performed under contract made in United States, or alien is employed on such vessel or aircraft when it touches U.S. port.
2. Nonresidents working in the United States.[3]			
a. Workers lawfully admitted under section 101(a)(15)(H)(ii)(a) of the Immigration and Nationality Act on a temporary basis to perform agricultural labor ("H-2A" workers).	See Pub. 515 and Pub. 519.	Exempt.	Exempt.
b. Student, scholar, trainee, teacher, etc., as nonimmigrant alien under section 101(a)(15)(F), (J), (M), or (Q).	See Pub. 515 and Pub. 519.	Exempt if service is performed for purposes specified in section 101(a)(15)(F), (J), (M), or (Q) of the Immigration and Nationality Act. However, these taxes may apply if the employee becomes a resident alien.	
c. Philippine resident not admitted to Guam or CNMI under section 101(a)(15)(H)(ii) of the Immigration and Nationality Act.	See Pub. 515 and Pub. 519.	Exempt if service is performed for purposes specified in section 101(a)(15)(H)(ii) of the Immigration and Nationality Act. However, these taxes may apply if the employee becomes a resident alien.	
d. Philippine resident not admitted to CNMI under section 101(a)(15)(H)(ii) of the Immigration and Nationality Act for services performed in the CNMI on or after January 1, 2015.	See Pub. 515 and Pub. 519.	Taxable.	Exempt.
e. Korean resident admitted to Guam under section 101(a)(15)(H)(ii) of the Immigration and Nationality Act.	See Pub. 515 and Pub. 519.	Exempt if service is performed for purposes specified in section 101(a)(15)(H)(ii) of the Immigration and Nationality Act. However, these taxes may apply if the employee becomes a resident alien.	Exempt.
f. Korean resident admitted to CNMI under section 101(a)(15)(H)(ii) of the Immigration and Nationality Act.	See Pub. 515 and Pub. 519.	Taxable.	Exempt.
g. All other nonresidents working in United States.[3]	See Pub. 515 and Pub. 519.	Same as U.S. citizen; exempt if any part of service as crew member of foreign vessel or aircraft is performed outside United States and employer isn't an American employer.	Same as U.S. citizen.
3. Nonresident working on American vessel or aircraft outside United States.[3]	See Pub. 515 and Pub. 519.	Taxable if under contract made in the United States or worker is employed on vessel or aircraft when it touches U.S. port.	
Cafeteria plan benefits under section 125.	If employee chooses cash or other taxable benefit, subject to all employment taxes. If employee chooses a nontaxable benefit, the treatment is the same as if the benefit was provided outside the plan. See Pub. 15-B for more information.		
Deceased worker:			
1. Wages paid to beneficiary or estate in same calendar year as worker's death. See the General Instructions for Forms W-2 and W-3 for details.	Exempt.	Taxable.	Taxable.
2. Wages paid to beneficiary or estate after calendar year of worker's death.	Exempt.	Exempt.	Exempt.
Dependent care assistance programs.	Exempt to the extent it is reasonable to believe amounts are excludable from gross income under section 129.		

[2] Benefits provided under cafeteria plans may qualify for exclusion from wages for social security, Medicare, and FUTA taxes.
[3] The United States includes American Samoa, Guam, the CNMI, the USVI, and Puerto Rico.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Disabled worker's wages paid after year in which worker became entitled to disability insurance benefits under the Social Security Act.	Withhold.	Exempt if worker didn't perform any service for employer during the period for which payment is made.	Taxable.
Employee business expense reimbursement:			
1. Accountable plan.			
a. Amounts not exceeding specified government rate for per diem or standard mileage.	Exempt.	Exempt.	Exempt.
b. Amounts in excess of specified government rate for per diem or standard mileage.	Withhold.	Taxable.	Taxable.
2. Nonaccountable plan. See section 5 for details.	Withhold.	Taxable.	Taxable.
Family employees:			
1. Child employed by parent (or partnership in which each partner is a parent of the child).	Withhold.	Exempt until age 18; age 21 for domestic service.	Exempt until age 21.
2. Parent employed by child.	Withhold.	Taxable if in course of the child's business. For domestic services, see section 3.	Exempt.
3. Spouse employed by spouse. See section 3 for more information.	Withhold.	Taxable if in course of spouse's business.	Exempt.
Fishing and related activities; employment in connection with catching, harvesting, farming, etc.:			
1. Salmon or halibut.	Taxable unless (3) applies.	Taxable unless (3) applies.	Taxable unless (3) applies.
2. All other aquatic forms of animal and vegetable life.	Taxable unless (3) applies.	Taxable unless (3) applies.	Exempt unless on vessel of more than 10 net tons and (3) doesn't apply.
3. An arrangement with the owner or operator of the boat by which the individual receives a share of the boat's catch (or proceeds from the sale of the catch), the share depending on the boat's catch, and operating crew of the boat is normally fewer than 10 individuals.[4]	Exempt.	Exempt if any cash remuneration is: (a) $100 or less, (b) Contingent on minimum catch, and (c) Paid solely for additional duties (such as mate, engineer, or cook for which cash remuneration is traditional).	
Foreign governments and international organizations.	Exempt.	Exempt.	Exempt.
Foreign service by U.S. citizens:			
1. As U.S. Government employees.	Withhold.	Same as within the United States.	Exempt.
2. For foreign affiliates of American employers and other private employers.	Exempt if at time of payment (1) it is reasonable to believe employee is entitled to exclusion from income under section 911, or (2) the employer is required by law of the foreign country to withhold income tax on such payment.	Exempt unless (1) an American employer by agreement covers U.S. citizens employed by its foreign affiliates, or (2) U.S. citizen works for American employer.	Exempt unless (1) on American vessel or aircraft and work is performed under contract made in the United States or worker is employed on vessel when it touches U.S. port, or (2) U.S. citizen works for American employer (except in a contiguous country with which the United States has an agreement for unemployment compensation) or in the USVI.

[4] Income derived by Native Americans exercising fishing rights is generally exempt from employment taxes.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Fringe benefits.	Taxable on excess of fair market value of the benefit over the sum of an amount paid for it by the employee and any amount excludable by law. However, special valuation rules may apply. Benefits provided under cafeteria plans may qualify for exclusion from wages for social security, Medicare, and FUTA taxes. See Pub. 15-B for details.		
Government employment:			
1. State/local governments and political subdivisions, employees of:			
a. Salaries and wages (includes payments to most elected and appointed officials). See chapter 3 of Pub. 963.	Withhold.	Generally, taxable for (1) services performed by employees who are either (a) covered under a section 218 agreement, or (b) not covered under a section 218 agreement and not a member of a public retirement system (mandatory social security and Medicare coverage); and (2) (for Medicare tax only) for services performed by employees hired or rehired after March 31, 1986, who aren't covered under a section 218 agreement or the mandatory social security provisions, unless specifically excluded by law. See Pub. 963.	Exempt.
b. Election workers. Election individuals are workers who are employed to perform services for state or local governments at election booths in connection with national, state, or local elections. **Note:** File Form W-2 for payments of $2,000 or more in 2026 ($X,XXX or more for payments made in 2027) even if no social security or Medicare tax was withheld.	Exempt.	Taxable if paid $2,700 or more in 2027 (lesser amount if specified by a section 218 social security agreement). See Revenue Ruling 2000-6.	Exempt.
c. Emergency workers. Emergency workers who were hired on a temporary basis in response to a specific unforeseen emergency and aren't intended to become permanent employees.	Withhold.	Exempt if serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or similar emergency.	Exempt.
2. U.S. federal government employees.	Withhold.	Taxable for Medicare. Taxable for social security unless hired before 1984. See section 3121(b)(5).	Exempt unless worker is a seaman performing services on or in connection with American vessel owned by or chartered to the United States and operated by general agent of Secretary of Commerce.
Homeworkers (industrial, cottage industry):			
1. Common-law employees.	Withhold.	Taxable.	Taxable.
2. Statutory employees. See section 2 for details.	Exempt.	Taxable if paid $100 or more in cash in a year.	Exempt.
Hospital employees:			
1. Interns.	Withhold.	Taxable.	Exempt.
2. Patients.	Withhold.	Taxable (Exempt for state or local government hospitals.)	Exempt.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Household employees:			
1. Domestic service in private homes.	Exempt (withhold if both employer and employee voluntarily agree).	Taxable if paid $3,100 or more in cash in 2027. Exempt if performed by an individual under age 18 during any portion of the calendar year and isn't the principal occupation of the employee.	Taxable if employer paid total cash wages of $1,000 or more in any quarter in the current or preceding calendar year.
2. Domestic service in college clubs, fraternities, and sororities.	Exempt (withhold if both employer and employee voluntarily agree).	Exempt if paid to regular student; also exempt if employee is paid less than $100 in a year by an income-tax-exempt employer.	Taxable if employer paid total cash wages of $1,000 or more in any quarter in the current or preceding calendar year.
Insurance for employees:			
1. Accident and health insurance premiums under a plan or system for employees and their dependents generally or for a class or classes of employees and their dependents.	Exempt (except 2% shareholder-employees of S corporations).	Exempt.	Exempt.
2. Group-term life insurance costs. See Pub. 15-B for details.	Exempt.	Exempt, except for the cost of group-term life insurance includible in the employee's gross income. Special rules apply for former employees.	Exempt.
Insurance agents or solicitors:			
1. Full-time life insurance salesperson.	Withhold only if employee under common law. See section 2.	Taxable.	Taxable if (1) employee under common law, and (2) not paid solely by commissions.
2. Other salesperson of life, casualty, etc., insurance.	Withhold only if employee under common law.	Taxable only if employee under common law.	Taxable if (1) employee under common law, and (2) not paid solely by commissions.
Interest on loans with below-market interest rates (foregone interest and deemed original issue discount).	See Pub. 15-A.		
Leave-sharing plans: Amounts paid to an employee under a leave-sharing plan.	Withhold.	Taxable.	Taxable.
Overtime compensation.	Withhold.[5]	Taxable.	Taxable.
Newspaper carriers and vendors: Newspaper carriers under age 18; newspaper and magazine vendors buying at fixed prices and retaining receipts from sales to customers. See Pub. 15-A for information on statutory nonemployee status.	Exempt (withhold if both employer and employee voluntarily agree).	Exempt.	Exempt.
Noncash payments:			
1. For household work, agricultural labor, and service not in the course of the employer's trade or business.	Exempt (withhold if both employer and employee voluntarily agree).	Exempt.	Exempt.
2. To certain retail commission salespersons ordinarily paid solely on a cash commission basis.	Optional with employer, except to the extent employee's supplemental wages during the year exceed $1 million.	Taxable.	Taxable.
Nonprofit organizations.	See Pub. 15-A.		
Officers or shareholders of an S corporation: Distributions and other payments by an S corporation to a corporate officer or shareholder must be treated as wages to the extent the amounts are reasonable compensation for services to the corporation by an employee. See the Instructions for Form 1120-S.	Withhold.	Taxable.	Taxable.

[5] See *Overtime compensation* in section 5.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Partners: Payments to general or limited partners of a partnership. See Pub. 541 for partner reporting rules.	Exempt.	Exempt.	Exempt.
Railroads: Payments subject to the Railroad Retirement Act. See Pub. 915 and the Instructions for Form CT-1 for more details.	Withhold.	Exempt.	Exempt.
Religious exemptions.	See Pub. 15-A and Pub. 517.		
Retirement and pension plans:			
1. Employer contributions to a qualified plan.	Exempt.	Exempt.	Exempt.
2. Elective employee contributions and deferrals to a plan containing a qualified cash or deferred compensation arrangement (401(k)).	Generally exempt, but see section 402(g) for limitation.	Taxable.	Taxable.
3. Employer contributions to individual retirement accounts under simplified employee pension (SEP) plan.	Generally exempt, but see section 402(g) for salary reduction SEP limitation.	Exempt, except amounts contributed through a salary reduction agreement are taxable.	
4. Employer contributions to section 403(b) annuities including salary reduction contributions.	Generally exempt, but see section 402(g) for limitation.	Exempt, except amounts contributed through a salary reduction agreement are taxable.	
5. Employee salary reduction contributions to a SIMPLE retirement account.	Exempt.	Taxable.	Taxable.
6. Distributions from qualified retirement and pension plans and section 403(b) annuities. See Pub. 15-A for information on pensions, annuities, and employer contributions to nonqualified deferred compensation arrangements.	Withhold, but recipient may elect exemption on Form W-4P in certain cases; mandatory 20% withholding applies to an eligible rollover distribution that isn't a direct rollover; exempt for direct rollover. See Pub. 15-A.	Exempt.	Exempt.
7. Employer contributions to a section 457(b) plan.	Generally exempt, but see section 457(b) limitation.	Taxable.	Taxable.
8. Employee salary reduction contributions to a section 457(b) plan.	Generally exempt, but see section 457(b) limitation.	Taxable.	Taxable.
Salespersons:			
1. Common-law employees.	Withhold.	Taxable.	Taxable.
2. Statutory employees.	Exempt.	Taxable.	Taxable, except for full-time life insurance sales agents.
3. Statutory nonemployees (qualified real estate agents, direct sellers, and certain companion sitters). See Pub. 15-A for details.	Exempt.	Exempt.	Exempt.
Scholarships and fellowship grants (includible in income under section 117(c)).	Withhold.	Taxability depends on the nature of the employment and the status of the organization. See *Students, scholars, trainees, teachers, etc.* below.	
Severance or dismissal pay.	Withhold.	Taxable.	Taxable.
Service not in the course of the employer's trade or business (other than on a farm operated for profit or for household employment in private homes).	Withhold only if employee earns $50 or more in cash in a quarter and works on 24 or more different days in that quarter or in the preceding quarter.	Taxable if employee receives $100 or more in cash in a calendar year.	Taxable only if employee earns $50 or more in cash in a quarter and works on 24 or more different days in that quarter or in the preceding quarter.
Sick pay. See Pub. 15-A for more information.	Withhold.	Exempt after end of 6 calendar months after the calendar month employee last worked for employer.	
Students, scholars, trainees, teachers, etc.:			
1. Student enrolled and regularly attending classes, performing services for the following.			
a. Private school, college, or university.	Withhold.	Exempt.	Exempt.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Special classes of employment and special types of payments	Treatment under employment taxes		
	Federal income tax withholding	**Social security and Medicare (including Additional Medicare Tax when wages are paid in excess of $200,000)**	**FUTA**
Students, scholars, trainees, teachers, etc. *(continued)*:			
b. Auxiliary nonprofit organization operated for and controlled by school, college, or university.	Withhold.	Exempt unless services are covered by a section 218 (Social Security Act) agreement.	Exempt.
c. Public school, college, or university.	Withhold.	Exempt unless services are covered by a section 218 (Social Security Act) agreement.	Exempt.
2. Full-time student performing service for academic credit, combining instruction with work experience as an integral part of the program.	Withhold.	Taxable.	Exempt unless program was established for or on behalf of an employer or group of employers.
3. Student nurse performing part-time services for nominal earnings at hospital as incidental part of training.	Withhold.	Exempt.	Exempt.
4. Student employed by organized camps.	Withhold.	Taxable.	Exempt.
5. Student, scholar, trainee, teacher, etc., as nonimmigrant alien under section 101(a)(15)(F), (J), (M), or (Q) of Immigration and Nationality Act (that is, aliens holding F-1, J-1, M-1, or Q-1 visas).	Withhold unless excepted by regulations.	Exempt if service is performed for purpose specified in section 101(a)(15)(F), (J), (M), or (Q) of Immigration and Nationality Act. However, these taxes may apply if the employee becomes a resident alien. See the special residency tests for exempt individuals in chapter 1 of Pub. 519.	
Supplemental unemployment compensation plan benefits.	Withhold.	Exempt under certain conditions. See Pub. 15-A.	
Territory government employees (other than federal):	(See section 3121(b)(7) or go to *SSA.gov*.)		
1. USVI.	Exempt.	Taxable if covered by section 218 agreement with SSA.	Exempt.
2. American Samoa and political subdivisions.	Exempt.	Taxable, unless employee covered by a retirement system.	Exempt.
3. Guam.	Exempt.	Exempt, except for certain temporary and intermittent employees.	Exempt.
4. The CNMI and political subdivisions.	Exempt.	Taxable (beginning in the fourth calendar quarter of 2012).	Exempt.
Tips:			
1. If $20 or more in a month.	Withhold.[6]	Taxable.	Taxable for all tips reported in writing to employer.
2. If less than $20 in a month. See section 6 for more information.	Exempt.	Exempt.	Exempt.
Workers' compensation.	Exempt.	Exempt.	Exempt.

[6] See *Federal income tax withholding on tips* in section 6.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

16. Third-Party Payer Arrangements

An employer may outsource some or all of its federal employment tax withholding, reporting, and payment obligations. An employer who outsources payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and income taxes) to a third-party payer will generally remain responsible for those duties, including liability for the taxes. However, see *Certified professional employer organization (CPEO)*, later in this section, for an exception.

If an employer outsources some or all of its payroll responsibilities, the employer should consider the following information.

- The employer remains responsible for federal tax deposits and other federal tax payments even though the employer may forward the tax amounts to the third-party payer to make the deposits and payments. If the third party fails to make the deposits and payments, the IRS may assess penalties and interest on the employer's account. As the employer, you may be liable for all taxes, penalties, and interest due. The employer may also be held personally liable for certain unpaid federal taxes.
- If the employer's account has any issues, the IRS will send correspondence to the employer at the address of record. We strongly recommend that the employer maintain its address as the address of record with the IRS. Having correspondence sent to the address of the third-party payer may significantly limit the employer's ability to be informed about tax matters involving the employer's business. Use Form 8822-B to update your business address.
- When a third party enrolls an employer in EFTPS for federal tax deposits, the employer will receive an Inquiry PIN. The employer should activate and use this Inquiry PIN to monitor its account and ensure the third party is making the required tax deposits.

The following are common third-party payers whom an employer may contract with to perform payroll and related tax duties.

- Payroll service provider (PSP).
- Reporting agent.
- Agent with approved Form 2678.
- Payer designated under section 3504.
- Certified professional employer organization (CPEO).

Payroll service provider (PSP). A PSP helps administer payroll and payroll-related tax duties on behalf of the employer. A PSP may prepare paychecks for employees, prepare and file employment tax returns, prepare Forms W-2, and make federal tax deposits and other federal tax payments. A PSP performs these functions using the EIN of the employer. A PSP isn't liable as either an employer or an agent of the employer for the employer's employment taxes. If an employer is using a PSP to perform its tax duties, the employer remains liable for its employment tax obligations, including liability for employment taxes.

An employer who uses a PSP should ensure the PSP is using EFTPS to make federal tax deposits on behalf of the employer so the employer can confirm that the payments are being made on its behalf.

Reporting agent. A reporting agent is a type of PSP. A reporting agent helps administer payroll and payroll-related tax duties on behalf of the employer, including authorization to electronically sign and file forms set forth on Form 8655. An employer uses Form 8655 to authorize a reporting agent to perform functions on behalf of the employer. A reporting agent performs these functions using the EIN of the employer. A reporting agent isn't liable as either an employer or an agent of the employer for the employer's employment taxes. If an employer is using a reporting agent to perform its tax duties, the employer remains liable for its employment obligations, including liability for employment taxes.

A reporting agent must use EFTPS to make federal tax deposits on behalf of an employer. The employer has access to EFTPS to confirm federal tax deposits were made on its behalf.

For more information on reporting agents, see Revenue Procedure 2012-32, 2012-34 I.R.B. 267, available at *IRS.gov/irb/2012-34_IRB#RP-2012-32*; and Pub. 1474, Technical Specifications Guide for Reporting Agent Authorization and Federal Tax Depositors.

Agent with an approved Form 2678. An agent with an approved Form 2678 helps administer payroll and related tax duties on behalf of the employer. An agent authorized under section 3504 may pay wages or compensation to some or all of the employees of an employer, prepare and file employment tax returns as set forth on Form 2678, prepare Forms W-2, and make federal tax deposits and other federal tax payments. An employer uses Form 2678 to request authorization to appoint an agent to perform functions on behalf of the employer. An agent with an approved Form 2678 is authorized to perform these functions using its own EIN. The agent files a Schedule R (Form 941) or, if applicable, Schedule R (Form 943) to allocate wages, taxes, and credits claimed to the employers it represents as an agent.

If an employer is using an agent with an approved Form 2678 to perform its tax duties, the agent and the employer are jointly liable for the employment taxes and related tax duties for which the agent is authorized to perform.

Form 2678 doesn't apply to FUTA taxes reportable on Form 940 unless the employer is a home care service recipient receiving home care services through a program administered by a federal, state, or local government agency.

For more information on an agent with an approved Form 2678, see Revenue Procedure 2013-39, 2013-52 I.R.B. 830, available at *IRS.gov/irb/2013-52_IRB#RP-2013-39*.

DRAFT
DRAFT

Payer designated under section 3504. In certain circumstances, the IRS may designate a third-party payer to perform the acts of an employer. The IRS will designate a third-party payer on behalf of an employer if the third party has a service agreement with the employer. A service agreement is an agreement between the third-party payer and an employer in which the third-party payer (1) asserts it is the employer of individuals performing services for the employer; (2) pays wages to the individuals that perform services for the employer; and (3) assumes responsibility to withhold, report, and pay federal employment taxes for the wages it pays to the individuals who perform services for the employer.

A payer designated under section 3504 performs tax duties under the service agreement using its own EIN. If the IRS designates a third-party payer under section 3504, the designated payer and the employer are jointly liable for the employment taxes and related tax duties for which the third-party payer is designated.

For more information on a payer designated under section 3504, see Regulations section 31.3504-2.

Certified professional employer organization (CPEO). The Stephen Beck, Jr., ABLE Act of 2014 required the IRS to establish a voluntary certification program for professional employer organizations (PEOs). PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, CPEOs must meet various requirements described in sections 3511 and 7705 and related published guidance. Certification as a CPEO may affect the employment tax liabilities of both the CPEO and its customers. A CPEO is generally treated for employment tax purposes as the employer of any individual who performs services for a customer of the CPEO and is covered by a contract described in section 7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO. However, with respect to certain employees covered by a CPEO contract, you may also be treated as an employer of the employees and, consequently, may also be liable for federal employment taxes imposed on wages and other compensation paid by the CPEO to such employees.

CPEOs must complete Schedule R (Form 940), Schedule R (Form 941), or Schedule R (Form 943) when filing an aggregate Form 940, Form 941, or Form 943, respectively. CPEOs file Form 8973 to notify the IRS that they started or ended a service contract with a customer. To become a CPEO, the organization must apply through the IRS Online Registration System. For more information or to apply to become a CPEO, go to *IRS.gov/CPEO*. Also see *Revenue Procedure 2023-18*.

Tip: If both an employer and a section 3504 authorized agent (or CPEO or other third-party payer) paid wages to an employee during a quarter, both the employer and the section 3504 authorized agent (or CPEO or other third-party payer, if applicable) should file Form 941 reporting the wages each entity paid to the employee during the applicable quarter and issue Forms W-2 reporting the wages each entity paid to the employee during the year.

17. Federal Agency Certifying Requirements of Federal Income Taxes Withheld From U.S. Government Employees Working in, or Federal Pension Recipients Residing in, American Samoa, the CNMI, and Guam

Special Certifying Requirements for Federal Agencies

This section sets forth the legal authorities requiring federal agencies to certify to the IRS the amount of federal income taxes withheld from amounts paid to U.S. Government employees working in, as well as federal civilian and military pensioners residing in, American Samoa, the CNMI, and Guam. As noted below, these special certifying requirements don't apply to federal agencies who have employees working in Puerto Rico or the USVI.

American Samoa

Code sections 931(a), 931(d), and 7654 provide that the U.S. Government is required to transfer ("cover over") to the Treasury of American Samoa the federal income taxes withheld on amounts paid to military and civilian employees and pensioners who are residents of American Samoa. The effect of these provisions is that the federal government transfers on at least an annual basis the federal income taxes withheld or collected from its employees and pensioners who are residents of American Samoa to the American Samoa Treasury. In order for the federal government to cover over these income taxes as required by law, federal agencies must certify the amount of federal income taxes withheld or collected from its employees and pensioners by following the procedures discussed under *Certification Procedures*, later in this section.

Commonwealth of the Northern Mariana Islands (CNMI)

Code section 7654 and 48 U.S.C. section 1681 (P.L. 94-241, section 703(b)) provide that the U.S. Government is required to cover over to the Treasury of the CNMI the federal income taxes withheld on amounts paid to military

DRAFT
DRAFT

and civilian employees and pensioners who are residents of the CNMI. The effect of these provisions is that the federal government transfers on at least an annual basis the federal income taxes withheld or collected from its employees and pensioners who are residents of the CNMI to the CNMI Treasury. In order for the federal government to cover over these federal income taxes as required by law, federal agencies must certify the amount of federal income taxes withheld or collected from its employees and pensioners by following the procedures discussed under *Certification Procedures*, later in this section. As discussed in the *Caution* next, federal agencies aren't required to certify the amount of local CNMI taxes that are withheld or collected.

Caution: The U.S. Treasury Department and the CNMI Division of Revenue and Taxation entered into an agreement under 5 U.S.C. section 5517 in December 2006. Under this agreement, all federal employers (including the Department of Defense) are required to withhold CNMI income taxes (rather than federal income taxes) and deposit the CNMI taxes with the CNMI Treasury for employees whose regular place of federal employment is in the CNMI. Federal employers are also required to file quarterly and annual reports with the CNMI Division of Revenue and Taxation. The 5517 agreement isn't applicable to payments made to pensioners and compensation paid to members of the U.S. Armed Forces who are stationed in the CNMI but have a state of legal residence outside the CNMI. For more information, including details on completing Form W-2, go to *IRS.gov/5517Agreements*.

Guam

Code section 7654 and 48 U.S.C. section 1421(h) provide that the U.S. Government is required to cover over to the Treasury of Guam the federal income taxes withheld on amounts paid to military and civilian employees and pensioners who are residents of Guam. The effect of these provisions is that the federal government transfers on at least an annual basis the federal income taxes withheld or collected from its employees and pensioners who are residents of Guam to the Guam Treasury. In order for the federal government to cover over these federal income taxes as required by law, federal agencies must certify the amount of federal income taxes withheld or collected from its employees by following the procedures discussed under *Certification Procedures*, later in this section.

Puerto Rico

These special certifying requirements don't apply to federal agencies who have employees working in Puerto Rico.

Caution: The U.S. Treasury Department and Puerto Rico entered into an agreement under 5 U.S.C. section 5517 in November 1988. Under this agreement, all federal employers (including the Department of Defense) are required to withhold Puerto Rico income taxes (rather than federal income taxes) and deposit the Puerto Rico taxes with the Puerto Rico Treasury for employees whose regular place of federal employment is in Puerto Rico. Federal employers are also required to file quarterly and annual reports with the Puerto Rico tax department. The 5517 agreement isn't applicable to payments made to pensioners and compensation paid to members of the U.S. Armed Forces who are stationed in Puerto Rico but have a state of legal residence outside Puerto Rico. For more information, including details on completing Form W-2, go to *IRS.gov/5517Agreements*.

U.S. Virgin Islands (USVI)

These special certifying requirements don't apply to federal agencies who have employees working in the USVI.

"Federal Income Taxes" From American Samoa, the CNMI, or Guam

This section describes what "federal income taxes" are subject to these certification procedures.

For purposes of these cover over certification requirements, the term "federal income taxes" includes federal income taxes that have been withheld from compensation and other amounts paid to and deposited into the U.S. Treasury on any of the following.

a. Federal government civilian employees who are residents of American Samoa, the CNMI, or Guam.

b. Recipients (including survivors) of federal pensions (civilian or military) who are residents of American Samoa, the CNMI, or Guam.

c. Military personnel stationed in American Samoa, the CNMI, or Guam.

d. Military personnel not stationed in American Samoa, the CNMI, or Guam but who have a state of legal residence in any of these territories.

e. Employees of a service or social organization associated with a military or civilian agency in American Samoa, the CNMI, or Guam.

Certification Procedures

This section contains the procedures federal agencies must follow to certify to the IRS the amount of "federal income taxes" paid to and deposited into the U.S. Treasury. All departments and agencies of the federal government (as well as service and social organizations associated with a military or civilian federal entity) that withhold federal income taxes on amounts paid to employees and pensioners of the United States (or any agency thereof) as provided herein must certify to the IRS each calendar

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

quarter the total amount of federal income taxes withheld that have been deposited into the U.S. Treasury. Federal agencies must submit a separate certification for federal income taxes creditable to American Samoa, the CNMI, and Guam, as applicable.

Except as provided below, these certifications should be in the form of a letter and should include:

1. A citation to Pub. 15 as the authority for the certification,
2. The name of the federal certifying agency or department,
3. The certifying agency's EIN,
4. The calendar quarter and fiscal year covered by the certification,
5. The total number of individuals covered by the certification, and
6. The aggregate dollar amount of federal income taxes withheld on all individuals covered by the certification.

A federal government department or agency that submits a certification on behalf of another department or agency must include the name and EIN of each subordinate or designated federal department or agency included, along with the required data for each subordinate or designated department or agency. In this instance, the certifying agency must send the certification at least on an annual basis, no later than February 14.

In addition, federal government agencies certifying for compensation paid to military personnel not stationed in American Samoa, the CNMI, or Guam but who have a state of legal residence in one of these territories must provide each servicemember's name, SSN, amount of annual salary paid, and total amount of annual federal income tax withheld.

The amounts shown in the certification must agree with the amounts of federal income tax withheld and reported on the quarterly federal tax return(s) of the agency (Form 941).

Federal agencies must submit these certifications on a quarterly basis no later than 45 days after the close of each calendar quarter as follows.

Quarter	Due
First quarter (ending March 31)	May 15
Second quarter (ending June 30)	Aug. 14
Third quarter (ending September 30)	Nov. 14
Fourth quarter (ending December 31)	Feb. 14

Federal agencies should mail this certification to the following address.

Internal Revenue Service
Revenue Systems and Analysis
Attn: OS:CFO:FM:RA:S (77K St)
1111 Constitution Ave NW
CFO/FM - Mail Stop 6167
Washington, DC 20224
Fax: 202-803-9691

How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to IRS.gov to find resources that can help you right away.

Tax reform. Tax reform legislation impacting federal taxes, credits, and deductions was enacted in P.L. 119-21. Go to *IRS.gov/OBBB* for more information and updates on how this legislation affects your taxes.

Preparing and filing your tax return. Go to *IRS.gov/EmploymentEfile* for more information on filing your employment tax returns electronically.

Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- *IRS.gov/Help*: A variety of tools to help you get answers to some of the most common tax questions.
- *IRS.gov/Forms*: Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax information in your e-filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).

Caution: Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to *Tips for Choosing a Tax Preparer* on IRS.gov.

DRAFT
DRAFT

Employers can register to use Business Services Online. The SSA offers online service at *SSA.gov/employer* for fast, free, and secure W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2 and Form W-2c.

Business tax account. If you are a sole proprietor, a partnership, an S corporation, a C corporation, or a single-member limited liability company (LLC), you can view your tax information on record with the IRS and do more with a business tax account. Go to *IRS.gov/BusinessAccount* for more information.

IRS social media. Go to *IRS.gov/SocialMedia* to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your identification number (EIN or SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL*.

Online tax information in other languages. You can find information on *IRS.gov/MyLanguage* if English isn't your native language.

Over-the-Phone Interpreter (OPI) Service. The IRS offers the OPI Service to taxpayers needing language interpretation. The OPI Service is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) tax return site. This service is available in Spanish, Mandarin, Cantonese, Korean, Vietnamese, Russian, and Haitian Creole.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille-ready, large print, audio, etc.). The Accessibility Helpline doesn't have access to your IRS account. For help with tax law, refunds, or account-related issues, go to *IRS.gov/LetUsHelp*.

Disasters. Go to *IRS.gov/DisasterRelief* to review the available disaster tax relief.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print most of the forms, instructions, and publications you may need. Or you can go to *IRS.gov/OrderForms* to place an order.

Getting tax publications and instructions in eBook format. Download and view most tax publications and instructions (including Pub. 15) on mobile devices as eBooks at *IRS.gov/eBooks*.

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Get a transcript of your return. You can now access Form 940, Form 941, Form 943, Form 944, and Form 945 return transcripts for tax years 2023 and later using your IRS business tax account. For more information, go to *IRS.gov/BusinessTranscript*. To access your IRS business tax account, go to *IRS.gov/BusinessAccount*.

Using direct deposit. The safest and easiest way to receive a tax refund is to e-file and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. If you don't have a bank account, go to *IRS.gov/DirectDeposit* for more information on where to find a bank or credit union that can open an account online.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your EIN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to *IRS.gov/IdentityTheft*, the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your EIN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.

Making a tax payment. The IRS recommends paying electronically whenever possible. Options to pay electronically are included in the list below. Payments of U.S. tax must be remitted to the IRS in U.S. dollars. *Digital assets* are **not** accepted. Go to *IRS.gov/Pay* for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay taxes from your bank account. It's free and secure, and no sign-in is required. You can change or cancel within 2 days of scheduled payment.
- *Debit Card, Credit Card, or Digital Wallet*: Choose an approved payment processor to pay online or by phone.
- *Electronic Funds Withdrawal*: Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.

DRAFT
DRAFT

- *Electronic Federal Tax Payment System*: This is the best option for businesses. Enrollment is required.
- *Check or Money Order*: Mail your payment to the address listed on the notice or instructions.
- *Cash*: You may be able to pay your taxes with cash at a participating retail store.
- *Same-Day Wire*: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

Note: The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick and easy.

What if I can't pay now? Go to *IRS.gov/Pay* for more information about your options.

- Apply for an *online payment agreement* (*IRS.gov/OPA*) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to *IRS.gov/OIC*.

Understanding an IRS notice or letter you've received. Go to *IRS.gov/Notices* to find additional information about responding to an IRS notice or letter.

IRS Document Upload Tool. You may be able to use the Document Upload Tool to respond digitally to eligible IRS notices and letters by securely uploading required documents online through IRS.gov. For more information, go to *IRS.gov/DUT*.

Contacting your local TAC. Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to *IRS.gov/LetUsHelp* for the topics people ask about most. If you still need help, TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to *IRS.gov/TAC* to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

Below is a message to you from the Taxpayer Advocate Service, an independent organization established by Congress.

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an ***independent*** organization within the Internal Revenue Service (IRS). TAS helps taxpayers resolve problems with the IRS, makes administrative and legislative recommendations to prevent or correct the problems, and protects taxpayer rights. We work to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights. We are Your Voice at the IRS.

How Can TAS Help Me?

TAS can help you resolve problems that you haven't been able to resolve with the IRS on your own. Always try to resolve your problem with the IRS first, but if you can't, then come to TAS. ***Our services are free.***

- TAS helps all taxpayers (and their representatives), including individuals, businesses, and exempt organizations. You may be eligible for TAS help if your IRS problem is causing financial difficulty, if you've tried and been unable to resolve your issue with the IRS, or if you believe an IRS system, process, or procedure just isn't working as it should.
- To get help any time with general tax topics, visit *www.TaxpayerAdvocate.IRS.gov*. The site can help you with common tax issues and situations, such as what to do if you make a mistake on your return or if you get a notice from the IRS.
- TAS works to resolve large-scale (systemic) problems that affect many taxpayers. You can report systemic issues at *www.IRS.gov/SAMS*. (Be sure not to include any personal identifiable information.)

How Do I Contact TAS?

TAS has offices in every state, the District of Columbia, and Puerto Rico. To find your local advocate's number:

- Go to *www.TaxpayerAdvocate.IRS.gov/Contact-Us*,
- Check your local directory, or
- Call TAS toll free at 877-777-4778.

What Are My Rights as a Taxpayer?

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Go to *www.TaxpayerAdvocate.IRS.gov/Taxpayer-Rights* for more information about the rights, what they mean to you, and how they apply to specific situations you may encounter with the IRS. TAS strives to protect taxpayer rights and ensure the IRS is administering the tax law in a fair and equitable way.

DRAFT
DRAFT

TREASURY/IRS AND OMB USE ONLY DRAFT

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

A

Accuracy of deposits rule 35
Additional Medicare Tax 30, 42
Adjustments 40
Agricultural labor 46
Aliens, nonresident 27, 31
Allocated tips 23
Archer MSAs 20
Assistance (*See* Tax help)

B

Backup withholding 3, 9
Business expenses, employee 19

C

Calendar 11
Certified professional employer organizations (CPEOs) 4, 54
Change of business address or responsible party 9
Commodity wages 18
Correcting employment taxes 42
Correcting errors (prior period adjustments) 42
Crew leaders 15
Criminal prosecution 38

D

Delivery services, private 10
Depositing taxes:
- Penalties 36
- Rules 31

Differential wage payments 5, 21
Direct deposit of employment tax refunds now available 3
Disaster tax relief 4

E

E-file 39
E-news for payroll professionals 10
Election worker 13
Electronic deposit requirement 35
Electronic Federal Tax Payment System (EFTPS) 35
Electronic filing 6, 39
Electronic payments 4
Eligibility for employment 7
Employees defined 14
Employer identification number (EIN) 13
Employer responsibilities 8

F

Family employees 16
Farmworkers 14
Federal agency certifying requirements 54
Final return 39
Foreign persons treated as American employers 31
Fringe benefits 21
Fringe Benefits:
- Social security and Medicare taxes withholding on fringe benefits 21

FUTA tax 43

G

Government employees, nonfederal 52
Government employers 13

H

H-2A visa holders 19
Health insurance plans 20
Health savings accounts (HSAs) 20
Hiring new employees 7
Household employees 38
How To Figure Social Security and Medicare Taxes:
- Deducting the tax 30
- Sick pay 31
- Taxes paid by employer 30

I

Identity protection services 22
Income tax withholding 26
Information returns 2, 7
International social security agreements 31

L

Long-term-care insurance 20
Lookback period 32

M

Meals and lodging 20
Medicaid waiver payments 5
Medical care 21
Medical savings accounts (MSAs) 20
Medicare tax 29
Mileage 20
Monthly deposit schedule 33
Motion picture project employers 31
Moving expense reimbursement 3

N

New employees 7
Noncash wages 18, 20
Nonemployee compensation 9

O

Outsourcing payroll duties 4
Overtime compensation 3, 22

P

Part-time workers 31
Payroll period 25
Payroll service provider (PSP) 53
Penalties 36, 39
Private delivery services (PDSs) 10
Publications (*See* Tax help)

Q

Qualified small business payroll tax credit for increasing research activities 4

R

Reconciling Forms W-2 and Forms 941 or Form 944 40
Recordkeeping 9
Reimbursements 19
Repayments, wages 43
Reporting agent 53

S

Seasonal employers 38
Semiweekly deposit schedule 33
Severance payments 5
Share farmers 19
Sick pay 22
Social security and Medicare taxes 29
Social security number, employee 17
Spouse 15
Standard mileage rate 20
Statutory employees 14
Statutory nonemployees 14
Successor employer 30, 44
Supplemental wages 3, 24

T

Tax help 56
Telephone help 10
Third-party payer arrangements 53
Third-party sick pay tax adjustment 41
Tip rate determination agreement 23
Tip rate determination and education program 23
Tips 3, 22, 25
Trust fund recovery penalty 37

U

Unemployment tax, federal 43

V

Vacation pay 25

W

Wage repayments 43
Wages defined 18
Wages not paid in money 20
Where to get and file Form SS-5 in the U.S. territories 17
Withholding:
- Backup 9
- Certificate 26
- Exemption 27
- Fringe benefits 21
- Income tax 8, 26
- Levies 29
- Nonresident aliens 31
- Pensions and annuities 8
- Social security and Medicare taxes 29
- Tips 25

Z

Zero wage return 6

DRAFT
DRAFT