



April 13, 2017

Tax Exempt & Government | Federal, State, Local  
Entities | Government Entities

# LGOC

## Form 941 & Form 1099

By Wendy Speelman

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### Form 941

**941 for 2017: Employer's QUARTERLY Federal Tax Return** OMB No. 1545-0048

Form 941- January 2017

Employer identification number (EIN)  -

Name (not your trade name)

Trade name (if any)

Address

Number  Street  Suite or room number

City  State  ZIP code

Foreign country name  Foreign province/county  Foreign postal code

**Report for this Quarter of 2017 (Check one)**

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Instructions and prior year forms are available at [www.irs.gov/form941](http://www.irs.gov/form941).

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

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

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

2 Wages, tips, and other compensation **Add all 4 quarters should equal W-2 wages Box 1**

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

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

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### Form W-2

22222  Valid  Employer's social security number **For Official Use Only** OMB No. 1545-0046

**a** Employer identification number (EIN)

**b** Employer's name, address, and ZIP code

**c** Control number

**d** Employer's first name and initial  Last name

**e** Employer's address and ZIP code

**1** Wages, tips, other compensation = 941s Line 2

**2** Federal income tax withheld

**3** Social security wages

**4** Social security tax withheld

**5** Medicare wages and tips

**6** Medicare tax withheld

**7** Social security tips

**8** Allocated tips

**9** Verification code

**10** Dependent care benefits

**11** Nonqualified plans

**12a** See instructions for box 12

**12b**

**12c**

**12d**

**12e**

**13**

**14** Other

**15** State wages, tips, etc.

**16** State income tax

**17** Local wages, tips, etc.

**18** Local income tax

**19** Local income tax

**20** Locally imposed

Form **W-2** Wage and Tax Statement **2017** Department of the Treasury - Internal Revenue Service For Privacy Act and Paperwork Reduction

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 **How to Arrive at Federal Taxable Wages**

- Gross (taxable fringe benefits included)
- Minus:
  - Federal Tax Exempt Wages (active combat service)
  - Deferred Compensation (457(b), 403(b), 401(a), etc.)
  - Cafeteria 125 Benefits (may vary depending on benefit)

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 **How to Arrive at Federal Taxable Wages (continued)**

- Plus:
  - Group Term Life Insurance
  - Third Party Sick Pay
  - Other Compensation (Bonuses, Stipends, Cash Awards, Back Pay)
- Equals: Wages, Tips & Other Compensation
  - Line 2 on Form 941 and Box 1 on Form W-2

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 **Form 941 Part 1, page 1**

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

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

2 Wages, tips, and other compensation . . . . . 2  \*

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

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

	Column 1		Column 2
5a Taxable social security wages . . . . .	<input type="text"/> *	x 0.124 =	<input type="text"/> *
5b Taxable social security tips . . . . .	<input type="text"/> *	x 0.124 =	<input type="text"/> *
5c Taxable Medicare wages & tips . . . . .	<input type="text"/> *	x 0.029 =	<input type="text"/> *
5d Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/> *	x 0.009 =	<input type="text"/> *

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- Gross (Taxable Fringe Benefits are included)
- Minus:
  - Medicare Exempt Wages
  - Continuous employment exception 3/31/86
  - Cafeteria 125 Benefits
- Plus:
  - Group Term Life Insurance
  - Third Party Sick Pay
- Equals: Medicare Wages
  - Line 5 on 941 and Box 5 on W-2

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5e	Add Column 2 from lines 5a, 5b, 5c, and 5d . . . . .	5e	
5f	Section 3121(g) Notice and Demand—Tax due on unreported tips (see instructions) . . . . .	5f	
6	Total taxes before adjustments. Add lines 3, 5e, and 5f . . . . .	6	
7	Current quarter's adjustment for fractions of cents . . . . .	7	
8	Current quarter's adjustment for sick pay . . . . .	8	
9	Current quarter's adjustments for tips and group-term life insurance . . . . .	9	
10	Total taxes after adjustments. Combine lines 6 through 9 . . . . .	10	
11	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 . . . . .	11	
12	Total taxes after adjustments and credits. Subtract line 11 from line 10 . . . . .	12	
13	Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SR) filed in the current quarter . . . . .	13	
14	Balance due. If line 12 is more than line 13, enter the difference and see instructions . . . . .	14	
15	Overpayment. If line 13 is more than line 12, enter the difference . . . . .	15	

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

**You MUST complete both pages of Form 941 and SIGN it.** [Print](#)

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Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) \_\_\_\_\_

**Part 2: Tell us about your deposit schedule and tax liability for this quarter.**

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one:  Line 12 on this return is less than \$2,500 or line 12 (line 10 if the prior quarter was the fourth quarter of 2016) on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 (line 10 if the prior quarter was the fourth quarter of 2016) for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you are a monthly schedule depositor, complete the deposit schedule below. If you are a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1  \*

Month 2  \*

Month 3  \*

Total liability for quarter  \* Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941.

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Monthly Depositor

If Tax Liability is between \$2,500 to \$50,000 for look back period then:

- Deposit by 15<sup>th</sup> of following month
- Form 941, Part 2, page 2 at the top
  - Check 2<sup>nd</sup> box on Line 16
  - Fill in Tax Liability amounts & Total (total should = Line 12 page 1) for all 3 months

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Semiweekly Depositor

If tax Liability for look back period is greater than \$50,000 then:

- If payday Wed. - Fri. deposit taxes by following Wed.
- If payday Sat. - Tues. deposit taxes by following Friday
- Form 941, Part 2, check 3<sup>rd</sup> box on Line 16
- Prepare Schedule B (Not optional)

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Schedule B

- Semiweekly depositor
- Schedule B total liability should match total liability on 941 (Line 12)
- Show liability amounts not the amount you deposited – not always the same
- Attach to Form 941
- Complete EIN, Name, Year & Quarter

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### Form 944

- Small employers with employment tax liability of \$1,000 per year or less (FITW, SS & MC)
- Annual Form
- Same deposit rules apply to 944 as 941
- Qualified Employers can request Form 944
  - Don't file 944 until IRS notifies you to do so
- Can opt out filing Form 944 for any reason
- If not filing Form 944, must file Forms 941

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### Where to File?

Special Filing Address for: State & Local Government Entities

**Form 941:**

Without a Payment:

With a Payment:

Department of Treasury Internal Revenue Service Ogden, UT 84201-0005	Internal Revenue Service P.O. Box 37941 Hartford, CT 06176-7941
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**Form 944:**

Without a Payment:

With a Payment:

Department of Treasury Internal Revenue Service Ogden, UT 84201-0044	Internal Revenue Service P.O. Box 37944 Hartford, CT 06176-7944
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### What to do at the end of each tax year?

- File Form 941 quarter ending 12/31, or
- Form 944 year ending 12/31
- Furnish W-2's to employees
- Furnish 1099's to recipients
  
- File W-2's and W-3 to SSA
- File 1099's & 1096 to IRS

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 Form W-2, Wage & Tax Statement

- Summarizes wages and withholding of employee for calendar year
- Furnish to employee by January 31
- File W-2 along with Form W-3 to Social Security by January 31
- Must match totals with Forms 941 for all quarters




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COMPARE	Forms 941 (all 4 quarters)	Form W-2	Diff
Compensation	line 2	box 1	
Federal income tax W/H	line 3	box 2	
Social security wages	line 5a	box 3	
Social security tips	line 5b	box 7	
Social security tax	line 5a divided by 2 =	box 4	
Medicare wages	line 5c	box 5	
Medicare tax	line 5c divided by 2 =	box 6	

Reconcile the totals on the Forms W-2 to the amounts on the Form W-3.

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 Form W-2 Reminders

- Boxes 1, 3, and 5 may not be the same
  - Box 3 SS wages could be zero
  - Box 5 Medicare wages could be greater than Box 1, wages
- Box 1 Wages includes all *taxable* wages:
  - fringe benefits, including non-cash fringes
  - taxable benefits from a 125 plan
  - other compensation (awards, stipends, etc.)

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Form W-2 Reminders (continued)

- **Box 5 Medicare Wages include:**
  - Elective deferrals to deferred compensation plans (457(b) even though not included in Box 1
  - Taxable cost of Group Term Life Insurance over \$50,000 (also included in Box 1)

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Form W-2 Reminders

- **Box 12 Deferrals**
  - check W-2 instructions for codes, use most current revision
  - If only one code, put in Box 12a, even if code is D. Codes do not relate to boxes.
  - Taxable GTLI over \$50,000; 457(b); non-taxable sick pay
- **Box 13 Retirement indicator**

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Form W-2 Reminders (continued)

- **Box 14**
  - Lease value of employer provided auto reported in Box 1, required in Box 14
  - Other amounts MAY be reported (label items reported):
    - 414(h)2 amounts (i.e., Pick ups)—do NOT report in Box 12
    - Union dues; Uniform payments; educational assistance

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### W-2/W-3 Review

- If file Form W-2s then must file form W-3
- File Copy A of forms W-2 and W-3 with Social Security Administration
  - Make a copy of form W-3 to keep
  - Do NOT staple or tape form W-3 and forms W-2
- Keep Copy D of forms W-2
- Copy 1 to State, City, or Local tax department
- Furnish Copies B, C, and 2 of forms W-2 to Employees

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### File W-2's On-line

- [www.ssa.gov/employer](http://www.ssa.gov/employer)
- Select Business Services Online
- Select Registration
- Create and file "fill-in" versions of Forms W-2 with SSA
- Print out completed copies for employees and for your records
- Form W-3 will be created based on Form W-2s that were inputted

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### What is a 1099-MISC Form?

- Form required to report payments for each person paid during the year:
  - Services performed by someone who is not your employee
    - Including parts and materials
  - Rents
  - Other Income Payments

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 **What Is Reported on Form 1099?**

- Payments of \$600 or more per calendar year
- Paid in the course of your trade or business
- Services (may include parts & materials)
- Payments to Sole proprietor, partnership, trusts and corporations if:
  - attorney or health and medical

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 **Payments to Attorneys**

- Payments to attorneys includes law firms or other providers of legal services
- Attorney Fees are reported in Box 7
- Gross Proceeds paid to attorney are reported in Box 14 (Settlement Agreement)
- If the attorney is an employee then wages are reported on Form W-2

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 **Medical & Health Care Payments**

- Medical & Health Care Payments are reported in Box 6
- If payment is made to corp.:
  - list corp. as recipient rather than individual providing service
- Exclude reporting payments to:
  - Pharmacies      Tax-exempt hospitals
  - Extended Care Facility

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Form W-9

- Provide to every vendor who performs services for your entity (not merchandise)
- Use to request the taxpayer identification number (TIN such as SSN or EIN)
- Identifies type of business
  - Sole proprietor, partnership, Corp.
- Substitute form is acceptable if:
  - Its content is substantial similar to W-9

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W-9 & Backup Withholding

- Solicit Form W-9 when establishing vendor or prior to payment being made
- Payments subject to Backup Withholding (BUW) when:
  - The payment is \$600 or more and
  - The payee failed to furnish his TIN or
  - The Secretary notified the payor the TIN furnished by the payee is incorrect

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Backup Withhold

- Withhold Federal Income Tax @ 28% from the reportable payment to the payee
- Report BUW on Form 945, Annual Return of W/H Federal Income Tax,
- Report in Box 4 on Form 1099 the FIT Withheld
- Publication 1281, BUW for Missing & Incorrect Name/TIN(s)

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 **Examples when not to issue Form 1099**

- Products/Merchandise
- Telephone
- Storage
- Tax-exempt organizations
- Corporations unless:
  - Medical or Attorney
- Wages or employee business expense reimbursements

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 **LLC**

- LLC = Limited Liability Company
  - Not necessarily a corporation
- Could be corporation, partnership or disregarded entity (sole proprietor)
- Use current version of W-9 (Dec. 2014)
  - Separate line for LLC to mark if Partnership, Corporation or S Corp.

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 **Recipient's Name on Form 1099**

- Sole Proprietors or Single Member LLC
- Recipient's Name
  - Must use Individual name on 1st line
  - DBA or LLC name on the 2nd line (optional)
- Recipient's Identification Number
  - Enter SSN or EIN (IRS prefers SSN)
  - Even if use EIN use individual name on line 1

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### TIN Matching Program

- E-service product on the IRS website
  - Enter TIN Matching in search box
- Matches 1099 payee information with IRS records prior to submitting forms
- Decrease BUW & Penalty notices
- Must register with E-Service & TIN Matching
- Pub. 2108-A, On-Line TIN Matching Program

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### Penalties on Form 1099

- Failure to File Correct Information Returns  
Failure to Furnish Correct Payee Statements
- Each penalty is per information return
- \$50 if filed within 30 days
- \$100 if filed 31 days late – Aug. 1
- \$260 if filed after 8/1 or not at all
- Adjusted for inflation as of 1/1/16

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### Information Return Reporting Updates

New Filing Due Date : January 31, 2017  
Forms W-2/W-3 to SSA  
Forms 1099-MISC to IRS

Inflation-Indexed Penalty Amounts  
Effective: January 1, 2016

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### Civil Penalty 6721/6722 Changes

- *Small Bus. Job Act of 2010 (SBJA)* – penalty increased from \$50 to \$100
- *Tax Increase Prevention Act of 2014 (TIPA)* – changed inflation increase from every 5 years to annually
- *Trade Preferences Extension Act of 2015* - penalty increased from \$100 to \$250
- Rev. Proc. 2015-53 & 2016-11

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### Instructions for Form 1099

- [IRS.GOV](http://IRS.GOV)
- In the search box at the top right type:
- General Instructions for Information Returns

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### Question

- Line 1 Name is John Doe
- Line 2 business Name is Doe Tree Service
- Line 3 sole proprietor box is checked
- EIN is entered for the TIN
- How should the Form 1099 be prepared for Recipient's name and TIN?

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