



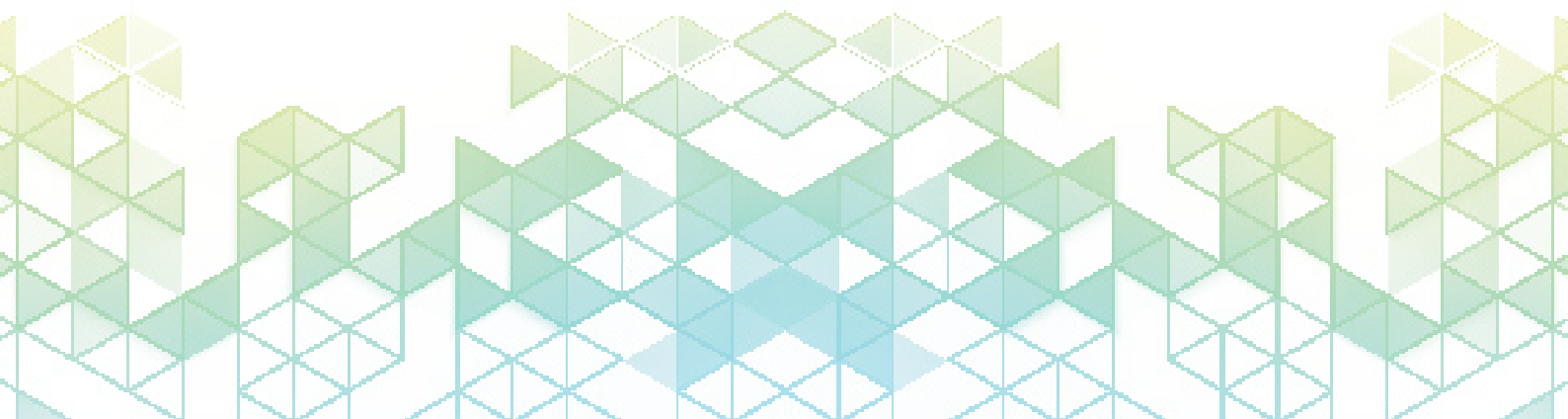
Johnson & Sheldon, PLLC
Certified Public Accountants

Tax

Form



Changes to Employer's Quarterly Tax Return (Form 941)



When Congress passed the Families First Coronavirus Response Act (FFCRA), a number of provisions affected employees and employers alike. Because employers were required to provide sick leave wages and family leave wages, Congress granted additional tax credits. As you might imagine, these additional tax credits necessitated some changes to IRS forms.

In particular, the IRS has made changes to [Form 941](#), the Employer's Quarterly Federal Tax Return, to account for coronavirus-related employment tax relief. Starting with the second quarter of 2020, employers will notice 18 new lines to accommodate additional data related to FFCRA tax credits. There have also been some changes to the accompanying worksheets to further clarify the new line items. The IRS has provided [revised instructions](#) to help employers ensure they are completing the additional lines correctly, which can be found on the IRS website.

In this whitepaper, we will explain the changes to the revised Form 941 that employers need to consider for their upcoming quarterly tax returns.

Form 941 Basics

Form 941 is an IRS requirement for any employer. Each quarter, employers are obligated to withhold federal income tax, social security tax, and Medicare tax from each employee's wages. Employers must file Form 941, every quarter, to report the wages paid to each employee and the amount of federal taxes withheld.

Form 941s are due on April 30, July 31, October 31, and January 31 for each preceding quarter. For instance, employers should report wages and taxes withheld for January, February, and March on the Form 941 due on April 30th.



It is important to note that you cannot wait until the 941 filing deadline to pay quarterly taxes. Employers are required to deposit their taxes either monthly or semi-weekly, depending on the amount of taxes owed. Form 941 can be filed via mail or online, although e-filing is preferable because it's often quicker and cheaper.

Certain employers are exempt from filing the Quarterly Tax Return, including those with a seasonal business, household employees, and/or farm employees.

Required Information for Form 941

Before sitting down to complete your 941, you will need the following information handy:

- Your business name, taxpayer identification number (EIN), and address,
- The number of employees in your business,
- Total amount of Medicare and Social Security taxes withheld for the previous quarter, and
- Total amount of deposits made to the IRS

Summary of 2020 Changes to Form 941

The good news is that most of the changes to Form 941 are beneficial to business owners. The FFCRA enabled employers to claim refundable tax credits for paid sick and family leave. Businesses could also claim an Employee Retention Credit. The revised Form 941 provides additional lines for employers to report these credits and to calculate the amount of the credit that will be refundable.

The drawback is that the revisions to Form 941 increase the complexity for filers, so many filers are turning to experts to help them sort these changes.

Also, while it is almost always preferable to e-file your Form 941, it is especially recommended during the pandemic. The IRS has had to scale back their mail processing due to COVID-19, so backlogs are expected. E-filing bypasses the issues associated with filing by traditional mail (plus it can save you some postage).

The tax rates for both Social Security and Medicare have not changed. However, the social security wage base limit has been raised to \$137,700 for 2020.



Breakdown of the New Additions

Here is a simplified breakdown of the relevant new additions to Form 941 that employers will need to calculate starting with the second quarter of 2020. Please note that sections of the form that have not changed are not addressed.

- **Qualified Sick Leave Wages.** Employers must report the amount of FFCRA sick leave wages paid to employees during the reported quarter. Click the link to learn more about [FFCRA required sick leave provisions](#).
- **Qualified Family Leave Wages.** Employers must report the amount of FFCRA family leave wages paid to employees during the reported quarter. Click the link to learn more about [FFCRA required family leave provisions](#).

| | Column 1 | | Column 2 |
|---|----------------------|-----------|----------------------|
| 5a Taxable social security wages . . . | <input type="text"/> | × 0.124 = | <input type="text"/> |
| 5a (i) Qualified sick leave wages . . . | <input type="text"/> | × 0.062 = | <input type="text"/> |
| 5a (ii) Qualified family leave wages . . . | <input type="text"/> | × 0.062 = | <input type="text"/> |
| 5b Taxable social security tips . . . | <input type="text"/> | × 0.124 = | <input type="text"/> |
| 5c Taxable Medicare wages & tips . . . | <input type="text"/> | × 0.029 = | <input type="text"/> |
| 5d Taxable wages & tips subject to Additional Medicare Tax withholding | <input type="text"/> | × 0.009 = | <input type="text"/> |

- **Nonrefundable and Refundable Portion of Credit for Qualified Sick and Family Leave Wages.** Employers should use the new [Worksheet 1](#) provided within the Form 941 instructions to calculate the amount of credit for qualified sick leave and family leave wages for the reported quarter.
- **Nonrefundable and Refundable Portion of Employee Retention Credit.** Again, employers will need to use Worksheet 1 to calculate the amount of employee retention credits they are eligible for in the reported quarter.

| | | |
|---|------------|----------------------|
| 10 Total taxes after adjustments. Combine lines 6 through 9 | 10 | <input type="text"/> |
| 11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974 | 11a | <input type="text"/> |
| 11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1 | 11b | <input type="text"/> |
| 11c Nonrefundable portion of employee retention credit from Worksheet 1 | 11c | <input type="text"/> |

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

Next ▶

- **Deferred Amount of the Employer Share of Social Security Tax.** Employers should report the share of Social Security tax they chose to defer for the reported quarter. It is important to note that the deferred amounts will be due in 2021 and 2022.

| | | | |
|------------|--|------------|----------------------|
| 13a | Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter | 13a | <input type="text"/> |
| 13b | Deferred amount of the employer share of social security tax | 13b | <input type="text"/> |
| 13c | Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 | 13c | <input type="text"/> |
| 13d | Refundable portion of employee retention credit from Worksheet 1 | 13d | <input type="text"/> |

- **Qualified Health Plan Expenses Allocable to Sick and Family Leave Wages.** Employers must report the amount of health plan expenses incurred for group health plan coverage for employees receiving sick leave and family leave wages.
- **Qualified Wages paid March 13-March 31, 2020 for the Employee Retention Credit.** Employers are to report data regarding qualifying wages paid from March 13-March 31st for the employee retention credit. Technically, those dates were within the first quarter, but the Form 941 revisions were not available at that time.

| | | | |
|-----------|---|--------------------------|----------------------|
| 18 | If you're a seasonal employer and you don't have to file a return for every quarter of the year | <input type="checkbox"/> | Check here. |
| 19 | Qualified health plan expenses allocable to qualified sick leave wages | 19 | <input type="text"/> |
| 20 | Qualified health plan expenses allocable to qualified family leave wages | 20 | <input type="text"/> |
| 21 | Qualified wages for the employee retention credit | 21 | <input type="text"/> |
| 22 | Qualified health plan expenses allocable to wages reported on line 21 | 22 | <input type="text"/> |
| 23 | Credit from Form 5884-C, line 11, for this quarter | 23 | <input type="text"/> |
| 24 | Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line only for the second quarter filing of Form 941) | 24 | <input type="text"/> |
| 25 | Qualified health plan expenses allocable to wages reported on line 24 (use this line only for the second quarter filing of Form 941) | 25 | <input type="text"/> |

Changes to Text and Procedures. In addition to new line items, there have been some modifications to the text and procedures on the instructions which employers should note. If you will be filing Form 941 without the assistance of a professional, you should carefully read the [revised instructions](#) to ensure you are completing the Form correctly.



Final Thoughts

If the most recent tax changes seem overwhelming, we are here to help. Contact the experienced accountants at our office for more information and assistance with your employment tax responsibilities.



About Johnson & Sheldon, PLLC

Johnson & Sheldon, PLLC is professional corporation that has established itself as one of the leading, aggressive accounting and consulting firms in the Panhandle Region of Texas. Our clients have been relying on the experience and guidance of our partners, Terry Sheldon , Richard Blankenship and Jeff Joyce for over 30 years. Located in Amarillo, Johnson & Sheldon's client base consists of small to medium size mostly privately-owned business and organizations. J&S is a member of the RSM US Alliance, the nation's fastest growing association of independent accounting firms. Through our affiliation with this network, Johnson & Sheldon, PLLC can offer the pooled expertise and resources of the RSM US Alliance, as well as other network members.



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