Internal Revenue Service
Tax Exempt and Government Entities
Indian Tribal Governments

Employment Tax Desk Guide

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CHAPTER 1
Introduction to Employment Tax Desk Guide for Indian Tribal Governments

The office of Indian Tribal Governments (ITG) at the Internal Revenue Service was established to help Indian tribes address their federal tax matters. During the planning and creation of this office, we received valuable input from Indian tribal governments and tribal associations so we would be better able to understand and meet your specialized needs.

The overall goal of this office is to use partnership opportunities with Indian tribal governments, tribal associations, and other federal agencies, to respectfully and cooperatively meet the needs of both the Indian tribal governments and the federal government, and to simplify the tax administration process.

This *Employment Tax Desk Guide* is intended to assist you in meeting federal employment tax responsibilities. It will provide you with key information and helpful tips for maintaining good records, preparing payroll, and filing and depositing employment taxes. **It is provided for general information only and should not be cited as any type of legal authority.** Your ITG specialist is available to answer any specific questions you may have. If you do not know who your specialist is, contact the ITG manager in your area per the **Area Contacts** chart shown later in this chapter.

The links to various publications throughout this document were current at the printing of this guide. To be sure you are referencing the most current document, form or publication, go to Forms and Publications. Contact your area specialist, or visit us at www.irs.gov/tribes for further information on any of the topics covered.

Are Federally Recognized Tribal Governments Subject to Employment Taxes?

Generally, Indian tribes in their role as employers are subject to federal employment tax laws and procedures. It is a well-established principle of tax law that in the ordinary affairs of life, Indians are U. S. citizens and are subject to the payment of federal income taxes.

Where a business enterprise or political subdivision of an Indian tribe is organized and operated by the tribe itself, such enterprise is considered a private tribal activity. When workers perform services in the employ of a private tribal activity, these services also constitute employment.

The federal statutes, regulations, case law, revenue rulings, and other sources of tax authority establish the role of Indian tribal governments as employers. As such, tribal governments are required to follow substantially the same procedures as other employers. There are some special provisions that apply to tribal governments and they are addressed in later chapters. If you have questions about anything contained in, or omitted from this guide, please telephone your local IRS Indian Tribal Governments office.

Employment Tax Requirements

Employers are required to withhold and pay employment taxes. Employment taxes represent the income tax and social security and Medicare taxes (also known as FICA, Federal Insurance Contributions Act taxes) withheld from the wages of an employee, plus the employer's share of social security taxes and federal unemployment (FUTA) taxes, when applicable. The withheld (employee's) portion of employment taxes is referred to as "trust fund" taxes. FUTA will be addressed later in Chapter 15.

In addition to your responsibilities for withholding, depositing and reporting federal taxes, your state taxing authority or tribal governmental taxing agency may also have tax reporting requirements. This guide is designed to assist you in complying with **federal tax** requirements. You should contact your state and, in some cases, tribal taxing agencies for information concerning state and tribal tax requirements.

Who is an Employee?

Employees are defined in the Treasury Regulations as every individual who performs services subject to the will and control of an employer, both as to what is to be done and how it is to be done. The right to discharge or to fire an employee is an important indicator that the person having the right to discharge is an employer. The employee may have considerable discretion and freedom of action as long as the employer has the legal right to control both the method and the result of the employee's work.

An employee may be called a partner, an agent, or an independent contractor and still meet the criteria of an employee. The description is immaterial if the legal relationship of employer and employee exists. Managers and other supervisory personnel are employees. A corporate officer is an employee.

Tribal council members are not employees for purposes of employment taxes. Tribal council members and other situations unique to Indian tribes are discussed in Chapter 3.

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Who is an Employer?

The Treasury Regulations define an employer as any person for whom an individual performs or performed any service. An employer may be an individual, a corporation, a partnership, a trust, an estate, an Indian tribe, educational institutions, organizations, federal/state/local governmental entities, and other entities.

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Introduction to Employment Tax Desk Guide for Indian Tribal Governments

We offer a number of products and services to assist you…

Publications

Publication 3908, *Gaming Tax Law for Indian Tribal Governments*

Publication 3747, *Introduction to Indian Tribal Governments*

Workshops available for presentation at your location:

Employment Tax
Gaming Tax Law
Tip Reporting
Anti-money Laundering

The ITG section of www.irs.gov includes a page on "Tax Tools for Tribes" which is available at the following website link:
http://www.irs.gov/govt/tribes/article/0,,id=174000,00.html
This site contains current electronic versions of the following:

- Publication 4268 (Employment Tax Guide for Tribes)
- Publication 3908 (Gaming and Bank Secrecy Act Law for Tribes)
- Publication 15 (Employer's Tax Guide)
- Publication 15-A (Employer's Supplemental Tax Guide)
- Publication 15-B (Employer's Tax Guide to Fringe Benefits)
- ITG News issuances for your area for the last 8 quarters
- An Excel file for calculating federal income tax withholding on per capita gaming distributions
- A "primer" for federal tax issues affecting individual Native Americans
- A guide on "Helpful Hints to Avoid Penalties"

CHAPTER 1
Introduction to Employment Tax Desk Guide for Indian Tribal Governments

AREA CONTACTS

Group Name	Manager	Contact
National Headquarters *District of Columbia*	Christie Jacobs *Washington, DC*	(202) 283-9800
Abusive Schemes *National Coverage*	Ken Voght *Buffalo, NY*	(716) 686-4860
Eastern U.S. & Southern Plains Alabama, *Arkansas, Connecticut, Delaware, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia*	Cathy Bird *Oklahoma City, OK*	(405) 297-4757
North Central *Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin, Wyoming*	Serina Halverson *Omaha, NE*	(402) 361-0286
Pacific Northwest *Alaska, Idaho, Oregon, Washington*	Joe Kincaid *Portland, OR*	(503) 326-2381
Southwest *Arizona, Colorado, New Mexico, Utah*	Steve Bowers *Santa Ana, CA*	(714) 347-9430
Western *California, Hawaii, Nevada*	John Saltmarsh *San Bernardino, CA*	(909) 388-8162
Customer Account Services toll-free		**(877) 829-5500**

Visit our web site:
www.irs.gov/tribes

Call for assistance:
Customer Account Services
(877) 829-5500

Write to the following address:
Internal Revenue Service
Indian Tribal Governments SE:T:GE:ITG
1111 Constitution Avenue, NW
Washington, DC 20224

CHAPTER 2
Employee or Independent Contractor

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 51, *Circular A, Agricultural Employer's Tax Guide*
- Publication 1779, *Independent Contractor or Employee*
- Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.*
- Form 8919, *Uncollected Social Security and Medicare Tax on Wages*

Employees

A person who works for you may be classified as a common law employee, a statutory employee or an independent contractor. The classification of the worker determines which forms you must file and which taxes you must pay. An employer must generally withhold income taxes, withhold and pay social security and Medicare taxes, and pay unemployment tax on wages paid to an employee. **Note: wholly owned tribal government entities may be exempt from federal unemployment taxes. Please refer to Chapter 15 for further information.** An employer does not generally have to withhold or pay any taxes on payments to independent contractors.

I.R.C. §3121(d)(2) defines "employee" as "any individual who, under the usual **common law rules** applicable in determining the employer/employee relationship, has the status of an employee." The "usual common law rules" referred to in the statute and in the regulations, are those factors to which the courts have looked over the years in order to decide whether or not a person is an employee.

Generally, an employer/employee relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work, but also as to the details and means by which that result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection, it is not necessary that the employer actually direct or control the manner in which the services are performed; it is sufficient if he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer.

In determining whether a worker is an employee or an independent contractor under the common law rules, three main categories must be considered:

1) behavioral control, 2) financial control, and 3) relationship of the parties.

1. Behavioral control—Facts that show whether there is a right to direct or control how the worker does the work include:
   - o Instruction the business gives to the worker, such as:
     - How, when, or where to do the work
     - What tools or equipment to use
     - What assistants to hire to help with the work
     - Where to purchase supplies and services
     - What work must be performed by a specified individual
     - What order or sequence to follow
   - o Training the business gives the worker

2. Financial control—Facts that show whether there is a right to direct or control the business part of the work include:

   - o Significant investment—the extent of the worker's investment
   - o Expenses—the extent to which the worker has unreimbursed business expenses
   - o Opportunity for profit or loss—the extent to which the worker can realize a profit or loss
   - o The extent to which the worker makes services available to others
   - o How the business pays the worker

3. Relationship of the parties—Facts that illustrate how the business and worker perceive their relationship include:

   - o Employee benefits—whether the business provides the worker with employee-type benefits
   - o Written contracts describing the relationship
   - o The permanency of the relationship
   - o The extent to which services performed by the worker are a key aspect of the business

Even after evaluating the above factors, there will be times when it is difficult to make the determination as to whether an individual is a **common law employee** or self-employed and should be treated as an independent contractor. Many individuals who have personal service contracts with tribal governments may be employees rather than independent contractors. The mere existence of a contract does not mean the individual is not an employee.

It is important to the worker that the employment status be determined as quickly as possible so that the earnings can be properly reported. To request a determination from the IRS as to whether or not a worker is an employee, file a

Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*. Further information is provided in Chapter 3.

Some workers may be considered **statutory employees** (even though they are considered independent contractors under the common law rules) if they fall into any one of four categories and they meet three additional conditions. The law defines certain workers as employees by statute. These categories include: 1) drivers who distribute certain food products or deliver laundry or dry cleaning, 2) full- time life insurance sales agents, 3) individuals who work at home on materials and goods you supply and must be returned to you, and 4) full-time traveling or city salespersons who turn in orders to you from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments. Refer to Publication 15-A, Section 1, *Who are Employees?* for further information.

The general rule is that an individual is an **independent contractor** if you, the person for whom the services are performed, have the right to control or direct only the result of the work and not the means and methods of accomplishing the result. Workers who offer their services to the public are generally not employees. A Form 1099-MISC, *Miscellaneous Income,* should be furnished to independent contractors and filed with IRS.

Misclassified Workers to File New Social Security Tax Form

A new form has been developed for employees who have been misclassified as independent contractors by an employer. Form 8919, Uncollected Social Security and Medicare Tax on Wages, will now be used to figure and report the employee's share of uncollected social security and Medicare taxes due on their compensation.

Generally, a worker who receives a Form 1099 for services provided as an independent contractor must report the income on Schedule C and pay self-employment tax on the net profit, using Schedule SE. However, sometimes the worker is incorrectly treated as an independent contractor when they are actually an employee. When this happens, Form 8919 will be used beginning for tax year 2007 by workers who performed services for an employer but the employer did not withhold the worker's share of social security and Medicare taxes.

In addition, the worker must meet one of several criteria indicating they were an employee while performing the services. The criteria include:

- The worker has filed Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, and received a determination letter from the IRS stating they are an employee of the firm.

- The worker has been designated as a section 530 employee by their employer or by the IRS prior to January 1, 1997

- The worker has received other correspondence from the IRS that states they are an employee.

- The worker was previously treated as an employee by the firm and they are performing services in a similar capacity and under similar direction and control.

- The worker's co-workers are performing similar services under similar direction and control and are treated as employees.

- The worker's co-workers are performing similar services under similar direction and control and filed Form SS-8 for the firm and received a determination that they were employees.

- The worker has filed Form SS-8 with the IRS and has not yet received a reply.

By using form 8919, the worker's social security and Medicare taxes will be credited to their social security record.

In the past, misclassified workers often used Form 4137 to report their share of social security and Medicare taxes. Misclassified workers should no longer use this form. Instead, Form 4137 should now only be used by tippped employees to report social security and Medicare taxes on allocated tips and tips not reported to their employers.

Misclassification of Employees

If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker (IRC §3509). In some instances, you may have reasonable basis for not treating a worker as an employee and may be entitled to relief under Section 530 of the Revenue Act of 1978.

CHAPTER 2
Employee or Independent Contractor

Examples of Employees

1) The tribal business pays Mr. Tom, an individual, $500 per week to clean the tribal office complex. Mr. Tom only works for the tribe. He does not have the right to hire or fire any assistants, and he is required to personally do the work. The tribe provides the supplies and tools. Based on these facts, Mr. Tom is considered an employee and the tribe should withhold income taxes and employment taxes. Mr. Tom will be issued a Form W-2.

2) Mr. Bills works as a deputy for the tribal police department. When Mr. Bills is off-duty, he has been repairing the roof of the tribal hospital. The tribe has determined when the work is to be done, has provided the supplies needed, and has determined how Mr. Bills will be paid. Based on these facts, Mr. Bills is considered an employee for the tribe for both jobs and should be issued a Form W-2 showing the withheld income taxes and employment taxes.

3) Ms. Fran is a tribal member but **not** a council member. Ms. Fran is on the Beautification Committee. She is required to attend the Ms. Indian Pageant Committee meeting and is paid $50. Ms. Fran is considered an employee and is subject to withholding of federal income taxes, FICA, and Medicare tax. Ms. Fran will also be issued a Form W-2.

Example of an Independent Contractor

The tribe pays Mr. Paul $1000 per week to clean the bingo halls. Mr. Paul operates his own janitorial service providing cleaning services for numerous entities. He has the right to hire and fire his own employees, and provides his own supplies. The tribe does not have the right to control Mr. Paul. Therefore, Mr. Paul is not an employee of the tribe and would be issued a Form 1099-MISC.

The following are examples of workers misclassified as independent contractors who should have been treated as employees:

- Pharmacist – Hired on contract. Worked only for the tribe.
- Bus Driver - Works as a janitor during the day. This is an additional wage to this employee.
- Janitor – Works when told & uses supplies provided by the tribe. Paid a flat fee per month.
- Speech Teacher – Hired on contract but worked only for the tribal school.
- Doctor – Paid by both tribe and IHS on a contract. Worked at the hospital. Whether wages were paid by either or both, Form 1099 is not acceptable.

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Employee or Independent Contractor

If you have a question about the treatment of any of your workers, please contact your ITG Specialist.

Agricultural Labor (Farm Work)

There are special rules for social security and Medicare withholding on agricultural workers. See Chapter 14, Form 943, *Agricultural Employees*, for more information. Also, refer to Publication 51, Section 4, *Social Security and Medicare Taxes,* and also Section 13, *Federal Income Tax Withholding Methods.*

Crew Leaders

A crew leader is a person who furnishes and pays workers to do farm work for the farm operator. If there is no written agreement between this worker and the farm operator stating that he or she is an employee and if he or she pays the workers (either for himself or for the farm operator), then he or she is a crew leader. This person is an independent contractor and will receive a Form 1099-MISC for all of the work performed.

Employment taxes for farm workers must be filed on Form 943 and must be separate from other workers' employment taxes filed on Form 941.
Further information on agricultural workers is addressed in Chapter 14.

CHAPTER 3
Treatment of Certain Payments

References:

- Internal Revenue Code §7873
- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A (PDF), *Employer's Supplemental Tax Guide*
- Revenue Ruling 59-354 (Attachment A at the end of this guide)
- Revenue Ruling 63-136 (Attachment B at the end of this guide)
- Revenue Ruling 2000-6 (Attachment C at the end of this guide)
- Form 843, Claim for Refund and Request for Abatement
- Form 941c, Supporting Statement to Correct Information

In this chapter, we will discuss how certain payments are treated. Some of these payments are specific to Indian tribes, while others are not. For example, payments made from fishing rights-related activities and payments made to tribal council members are tribal specific issues. Payments made to elected and appointed officials and those payments made as bonuses are general in nature. The proper treatment of these payments for withholding and reporting purposes is sometimes confusing.

In the next four sections of this chapter, payments to tribal council members, fishing rights-related activities, bonuses, and payments to elected and public officials will be discussed. If you have questions about any of these payments, or how they are to be treated, you should contact your local Indian Tribal Governments office[1] for assistance.

Fishing Rights-Related Activities

Any income derived by a member of an Indian tribe (either directly or through a qualified Indian entity) or by a "qualified Indian entity" (defined later in this chapter) from a ***fishing-rights related activity*** of that member's or entity's tribe is exempt from federal & state taxation **(income tax, income tax withholding, FICA, unemployment tax, and self-employment tax).**

Wages are not exempt if paid by an employer who is not a member of the same tribe or is not a qualified Indian entity. Wages are also not exempt if paid to an employee who is not a member of the tribe whose fishing rights are exercised. *Tribal members must fish in their own waters to be exempt.*

Fishing rights-related activity means an activity (including aquaculture) directly related to harvesting, processing, or transporting fish harvested in the exercise of

[1] Contact information for your local IRS Indian Tribal Governments office is listed in Chapter 1 of this guide.

recognized fishing rights of such tribe or to selling fish, but only if substantially all of the harvesting was performed by members of the tribe.

A recognized fishing right must have been secured as of March 17, 1988, by a treaty between the tribe and the United States, by an Executive Order, or an Act of Congress.

As an employer exercising fishing rights-related activities you should:

- Verify your status as a qualified Indian entity.
- Verify your employee's proof of tribal membership.
- Verify time allocated to fishing versus nonfishing activity. For example, consider a game warden that is responsible for protecting other wildlife and has other duties, as well as patrolling the treaty waters of his tribe. His employer should verify the percentage of time he engages in fishing rights-related activities of his tribe.
- Maintain records to support each employee's time allocation.
- Maintain records to support the 90% gross receipts rule (defined later in this chapter).

Tax Return Preparation

- Do not include exempt wages on Form 941, Form 940, or Form W-2.
- Wages paid for nonfishing activities are subject to all applicable employment taxes and employment tax reporting, including Form W-2.
- If only fishing rights-related income is paid to an individual, no Form W-2 is required.
- A letter stating the amount and tax-exempt nature of his/her wages may be issued to the employee to be used for various non-tax purposes, such as bank loans.

  Note: *If a processor or transporter fails to meet the 90% rule, all income from that year is taxable.*

CHAPTER 3
Treatment of Certain Payments

Special Definitions:

A "qualified Indian entity" is 100% owned by a federally recognized Indian tribe or tribal members, and substantially all management functions are performed by tribal members. It may be jointly owned by more than one tribe or members of more than one tribe.

90% Rule for processors and transporters -- If the entity engages to any extent in any substantial processing or transporting of fish, then at least 90 percent of the annual gross receipts of the entity must be derived from the exercise of protected fishing rights of tribes whose members own at least 10 percent of the equity interests in the entity.

Examples of categories of tribal employees whose wages may be exempt or partially exempt:

- Fishers, processors (including smoking), transporters
- Hatchery workers
- Environmental and conservation workers
- Enforcement staff and tribal court personnel
- Support staff, i.e. secretary, accounting, payroll
- Program director, executive director
- Fisheries biologist
- Fisheries aide
- Fishery and habitat policy analysts
- Water quality biologist
- Habitat inventory and assessment technician
- Legislative analyst
- Information and education services
- Data analyst
- Policy analyst
- Public information staff

For questions regarding this tax treatment, please contact your local Indian Tribal Governments office.[1]

[1] Contact information for your local IRS Indian Tribal Governments office is listed in Chapter 1 of this guide.

CHAPTER 3
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Tribal Council Members

Revenue Ruling 59-354 , 1959-2 C.B. 24, sets forth a limited employment tax exception for amounts paid to tribal council members for services performed by them as council members. Revenue Ruling 59-354 holds that while these amounts are includible in the council member's gross income, they do not constitute wages for purposes of FICA, FUTA, and Federal income tax withholding.

Tribal chairmen and tribal councilmen are employees; however, salaries paid to them for services performed by them as council members are treated differently. These amounts should be included in the council member's gross income; however, they do not constitute wages for purposes of the Federal Insurance Contributions Act (FICA) or federal withholding taxes. Per Revenue Ruling 59-354, you are required to provide Forms W-2 to these individuals. Tribal officials are liable for federal income tax on these wages, and some may voluntarily have this tax withheld to avoid personal year-end deficiencies.

Council members' salaries will be shown in box 1, Wages, Tips, Other Compensation, of the Form W-2. Additionally, in box 14, Other, you should indicate *Revenue Ruling 59-354*. This will show why there are no amounts listed in the boxes for federal income tax withheld (box 2) or FICA (boxes 3, 4, and 7). Note: If the tribal council member requests to have federal taxes withheld, box 2 will reflect these voluntarily-withheld amounts.

Exhibit 3-1 (at the end of this chapter) is a sample of a W-2 for a tribal council member. Tribal council members may receive two Forms W-2, one for tribal council member wages and one for services performed in another capacity. See Form W-2 instructions for further information.

A copy of Revenue Ruling 59-354 is included as Attachment A at the end of this guide. Part of your responsibility as employer is to provide the council member with either a copy of the revenue ruling or a statement advising them that their W-2 is treated differently (i.e., salaries do not constitute wages for purposes of FICA or federal withholding taxes per Revenue Ruling 59-354). The council member should then attach a copy of the revenue ruling or statement to their individual tax return.

Claim for Overcollected Employee Social Security and Medicare Taxes

If the Indian tribal government withheld social security taxes and Medicare taxes from a tribal council member's salary, those overcollected taxes may be refunded to the tribal council member in one of two ways: 1) by filing Form 843, Claim for

Refund and Request for Abatement, with Form 941c attached, or 2) by filing a Form 941c with their current quarter 941 (to correct prior period Forms 941). NOTE: If you file a Form 843 Claim, your refund will include interest on the overpaid taxes; however, your refund will take longer to be processed. The second choice, filing a Form 941c with the current quarter Form 941, generates a refund more quickly; however, it does not include interest on the total.

A written statement must be obtained from each tribal council employee stating that the employee has not claimed, and will not claim, refund or credit for the amount of overcollection. The Indian tribal government can make a claim for both the employer and the employee shares of social security and Medicare taxes for those employees who provide the required written statements.

For those employees who do not provide statements, you (as employer) can make a claim for **only** the employer's share of social security and Medicare taxes.

Next, complete the Form 941c, Supporting Statement to Correct Information for each Form 843 or Form 941 being corrected. When completing the Form 941c, be sure to complete Part 1 by checking the appropriate box(es) and signing at the bottom of Part 1. The Tribe then reimburses the council members for their share of the social security and Medicare taxes.

Finally, complete Form W-2c for each employee for whom adjustments were made to social security and Medicare taxes. This corrects the previous Form W-2 filed. Submit the Forms W-2c along with the Form W-3c to Social Security Administration.

Form 843, Claim for Refund and Request for Abatement, and Form 941c, Supporting Statement to Correct Information, and their instructions have been included at the end of this chapter.

Benefit Payments for Training or Retraining

Revenue Ruling 63-136 (Attachment B at the end of this guide) addresses the issue of benefit payments, received by individuals undergoing training or retraining under the Area Redevelopment Act (75 Stat. 47-63), or the Manpower Development and Training Act of 1962 (76 Stat. 23-33). Examples of state-funded retraining programs are the Job Training Partnership Act (JTPA) and the Work Investment Act (WIA). A tribe may establish its own work employment program.

As stated in Revenue Ruling 63-136, these benefit payments are not taxable. These benefit payments are intended to aid the recipients in their efforts to acquire new skills that will enable them to achieve better employment opportunities. As such, these benefit payments fall into the same category as other unemployment relief payments made for the promotion of the general welfare. Accordingly, it is held that such payments are not includible in the gross incomes of the recipients.

Bonuses

Bonuses that the tribe pays an employee are includable in the employee's income and are shown as wages on the Form W-2. If the bonuses are paid to the employee in the form of goods or services, the fair market value of the goods or services will be added to the employee's income.

Bonuses are considered supplemental wages paid in addition to the employee's regular wages. How you withhold on bonuses depends on whether the bonus is identified as a separate payment from regular wages.

Bonus Combined with Regular Wages

If you pay bonuses with regular wages but do not specify the amount of each, withhold income tax as if the total were a single payment for a regular payroll period.

Bonus Identified Separately from Regular Wages

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

If you **withheld** income tax from an employee's regular wages, you can use one of the following methods for the bonus:

a) Withhold a flat 25% (no other percentage allowed).
b) Add the bonus and regular wages for the most recent payroll period this year.

c) Figure the income tax withholding as if the total were a single payment. Subtract the tax already withheld from the regular wages. Withhold the remaining tax from the bonus.

If you **did not withhold** income tax from the employee's regular wages, use method **b** above. (This would occur, for example, when the value of the employee's withholding allowances claimed on Form W-4 is more than the wages.)

Regardless of the method you use to withhold income tax on bonuses, they are subject to social security, Medicare, and FUTA (if applicable) taxes.

EXAMPLE 3.1

You pay Sharon a base salary on the first of each month. She is single and claims one allowance. Her July 1, 200X, pay is $2,000. Using the current wage bracket tables, you withhold $200. On July 15, 200X, you pay Sharon a bonus of $2,000. Electing to use supplemental payment method **b,** you:

1) Add the bonus amount to the amount of wages from the most recent pay date ($2,000 + $2,000 = $4,000).
2) Determine the amount of withholding on the combined $4,000 ($613 using the wage bracket tables).
3) Subtract the amount withheld from wages on the most recent pay date from the combined withholding amount ($613 - $200 = $413).
4) Withhold $413 from the bonus payment.

EXAMPLE 3.2

The facts are the same as in the above example, except that you elect to use the flat rate method of withholding on the bonus. You withhold 25% of $2,000, or $500, from Sharon's bonus payment.

Elected and Public Officials

To determine whether an elected or public official is an employee, Tribal Governments would use the 'common law' factors. The Tribal Government should use the 3-prong test to determine whether a common law employment relationship exists. The three prongs are 1) behavioral control; 2) financial control; and 3) the relationship of the parties. Each determination is based upon its unique facts and circumstances. **If there is any question whether a person is a public official, obtain a copy of, or a reference to, the pertinent statute or ordinance relating to the establishment of the position.**

For more information on employer-employee relationships, refer to Chapter 2 of Publication 15, *Circular E, Employer's Tax Guide* and Chapter 2 of Publication 15-A (PDF), *Employer's Supplemental Tax Guide*. If you would like the IRS to determine whether services are performed as an employee or independent contractor, you may submit Form SS-8 (PDF), *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.* Form SS-8 is discussed more thoroughly on Page 23 of this guide.

Election Workers

If an election worker's compensation is subject to withholding of FICA tax, reporting is required for all compensation, regardless of the amount. If an election worker's compensation is not subject to withholding of FICA tax, information reporting is required for payments that aggregate $600 or more in a calendar year. See Revenue Ruling 2000-6 (Attachment B at the end of this guide) to determine when an election worker's compensation is subject to withholding of FICA tax.

In the following examples, all the wages paid in 200X have been for services as an election worker only.

1. If wages paid during the year are less than $600, no W-2 is required. The wages are not subject to FICA or federal income tax withholding. The election worker must report the earnings as wages.

2. If wages paid during the year are between $600 and $1,299, a Form W-2 should be issued. FICA and federal income tax withholding are not required to be withheld. The election worker must report the earnings as wages.

3. If wages are equal or greater than $1,300 (this amount is indexed for inflation), a W-2 should be issued. The wages are subject to FICA, but not federal income tax withholding. The election worker must report the earnings as wages.

CHAPTER 3
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Form SS-8

Occasionally, an Indian tribal government will be unable to determine whether a worker is an employee or whether the worker is self-employed and should be treated as an independent contractor. Many individuals who have personal service contracts with Indian tribal governments may be employees rather than independent contractors. The existence of a contract does not mean that the individual performing the service is not an employee. It is important to the worker that the employment status be determined as soon as possible so that the earnings can be properly reported.

If no clear resolution is possible, consider filing a Form SS-8, *Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding,* with the IRS for a determination. A Form SS-8 is used to gather information to determine whether a worker is an employee for federal employment taxes.

All pertinent facts relating to the individual's work arrangement should be obtained and submitted to the IRS on a Form SS-8. A Form SS-8 may be submitted by the tribal government or by the worker. If a contract has been executed between the worker and the entity, a copy of the contract should be furnished with the Form SS-8. When a Form SS-8 is submitted to the IRS, all the facts are analyzed and the determination of a worker's status is presented to the employer in the form of a determination or letter ruling.

Several problems arise for a worker when incorrectly treated as an independent contractor. To begin with, the worker would probably pay more taxes (i.e., Self-Employment Contributions Act (SECA) taxes) than if the worker were being correctly treated as an employee. As an employee, only the employee's portion of the social security and Medicare taxes are withheld and paid from the employee's wages. As an independent contractor, the worker is not eligible for any unemployment benefits or other benefit plans that the worker would have as an employee. Also, as an independent contractor, the worker may have to pay estimated tax payments each quarter.

EXHIBIT 3.1
Sample Form W-2 for Tribal Council Member

22222	a Employee's social security number 123-45-6789	OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 5000.00	2 Federal income tax withheld
c Employer's name, address, and ZIP code Tribe XYZ 123 Main Street Anytown, USA 75432		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial: Sara A.	Last name: Lee / Suff.	11 Nonqualified plans	12a Code
333 Elm Street Anytown, USA 75432		13 Statutory employee / Retirement plan / Third-party sick pay	12b Code
		14 Other See Revenue Ruling 59-354	12c Code
f Employee's address and ZIP code			12d Code

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2008** Department of the Treasury—Internal Revenue Service

CHAPTER 4
Tipped Employees

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 531, *Reporting Tip Income*
- Instructions for Form W-2, Box 1 and Box 8
- Publication 1872, *Tips on Tips, A Guide to Tip Income Reporting for Employees in the Food and Beverage Industry*
- Publication 1875, *Tips on Tips, A guide to Tip Income Reporting for Employers in the Food and Beverage Industry*
- Publication 3148, *Tips on Tips, A Guide to Tip Income Reporting for Employees Who Receive Tip Income*
- Publication 3144, *Tips on Tips, A guide to Tip Income Reporting for Employers in Businesses Where Tip Income is Customary*
- Instructions for Form 941, Line 5b, *Taxable Social Security Tips*
- Form 8027 and instructions, *Employer's Annual Information Return of Tip Income and Allocated Tips*
- Publication 1239, *Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically*

References for your employees:

- Publication 1244, *Employee's Daily Record of Tips and Report to Employer* (This publication includes Form 4070, *Employee's Report of Tips to Employer,* and Form 4070A, *Employee's Daily Record of Tips.)*
- Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*

Tips are Wages

Tips are defined as wages under IRC §3121(a) and §3401(a). Tips that are received by an employee in the course of employment should be reported to the employer whether received directly from customers or indirectly in the form of shared tips or tip-outs from fellow employees. For purposes of FICA, the term "wages" means all remuneration for employment, including the cash value of all remuneration (including benefits) paid in any medium other than cash (unless specifically excepted). For purposes of federal income tax withholding, the term "wages" is similar to the one for FICA.

All tips received by an employee are taxable income subject to federal income tax. Tips paid in cash (or checks or other cash equivalent), including charged tips of $20 or more that an employee receives in a calendar month while working for any one employer, are wages subject to FICA and income tax withholding.

CHAPTER 4
Tipped Employees

Tips of less than $20 received by an employee during a calendar month while working for a particular employer are not wages for FICA or federal income tax withholding purposes, even though such tips are taxable income. Once the amount of tips received in a calendar month reaches $20 from any one employer, the entire amount of tips received must be reported to the employer and included in wages (not just the amount over $20).

An employee who receives $20 or more in tips must report those tips in writing to his (or her) employer by the tenth day following the month in which the tips are received (or more often if required by the employer).

Service Charges

Service charges added to the customer's bill by the establishment as gratuities are receipts to the establishment. Although commonly thought of as tips, they constitute wages when distributed and paid to the tipped employee. These service charges are treated as wages and are includible on Form W-2.

Large Food and Beverage Establishments

There are special tip reporting requirements for large food and beverage establishments. A "large food and beverage establishment" is defined as a business operation with the following characteristics: food and beverages are provided for consumption on the premises, tipping is a customary practice, and there are more than 10 employees who work more than 80 hours on a typical business day.

For the Form 8027 filing requirement:

- Casino buffets are included if tipping is customary.
- Ten or more employees include the total of all employees at the establishment, not just the tipped employees.
- If an employer owns more than one establishment, a separate Form 8027 must be filed for each establishment.
- If there is more than one business operating within a single building, and if the receipts for the businesses are recorded separately, then each location should file a separate Form 8027.

File Form 8027, *Employer's Annual Information of Tip Income and Allocated Tips,* for large food and beverage establishments by the last day of February for the preceding calendar year. Extensions may be requested on Form 8809, *Request for Extension of Time to File Information Returns,* if the request is filed before the due date of the return. Refer to Publication 1239, *Specifications for Filing Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, Magnetically or Electronically,* to file electronically. The due date if filed electronically is March 31 for the preceding calendar year.

Allocated Tips

IRC §6053(c)(2) and (3) requires large food and beverage establishments to allocate tips to those employees who report tips of less than 8% of gross receipts to them. The total allocated is the difference between the 8% and the amount reported by the employees. The establishment must report these allocations in box 8 of the Form W-2. See Exhibit 4-1 for an example.

Tip Rate Reduction Requests

A request may be made for a reduced allocation rate by submitting a petition that clearly demonstrates that a rate less than 8% should apply. Refer to Instructions for Form 8027 on how to apply.

IRC §3121(q)

The Omnibus Budget Reconciliation Act of 1987 (OBRA) amended IRC §3121(q) to provide that tips are deemed to have been paid by the employer for purposes of FICA tax and to require that employers withhold both the employer and employee shares of FICA. IRC §3121(q) also provides that unreported tips are subject to employer FICA tax. IRC §3121(q) allows the Service to assess the employer's share of FICA taxes with respect to reported tips (i.e., where no statement reporting such tips was furnished by an employee or to the extent the statement is inaccurate or incomplete). The vehicle to assess this additional tax is in Section 3121(q) Notice and Demand. When determining the employer's additional FICA tax liability, the tips are deemed paid on the date the Notice and Demand is made to the employer by the Service.

Employer's General Responsibilities

IRC §3102(a) provides that the employer is responsible for deducting and depositing the employee's FICA tax on tips included in the written report furnished by the employee to the extent that collections can be made from the employee's wages (under the employer's control, excluding tips) on or after the time the written statement is furnished.

CHAPTER 4
Tipped Employees

Additional FICA Tax Payable

IRC §6053(b) states that the employer must furnish to the employee a written statement showing the amount of employee FICA on tips, which exceeds the tax the employer can collect from the wages under the control of the employer. The regulations provide that the statement is provided on the employee's Form W-2. The employee is required to report and pay over to the Service the portion of employee tax, which the employer was unable to withhold due to the lack of employee wages available to cover the liability.

An employee's regular pay may not be enough for the employer to withhold all of the taxes an employee owes on the regular pay and reported tips. If this happens an employee may give the employer more money to cover the taxes.

If the employee's pay, under the employer's control, is not enough to cover all of the taxes, the Treasury Regulations at §31.3102-3(a)(1) clarify the sequence the employer must follow when paying over the withheld taxes as follows:

1. All taxes (FICA, federal withholding, and state and local) on regular pay, exclusive of tips
2. Social security and Medicare taxes on reported tips
3. Federal, state, and local taxes on reported tips

EXAMPLE 4.1
Employee taxes on wages and tips exceed regular wages

Grady Cimarron is a blackjack dealer for a tribal casino in Oklahoma. He routinely receives tips as a part of his compensation as a dealer. The casino pays him a salary of $200 per week ($400 every two weeks). He receives tips in cash each day that he works.

Grady keeps a daily tip record and reports tips to his employer every other Friday. He has a Form W-4, *Employee's Withholding Allowance Certificate*, on file with his employer (the casino). It reflects that he is single with one exemption. For the two-week period ending April 12, 200X, Grady reported $1,200 in cash tips to his employer. His regular wages for the same two-week period are $400. The casino tip policy allows Grady to keep his cash tips at the time he receives them.

The following computation illustrates that Grady's total withholding for wages and tips exceeds his regular wages, causing him to owe taxes to his employer on payday.

Gross Regular Pay				$400.00
Less:				
	Tax on Wages of $400.00	Tax on Tips of $1,200.00	Total Tax to be Withheld	
FICA	$ 30.60	$ 91.80	$122.40	
Federal Withholding	$100.00*	$200.00*	$300.00*	
State Withholding	$ 30.00	$ 20.00	$ 50.00	
Total	$160.60	$311.80	$472.40	-472.40
Net Paycheck				Zero **

* **These withholding amounts are for this example only to show the intended result. The withholding tables were not consulted for either federal or state withholding taxes.**

****The employee owes the amount of tax ($72.40) that exceeds his regular paycheck.**

Because all tips are taxable wages to the employee, this situation creates a withholding shortfall for Grady. The withholding on his wages plus his tips exceeds his biweekly paycheck from his regular salary.

If Grady does not make arrangements with his employer to pay all his FICA and withholding, his taxes will be applied in the following order:

1. Withholding on regular wages (FICA, federal income, state income) ($160.60)
2. FICA withholding tax on tips ($91.80)
3. Federal income tax withholding ($147.60 of the $200 due)

Net paycheck = 0 ($400 less $160.60, $91.80 and $147.60)

After his net paycheck is zero, Grady still owes $52.40 in federal income tax withholding and $20 in state withholding.

Because Grady's regular pay is not enough for his employer to withhold all the taxes he owes on his regular pay plus his reported tips, he may give his employer money for taxes. He may give his employer money until the close of the calendar year to pay the rest of the taxes.

His employer may also collect any taxes that remain unpaid from his next paycheck. If withholding taxes remain uncollected at the end of the year, Grady may be subject to a penalty for underpayment of estimated tax.

In the example, Grady's regular paycheck paid all his FICA (social security and Medicare taxes). This is not always the case; sometimes an employee may owe social security and Medicare taxes uncollected at the end of the year. These uncollected taxes will be shown in box 12 of Form W-2, *Wage and Tax Statement,* and must be reported on the employee's Form 1040, *U.S. Individual Income Tax Return.*

Your Tip Employment Tax Responsibilities

- Include tips as wages, withholding FICA and federal income tax, and include on Form 941 and Form W-2
- Allocate tips when required
- File the information report, Form 8027, if required

You and Your Employees' Record keeping Responsibilities (This is specific to large food and beverage establishments.)

Treasury Regulation §31.6053-1(b) states that the written statement furnished by the employee to the employer in respect to tips received by the employee shall be signed by the employee and should disclose:

- The name, address, and SSN of the employee.
- The name and address of the employer.
- The period for which, and the date on which, the statement is furnished. If the statement is for a calendar month, the month and year should be specified. If the statement is for a period of less than one calendar month, the beginning and ending dates of the period should be shown (i.e., January 1 through January 8, 200X).
- The total amount of tips received by the employee during the period covered by the statement, which are required to be reported to the employer.

CHAPTER 4
Tipped Employees

Treasury Regulation §31.6053-1(b)(2)(i) indicates that no particular form is prescribed; however, Form 4070 (included in Publication 1244) may be used unless the employer provides some other form.

If the employer chooses to use another form, the form must meet the requirements of Treasury Regulation §31.6053-1(b)(2)(ii) as follows:

- The form is to be used solely for the purpose of reporting tips,
- It meets the requirements of subparagraph (1) (of the regulations as listed above), and
- A blank copy must be made available to the employee for completion and retention by such employee.

In lieu of a special form for tip reporting, Treasury Regulation §31.6053-1(b)(2)(ii) provides that an employer may provide regularly used forms (such as time cards) for use by the employees in reporting tips. Any such regularly used form must include the period for which and the date on which the statement is furnished, as well as the total amount of tips received by such employee. The form must also contain identifying information, which will ensure identification of the employee by the employer.

Tip Agreements

The IRS began its Tip Rate Determination/Education Program (TRD/EP) in October 1993 for businesses where tip income is customary. The objective of the program has been to improve and ensure compliance by employers and employees with statutory provisions relating to tip income.

Only employers in the food and beverage industry can choose either a Tip Rate Alternative Commitment (TRAC) or Tip Rate Determination Agreement (TRDA). Businesses in the gaming industry may enter into a Gaming TRDA or a new program Gaming Industry Tip Compliance Agreement (GITCA) written specifically for them issued as Revenue Procedure 2003-35. The program is entirely voluntary.

The employer may enter into a tip agreement depending on the specific business. The IRS will assist applicants in understanding and meeting the requirements for participation. Please contact your ITG specialist for any questions about entering into a tip agreement or to review your current agreement.

EXHIBIT 4.1,
Form W-2, Wage and Tax Statement showing allocated tips

22222	a Employee's social security number 123-45-6789	OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 5000.00	2 Federal income tax withheld 515.00
c Employer's name, address, and ZIP code Tribe XYZ 123 Main Street Anytown, USA 75432		3 Social security wages 5000.00	4 Social security tax withheld 310.00
		5 Medicare wages and tips 5000.00	6 Medicare tax withheld 72.50
		7 Social security tips	8 Allocated tips 425.00
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Sara A.	Last name Lee	Suff.	
111 Elm Street Anytown, USA 75432		11 Nonqualified plans	12a Code
		13 Statutory employee / Retirement plan / Third-party sick pay	12b Code
		14 Other	12c Code
f Employee's address and ZIP code			12d Code

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement 2008 Department of the Treasury—Internal Revenue Service

CHAPTER 5
Employee Business Expense Reimbursements

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 17, *Your Federal Income Tax*
- Instructions for Forms W-2 and W-3
- Publication 1542, *Per Diem Rates*

Employees are often required to use their personal vehicles for business purposes or to incur business-related expenses in connection with their job. Often employers will reimburse employees for these "out-of-pocket" expenses. The reimbursement policy of the employer will determine the proper tax treatment of these reimbursed employee business expenses. This chapter addresses the two basic types of reimbursement arrangements that can exist between an employer and an employee and how these reimbursements are handled for income tax purposes.

There are two general types of expense reimbursement plans that an employer may use to reimburse employees for out-of-pocket business expenses. They are (1) an accountable plan, and (2) a nonaccountable plan. Each of these plans will be discussed in detail below, but the principal difference is whether employees are required to substantiate expenses (accountable plan) to their employer for the amounts they incur for job related expenses, or not (nonaccountable plan).

Nonaccountable Plan

Under a nonaccountable reimbursement plan, the employee is generally not required to substantiate any expenses to the employer. Reimbursements received by the employee under such a plan are included in the employee's Form W-2 as taxable wages subject to income tax withholding, social security, Medicare, and FUTA taxes. The employee may deduct the actual expenses incurred as a miscellaneous itemized deduction on his or her personal tax return.

Accountable Plan

To qualify as an accountable plan, the plan must contain the following features:

- The employee's expenses must be incurred in connection with his services as an employee with no personal expenses.
- The employee must substantiate expenses to the employer within a reasonable period of time from when the expenses were incurred.

- The employer must require that any excess advance or reimbursement over the actual substantiated expense be returned within a reasonable period of time.

Amounts paid under an accountable plan are not wages and are not subject to income tax withholding, social security, Medicare, or FUTA taxes.

If the expenses covered by this arrangement are not substantiated, or amounts in excess of expenses are not returned within a reasonable period of time, the amount is treated as paid under a nonaccountable plan. A reasonable period of time depends on the facts and circumstances. It is considered reasonable if:

1. Your employees receive the advance within 30 days of the time they incur the expense.
2. They adequately account for the expenses within 60 days after the expenses were paid or incurred.
3. They return any amounts in excess of expenses within 120 days after the expense was paid or incurred.

Also, 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.

Per Diem and Car Allowances

A per diem allowance is a fixed amount of daily reimbursement an employer gives an employee for lodging, meals, and incidental expenses when the employee is away from home on business. You may reimburse your employees by travel days, miles, or some other fixed allowance. In these cases, your employee is considered to have accounted to you if the payments do not exceed rates established by the federal government. The standard mileage rates for auto expenses are reviewed below:

March 19, 2008	$0.505
February 1, 2007	$0.485
January 1, 2006	$0.445
September 1, 2005	$0.485

CHAPTER 5
Employee Business Expense Reimbursements

The federal per diem rates for meals and lodging in the continental U.S. are listed in Publication 1542**,** *Per Diem Rates.*

Per diem allowances may be used only if the time, place, and business purpose of the travel are substantiated by adequate records or other evidence. An employee can satisfy the substantiation requirements for business vehicle expenses in two general ways. First, an employee can submit periodically to the employer a log of business miles driven. The expense is deemed substantiated to the extent of the standard mileage rate (see table above). Second, an employee can submit documentation of actual vehicle expenses (gas, maintenance, insurance, etc.) with support for the percentage of business use of the vehicle (e.g., a log showing both business and personal mileage).

If the per diem or allowance exceeds the federal rate, and you do not require your employees to return the difference between the two rates, 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. Report the nontaxable (substantiated) portion of the per diem or mileage allowance in box 12 of Form W-2 using code L.

The following is an example of how you would report per diem payments to employees that are in excess of the allowable federal per diem rate:

EXAMPLE 5.1

The tribe sent an employee on a 5-day business trip to Phoenix and gave the employee a $225 ($45 per day) advance to cover meals and incidental expenses. The federal per diem for meals and incidental expenses for Phoenix is $42 per day. The tribe does not require the employee to return the difference between the advance and the federal rate for Phoenix. The $15 ($3 x 5) will be included in box 1 on Form W-2. Box 12 on Form W-2 will show $210 using code L.

EXHIBIT 5.1 - Reporting Reimbursements Table

Reporting Reimbursements

If the type of reimbursement (or other expense allowance) arrangement is under	Then the employer reports on Form W-2:
An ACCOUNTABLE PLAN with:	
Actual expense reimbursement Adequate accounting made and excess returned	No amount
Actual expense reimbursement Adequate accounting and return of excess both required but excess not returned	The excess amount as wages in box 1.
Per diem or mileage allowance up to the federal rate Adequate accounting and excess returned	No amount
Per diem or mileage allowance up to the federal rate Adequate accounting and return of excess both required but excess not returned	The excess amount as wages in box 1. The amount up to the federal rate is reported only in box 12 – it is not reported in box 1.
Per diem or mileage allowance exceeds the federal rates Adequate accounting up to the federal rate only and excess not returned	The excess amount as wages in box 1. The amount up to the federal rate is reported only in box 12 – it is not reported in box 1.
A NONACCOUNTABLE PLAN with:	
Either adequate accounting or return of excess, or both, not required by plan.	The entire amount as wages in box 1.
No reimbursement plan	The entire amount as wages in box 1.

CHAPTER 6
Fringe Benefits

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 15-B, *Employer's Tax Guide to Fringe Benefits*
- Publication 463, *Travel, Entertainment, Gift, and Car Expenses*
- Publication 970, *Tax Benefits Education*
- Publication 521, *Moving Expenses*
- Publication 525, *Taxable and Nontaxable Income*
- Publication 1542, *Per Diem Rates*
- Instructions for Forms W-2 and W-3

IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits,* addresses the question, "Are Fringe Benefits Taxable?" If the recipient of a taxable fringe benefit is your employee, the benefit is subject to employment taxes and must be reported on Form W-2, *Wage and Tax Statement.* However, you can use special rules to withhold, deposit, and report the employment taxes. Refer to Section 4 of Publication 15-B, *Rules for Withholding, Depositing and Reporting.*

What is a Fringe Benefit?

Treasury Regulation §1.61-21 states that gross income includes compensation for services, including fees, commissions, fringe benefits or similar items. A fringe benefit is any property, service, cash or cash equivalent in addition to regular pay provided to an employee by an employer in connection with the performance of services. Whether a particular fringe benefit is taxable depends on whether there is a specific statutory exclusion that applies to the benefit. Employers should treat taxable fringe benefits as wages for employment tax purposes.

Because the tax treatment of fringe benefits can vary depending on the facts and circumstances under which they are provided, it may be helpful to follow a three-step analysis:

- Identify the particular fringe benefit and start with the assumption that its value will be taxable as compensation to the employee.
- Check to see if there are any statutory provisions that exclude the fringe benefit from the employee's gross income.
- Value any portion of the benefit that is not excludable for inclusion in the employee's gross income.

The following are examples of fringe benefits:

- Accident/health benefits
- Allowances not accounted for (i.e., clothing)
- Automobile allowances
- Awards and prizes
- Back pay awards
- Bonuses
- Cafeteria plans
- Club memberships
- Dependent care assistance program
- Educational reimbursements
- Employee discounts
- Frequent flier credits
- Group term life insurance
- Law enforcement housing assistance
- Legal counseling
- Local transportation for commuting
- Lodging on the employer's premises
- Meal money
- Moving expense reimbursements
- Parking
- Professional licenses or dues for professional organizations
- Severance pay
- Scholarships and fellowships
- Sick pay
- Stipends
- Travel reimbursement
- Use of vacation homes
- Vacations

The fringe benefits listed above may or may not be taxable to the employee who receives the benefit. Refer to Publication 15-B to determine if fringe benefits are taxable and how to value them.

Employer-provided Vehicles

Employer-provided vehicles are sometimes available for employees to use during off-duty hours. The personal use of a tribally owned vehicle is a taxable fringe benefit. Personal use includes the value of commuting to and from work in the vehicle, even if the vehicle is taken home for the convenience of the employer.

CHAPTER 6
Fringe Benefits

The value of the fringe benefit must be included in income as wages and is subject to income and employment taxes. There are three methods that can be used to determine the value of the vehicle provided to the employee:

- The commuting value rule,
- The cents-per-mile rule, or
- The automobile lease rule

There are certain employees designated as "control employees" who must use the automobile lease rule. A "control employee" is a government employee whose compensation is equal to or exceeds Federal Government Executive Level V. (See the Office of Personnel Management web site at www.opm.gov/oca/payrates/index.asp for compensation information.) See Chapter 3 of Publication 15-B for further information on control employees.

Qualified Nonpersonal Use Vehicle

A qualified nonpersonal use vehicle is any vehicle the employee is not likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles are:

- Clearly marked police and fire vehicles
- Unmarked vehicles use by law enforcement officers - The officer must be authorized to carry a firearm, execute search warrants and make arrests.
- An ambulance or hearse used for its specific purpose
- Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds
- Delivery trucks with seating for the driver only or driver plus a folding jump seat
- A passenger bus with a capacity of at least 20 passengers used for a specific purpose
- School buses
- Tractors and other special purpose farm vehicles

If an employee drives one of these vehicles home, the personal use of the vehicle is not a taxable fringe benefit.

All Other Employer-Provided Vehicles

If you have an employer-provided vehicle that does not qualify as a nonpersonal use vehicle, and the employee uses the vehicle for personal use (which includes commuting), the personal use of the vehicle is a noncash taxable fringe benefit. It is the employer's responsibility to determine the actual value of this fringe benefit and to include the taxable portion in the employee's income.

EXAMPLE 6.1

A tribally owned pickup truck that is not a police vehicle has the name of the tribe marked on the vehicle. Usually the employee is allowed to take the vehicle home because he is "on call". The vehicle is not a qualified nonpersonal use vehicle, thus, the commuting is a noncash taxable fringe benefit. The value of the personal use of this vehicle must be included as wages to the employee, and it is subject to income and employment taxes.

Lodging on Your Business Premises

You can exclude the value of lodging furnished to an employee from the employee's wages if it meets the following tests:

- It is furnished on your business premises,
- It is furnished for your convenience, and
- The employee accepts it as a condition of employment.

This exclusion does not apply if you allow your employee to choose to receive additional pay instead of lodging.

EXAMPLE 6.2

A hospital gives Joan, an employee of the hospital, the choice of living at the hospital free of charge or living elsewhere and receiving a cash allowance in addition to her regular salary. If Joan chooses to live at the hospital, the hospital cannot exclude the value of the lodging from her wages because she is not required to live at the hospital to properly perform the duties of her employment.

EXAMPLE 6.3

A police officer of an Indian tribal government is required to live in housing furnished by the tribe, as a condition of employment. The tribe requires this as a matter of security for the residents in the neighborhood and as a convenience for the tribe to protect the housing facilities. The value of the lodging is not included in the police officer's salary since the housing is a condition of employment, it is on the business premises, and it is a convenience to the tribe.

Employee Business Expenses – Accountable and Nonaccountable Plans

IRS Publication 15, *Circular E, Employer's Tax Guide,* defines employee business expense reimbursements. A reimbursement or allowance arrangement is a system by which you substantiate and 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 ordinary and necessary employee business expenses that would otherwise qualify for a deduction by the employee.

Accountable Plan

Amounts paid under an accountable plan are not wages and are not subject to income tax withholding and payment of social security, Medicare and SUTA and/or Federal unemployment (FUTA) taxes.

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

- They must have paid or incurred deductible expenses while performing services as your employees;
- They must adequately account to you for these expenses within a reasonable period of time; and
- They must return any amounts in excess of expenses within a reasonable period of time.

If the expenses covered by this arrangement are not substantiated or amounts in excess of expenses are not returned within a reasonable period of time, the amount is treated as paid under a nonaccountable plan. This amount is subject to income tax withholding and payment of social security, Medicare, and SUTA and/or FUTA taxes for the first payroll period following the end of the reasonable period.

A reasonable period of time depends on the facts and circumstances. Generally, it is considered reasonable if your employees receive the advance within 30 days of the time they incur the expense, adequately account for the expenses within 60 days after the expenses were paid or incurred, and they return any amounts in excess of expenses within 120 days after the expense was paid or incurred. Also, 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 subject to income tax withholding and payment of social security, Medicare, and SUTA and/or FUTA taxes. Your payments are treated as paid under a nonaccountable plan if:

- Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation, or
- You advance an amount to your employee for business expenses and your employee is not required to or does not return timely any amount he or she does not use for business expenses.

See Section 7 of Publication 15 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. In these cases, your employee is considered to have accounted to you if the payments do not exceed rates established by the federal government. The 2008 standard mileage rate for auto expenses is .485 cents per mile 1/1/08 through 3/18/08, and .505 cents per mile beginning 3/19/08. The government per diem rates for meals and lodging in the continental United States are listed in Publication 1542, *Per Diem Rates.* 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).

If the per diem or allowance paid exceeds the amounts specified, you must report the excess amount as wages. This excess amount is subject to income tax withholding and payment of social security and Medicare taxes. Show the amount equal to the specified amount (i.e., the nontaxable portion) in box 12 of the Form W-2, using code L.

CHAPTER 7
Pension Plans

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 505, *Tax Withholding and Estimated Tax*
- Publication 560, *Retirement Plans for Small Business*
- Publication 571, *Tax-Sheltered Annuity Plans*
- Instructions for Forms W-2 and W-3
- Announcement 2001-93, *Reporting Elective Deferral Catch-up Contributions on the 2002 Form W-2*
- Form 5500, *Annual Return/Return of Employee Benefit Plan,*

The purpose of this chapter is to provide information regarding the various pension plans that Indian tribal governments may have as well as annual reporting requirements applicable to these plans. Since the area of pension law can be quite complex, this chapter is not intended to be all-inclusive. It is intended to provide basic information. The pension plan administrator should address more detailed questions.

Types of pension plans that may be maintained by Indian tribal governments:

(1) **Simplified Employee Pension Plan (SEP)** – SEPs provide a simplified method for employers to make contributions to a retirement plan for their employees. Instead of setting up a qualified plan with a separate trust, the employer makes contributions to an IRA; (commonly referred to as a SEP-IRA) that meets the requirements of IRC section 408(k).

(2) **SIMPLE Plan** – Savings Incentive Match Plan for Employees. A SIMPLE Plan also referred to as a SIMPLE-IRA to distinguish it from a SIMPLE-401 (k) plan, is described under IRC section 408(p). In a SIMPLE Plan, employees are allowed to elect to defer compensation up to a prescribed amount. The employer must either match the employee contributions or make a non-elective contribution on behalf of the employees. A SIMPLE plan can be established only if the employer had 100 or fewer employees who earned $5,000 or more in compensation during the preceding year. An employer cannot sponsor a SIMPLE if they currently sponsor another plan.

(3) **Section 401(k) Plan** – A Section 401(k) plan, also referred to as a cash or deferred arrangement (CODA), is an arrangement in which participants may make elective deferrals (pretax contributions) to a plan that is qualified under IRC section 401(a). The CODA must be part of a profit sharing plan, stock bonus plan, or a pre-ERISA money purchase plan. Indian tribal governments

are allowed to maintain 401(k) plans, effective January 1, 1997. (Treas. Reg. section 1.410(b)-9 defines a Section 401(k) plan.)

(4) **Section 403(b) Plan**- A vehicle by which contributions may be deferred from tax and invested in annuity contracts and/or mutual funds for retirement planning purposes. Indian tribal governments are eligible to maintain this type of plan only in limited circumstances. Generally, the organization associated with the tribal government must be an educational institution, a 501(c)(3) organization, or a grandfathered Indian tribe (see definitions).

(5) **Qualified Plan –** A qualified plan, also referred to as a 401(a) plan, is a plan that satisfies the requirements of IRC section 401(a). Examples of qualified plans are as follows: profit sharing plan, money purchase plan, 401(k) plan, target benefit plan or a defined benefit plan.

All of the plans listed above, with the exception of certain qualified plans, are deferred compensation plans that allow employees to save for retirement on a pretax basis. The 401(k) and 403(b) plans are each named after the respective sections of the Internal Revenue Code that authorize them.

Note: Governmental Deferred Compensation Plans under IRC 457 are not included in the types of plans that can be maintained by Indian Tribal governments. They are not an eligible employer for 457 purposes.

Definitions

Deferred Compensation – With regard to pensions, deferred compensation is an amount the employer deducts from the employee's current compensation and pays to a retirement plan. Employees do not pay tax on qualified deferred compensation until distributions are received. Participation in a deferred compensation plan allows employees to "defer" or delay, receiving a portion of their wages until a later date, generally when they retire or reach a distributable event.

Rollover – The contribution or direct transfer of a qualified plan distribution to another plan within 60 days. The plan receiving the rollover may be any of the following:

- another qualified plan
- an IRA
- a SEP-IRA
- for distributions made after December 31, 2001, a section 403(b) plan

501(c)(3) Organization - Defined generally as one organized and operated exclusively for the following purposes:

- religious
- charitable
- scientific
- public safety testing
- literary or education
- to encourage national or international amateur sports competition
- for the prevention of cruelty to children or animals

These organizations include:

- charities
- social welfare agencies
- private hospitals
- health care organizations
- private schools
- religious institutions
- research facilities

Grandfathered Indian Tribe - An Indian tribal government, a subdivision, agency or instrumentality of an Indian tribal government, or a corporation chartered under federal, state, or tribal law which is owned in part by any of the foregoing is treated as an employer described in 501(c)(3) with respect to any annuity contract purchased in a plan year beginning before January 1, 1995.

Catch-up Contributions – Elective deferrals that are made pursuant to IRC section 414(v) in excess of the limits under IRC sections 402(g), 403(b), 408(p), and 415 to the following type plans: 401(k) plans, 403(b) plans, SARSEPs (SEPs that include a salary reduction arrangement), SIMPLE-IRA plans or SIMPLE-401 (k) plans. Catch-up contributions may be made only by participants who are at least age 50 by the end of the year in which the catch-up contributions are being made.

Qualified Plan – A qualified plan is a plan that meets the requirements of IRC section 401(a). These requirements are generally designed to ensure that the plan is established and operated for the benefit of a broad class of employees. Meeting the requirements entitles the plan sponsor, the trust or other funding vehicle, and participants to certain income tax advantages.

Nonqualified Plan – A nonqualified plan is a plan that does not meet the requirements of IRC section 401(a). As a result, the plan sponsor, participants and trust, or other plan funding vehicle, are generally not entitled to income tax benefits, unless the plan is intended to be, and meets the requirements of, for example, section 402(b) plans, SEPs, SIMPLE plans and certain IRAs.

CHAPTER 7
Pension Plans

Salary-reduction Arrangement – An agreement where the employee chooses to have part of his pay contributed to a retirement plan rather than receive it in cash.

Elective-Deferral - Contributions made by the employer at the election of the employee to a retirement plan via a salary reduction agreement. The elective deferrals are excluded from the employee's gross income (compensation) and include deferrals under a section 401(k) arrangement, a section 403(b) plan, a SIMPLE-IRA plan and a SARSEP.

Nonelective Contributions – Employer contributions made to any type of plan, excluding those employer contributions made under a salary reduction agreement. Employer contributions also do not include matching contributions.

Income Tax Withholding

Generally, the participant's pretax contributions (deferred compensation) plus any earnings on these contributions will not be included in gross income until that amount is paid or made available to the participant or beneficiary.

Therefore, this amount will not be subject to income tax withholding at the time the contribution is made. However, the total amount contributed during the tax year will be reflected on the participant's Form W-2.

Social Security, Medicare, and FUTA Taxes

Qualified plans, Tax-sheltered Annuities, SEPS, and SIMPLE Retirement Plans – Generally, elective deferrals made by an employee are excluded from the employee's gross income. However, they are included in wages for purposes of social security, Medicare, and FUTA taxes.

Employer contributions to these plans are not included in the definition of wages and are not subject to social security, Medicare, or FUTA taxes unless the payment is made for services rendered.

Nonqualified Deferred Compensation Plans – Annual deferrals under a nonqualified plan are treated as wages subject to social security, Medicare, and FUTA (if applicable) taxes in the tax year in which the later of the following occurs: (a) when the services are performed, or (b) when there is no substantial risk of forfeiture of the employee's right to the deferred amount. A substantial risk of forfeiture exists where rights in property that are transferred are conditioned upon the future performance of services or the occurrence of a condition related to the purpose of the transfer. Annual deferrals mean the amount of compensation deferred under the plan whether by salary reduction or nonelective employer contribution during a taxable year.

EXAMPLE 7.1

The tribe's nonqualified plan provides for elective deferrals from current salary, as well as a one percent of salary nonelective contribution for each employee who participates in the plan and who is employed with the tribe during the plan year. All deferrals and contributions, including the tribe's contributions, are fully and immediately vested.

Because these contributions are not subject to a substantial risk of forfeiture (and the services to which they relate have already been performed), the elective deferrals are required to be taken into account as wages for purposes of the social security, Medicare, and FUTA (if applicable) tax at the time of the deferral. The tribe's nonelective contribution is required to be taken into account as wages at the time of the contribution for purposes of the social security, Medicare, and FUTA tax.

EXAMPLE 7.2

Assume the same facts as in Example 1, except that the plan has three-year vesting for the tribe's nonelective contribution. Therefore, an employee's rights to the nonelective contributions (and the associated earnings) are subject to a substantial risk of forfeiture until the employee has been employed by the tribe for three years.

The tribe's nonelective contributions (and earnings thereon) are not wages for purposes of the social security, Medicare, and FUTA taxes until the employee has completed three years of service. At that time, the aggregate amount of the tribe's nonelective contributions, plus earnings thereon, is required to be taken into account as wages for purposes of the social security, Medicare, and FUTA tax. Once an individual has met the vesting requirements, future nonelective contributions by the tribe are required to be taken into account as wages for these purposes when the contribution is made.

The following are examples of how you would prepare a Form W-2 to reflect deferred compensation depending on whether the plan is a qualified plan or a nonqualifying plan.

EXAMPLE 7.3
Qualified Plan

Sarah Lee earned $30,000 during the year of which she elected to contribute 10% ($3,000) to her employer's qualified 401(k) pension plan. The employer also contributed 5% ($1,500) to the pension plan on Sarah's behalf.
Sarah had federal withholding of $3,000, social security withholding of $1,860, and Medicare withholding of $435.

Sarah's W-2 will reflect the following amounts:

Box 1 - $27,000.00 ($30,000 gross wages less $3,000 elective deferral)
Box 3 - $30,000.00 – Although Sarah's elective deferrals are not included in gross wages for the purpose of federal income tax; they are includable wages for the social security tax.
Box 5 - $30,000.00 – Sarah's elective deferrals are includable wages for Medicare tax purposes.
Box 12 - D $3,000.00 – Code D is the code for elective deferrals to a section 401(k) cash or deferral arrangement. (See W-2 instructions for other retirement plan codes)
Box 13 - Check the Retirement Plan box
Box 14 - $1,500.00 – This is the nonelective employer contribution made on behalf of an employee. This is not a mandatory entry.

If your state has a state income tax, then box 16 on Form W-2 will normally be the same amount as the amount shown in box 1 providing the employee was a resident of the state for the entire year.

EXHIBIT 7-3
Form W-2

22222	a Employee's social security number 123-45-6789	OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 27000.00	2 Federal income tax withheld 3000.00
c Employer's name, address, and ZIP code Tribe XYZ 123 Main Street Anytown, USA 75432		3 Social security wages 30000.00	4 Social security tax withheld 1860.00
		5 Medicare wages and tips 30000.00	6 Medicare tax withheld 435.50
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Sara A	Last name Lee · Suff.	11 Nonqualified plans	12a Code D 3000.00
333 Elm Street Anytown, USA 75432		13 Statutory employee [ ] Retirement plan [X] Third-party sick pay [ ]	12b Code
		14 Other 1500.00	12c Code
f Employee's address and ZIP code			12d Code

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement 2008 Department of the Treasury—Internal Revenue Service

EXAMPLE 7-4
Nonqualified Plan

Assume the same facts as above except that instead of a 401(k) plan, the plan is a nonqualified plan, and there is no substantial risk of forfeiture of the deferred amount.

Box 1 - $27,000.00
Box 3 - $31,500.00 – Note that both Sarah's contributions (elective deferrals) and the employer's contributions (nonelective deferrals) are includable wages for the social security tax.
Box 5 - $31,500.00 – Same as above with regard to the Medicare tax.
Box 12 – D $3,000.00
Box 13 – Check the Retirement Plan box
Box 14 - $1,500.00 – Not mandatory

EXHIBIT 7.4
Form W-2

22222	a Employee's social security number 123-45-6789	OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 27000.00	2 Federal income tax withheld 3000.00
c Employer's name, address, and ZIP code Tribe XYZ 123 Main Street Anytown, USA 75432		3 Social security wages 31500.00	4 Social security tax withheld 1953.00
		5 Medicare wages and tips 31500.00	6 Medicare tax withheld 457.00
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial Sara A.	Last name Lee Suff.	11 Nonqualified plans	12a Code D 3000.00
333 Elm Street Anytown, USA 75432		13 Statutory employee ☐ Retirement plan ☒ Third-party sick pay ☐	12b Code
		14 Other 1500.00	12c Code
f Employee's address and ZIP code			12d Code

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement 2008 Department of the Treasury—Internal Revenue Service

CATCH-UP CONTRIBUTIONS

Participants over age 50 may contribute additional elective deferrals "catch-up contributions" to 401(k), 403(b), SIMPLE IRA, or SEP plans. The catch-up contribution limits are shown on the chart on page 53.

Catch-up contributions are combined with regular contributions for W-2 reporting.

EXAMPLE 7.5

Jerry Q. Public, age 52, earned $25,000 during the year. He contributed 10% ($2,500) of his salary to his employer's qualified 401(k) plan. In addition, Jerry contributed $500 in catch-up contributions during the year. His employer contributed $1,250 to the pension plan on Jerry's behalf. Jerry had federal withholding of $2,800, social security withholding of $1,550, and Medicare withholding of $363.

Jerry's W-2 will reflect the following amounts:

Box 1 - $22,000 ($25,000 gross wages less $3,000, which is the $2,500 annual deferral plus $500 catch-up contribution).
Box 3 - $25,000 – The annual deferral and catch-up contributions are includable wages subject to social security tax.
Box 5 - $25,000 – Same as above with regard to the Medicare tax
Box 12 – D $3,000 – Annual deferral and catch-up contributions are combined in this box using the proper retirement code (see W-2 instructions).
Box 13 – Check the Retirement Plan box
Box 14 - $1,250 – Not mandatory

EXHIBIT 7.5
Form W-2

22222	a Employee's social security number 123-45-6789	OMB No. 1545-0008	
b Employer identification number (EIN) 00-0000000		1 Wages, tips, other compensation 22000.00	2 Federal income tax withheld 2800.00
c Employer's name, address, and ZIP code Tribe XYZ 123 Main Street Anytown, USA 75432		3 Social security wages 25000.00	4 Social security tax withheld 1550.00
		5 Medicare wages and tips 25000.00	6 Medicare tax withheld 363.00
		7 Social security tips	8 Allocated tips
d Control number		9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial: Jerry Q.	Last name: Public — Suff.	11 Nonqualified plans	12a Code D 3000.00
111 Elm Street Anytown, USA 75432		13 Statutory employee [ ] Retirement plan [X] Third-party sick pay [ ]	12b Code
		14 Other 1250.00	12c Code
			12d Code
f Employee's address and ZIP code			

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** **Wage and Tax Statement** 2008 Department of the Treasury—Internal Revenue Service

CHAPTER 7
Pension Plans

DISTRIBUTIONS

Reporting of distributions from these plans must be made on Form 1099-R, rather than Form W-2. For each year the employee receives a payment from the pension plan, the plan administrator or annuity provider is required to issue the employee a Form 1099-R no later than January 31 of the following year.

Loans to employees from a Pension plan may be considered distributions and taxable.

Note: On occasion, the annuity provider may send withholding from pension distributions to the plan sponsor or employer. In those cases, the plan sponsor/employer will be required to file Form 945, *Annual Return of Withheld Federal Income Tax,* to report the withheld amounts.

Indian Tribes and IRC Section 403(b) Pension Plans

The following information is presented to clarify the law regarding Indian tribes and IRC Section 403(b) pension plans.

- Indian tribes and wholly owned tribal entities (with the exception of tribally owned public schools and qualified 501(c)(3) organizations) do not currently qualify to establish a pension plan for their employees under IRC Section 403(b). Contributions to the plan are not allowable and are not excludable from gross income by the employees.

- Tribes that entered into a contract for a 403(b) plan prior to 01/01/95 are allowed to continue the plan and make current contributions *for the employees who were participating before 1/1/95* as if they were a 501(c)(3) organization. Current employee contributions are excludable from the employee's gross income as authorized in IRC Section 403(b)(1).

- If the tribe entered into a contract for a 403(b) plan subsequent to 12/31/94, the plan is not qualified under the code and the tribe should be referred to Revenue Procedure 2002-47 which explains acceptable methods to voluntarily correct the situation. If the tribe ceases contributions, this revenue procedure explains how the tribe may receive a letter giving them 403(b) status for prior years. The revenue procedure also includes a schedule of the *Voluntary Correction Program (VCP)* fees.

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Pension Plans

CONTRIBUTION LIMITS

Effective Year	Elective deferral limits for 403(b) and 401(k) plans
2003	$12,000
2004	$13,000
2005	$14,000
2006	$15,000
2007	$15,000
2008 and thereafter	$15,500 (indexed in $500 increments)
Effective Year	**Elective deferral limits for SIMPLE-IRA and SIMPLE 401(k) plans**
2003	$8,000
2004	$9,000
2005	$10,000
2006	$10,000
2007	$10,000
2008 and thereafter	$10,500 (indexed in $500 increments)

CATCH-UP PROVISIONS

Effective Year	Catch-up contributions for deductible 403(b) and 401(k) (non-simple only) for individuals over age 50
2002	$1,000
2003	$2,000
2004	$3,000
2005	$4,000
2006	$5,000
2007 and thereafter	$5,000 (indexed in $500 increments)
Effective Year	**Catch-up contributions for SIMPLE-IRA and SIMPLE 401(k) plans**
2002	$500
2003	$1,000
2004	$1,500
2005	$2,000
2006	$2,500
2007 and thereafter	$2,500 (indexed in $500 increments)

CHAPTER 7
Pension Plans

<u>Form 5500</u>

All pension benefit plans covered by ERISA are required to file a Form 5500 an exception to this requirement is a "governmental plan".

Section 414(d) of the Code provides that a "governmental plan" includes a plan established and maintained for its employees by the Government of the United States, by the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing.

Certain plans of Indian tribal governments (ITG) are also governmental plans under § 414(d). Specifically, section 906(a)(1) of the Pension Protection Act of 2006 (PPA '06) amended § 414(d) with respect to ITG plans to provide that the term 'governmental plan' includes a plan which is established and maintained by an Indian tribal government (as defined in section 7701(a)(40)), a subdivision of an Indian tribal government (determined in accordance with section 7871(d)), or an agency or instrumentality of either, and all of the participants of which are employees of such entity substantially all of whose services as such an employee are in the performance of essential <u>governmental functions but not in the performance of commercial activities (whether or not an essential government function</u>).

The provisions of section 906 of PPA '06 apply to plan years beginning on or after August 17, 2006 (PPA's date of enactment). For example, an ITG plan with an October 1 to September 30 plan year is a governmental plan under § 414(d) as amended by PPA '06 only if it satisfies this definition in operation beginning on October 1, 2006. Notice 2006-89 provides that the Service and Treasury anticipate issuing guidance on §414(d) as amended and that, until such guidance is issued, an ITG plan will be treated as satisfying the requirements to be a governmental plan under § 414(d) if it complies with those requirements based on a reasonable and good faith interpretation of the amendment made by section 906(a)(1) of PPA '06. Section III.B. of the notice provides certain approaches that, if taken by September 30, 2007, permit separate plans to be established for commercial ITG employees and for other ITG employees who perform essential governmental functions (governmental ITG employees) under the reasonable and good faith compliance standard. Section III.E. indicated that the relief provided in Section III applied pending the issuance of further guidance relating to § 414(d), including the amendment made by section 906(a)(1) of PPA '06. The notice also invited comments from the public on whether additional transition issues need to be addressed.

Since the issuance of Notice 2006-89, the Service and Treasury have continued to consult with Indian tribal government representatives. Based on those consultations and the comments received in response to Notice 2006-89, and until future guidance is issued, the transition relief provided under Notice 2006-89 has been revised so that the date "September 30, 2007" in Section III.B. of Notice 2006-89 was replaced with "the date that is six months after guidance is issued under § 414(d) of the Code, as amended by section 906 of the Pension Protection Act of 2006, on the determination of whether a retirement plan maintained by an ITG is a governmental plan with the meaning of §414 (d)."

This extension is conditioned on the plans involved not being amended, for periods before the extended date, to reduce benefits unless the reduction: (i) does not vary based upon whether the participant is a governmental ITG employee or a commercial ITG employee, or (ii) is made to the plan for commercial ITG employees and is the minimum reduction necessary to satisfy the requirements of the Code. If a reduction occurs that does not meet either of these conditions, the extension provided under this notice ends on the date the reduction goes into effect.

CHAPTER 8
Cafeteria Plans

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 15-B, *Employer's Guide to Fringe Benefits*
- Form 5500, *Annual Return/Return of Employee Benefit Plan*
- Publication 502, *Medical and Dental Expenses*
- Publication 503, *Child and Dependent Care Expenses*
- Form 8839, *Qualified Adoption Expenses* (attachment to Form 1040)

Section 125 of the Internal Revenue Code makes it possible for employers to offer their employees a choice between cash and a variety of nontaxable benefits.

A cafeteria plan is a written benefit plan maintained by an employer for the benefit of its employees. The plan must allow employees to choose between two or more benefits consisting of cash (or a taxable benefit which is treated as cash) and certain "qualified benefits."

The written plan must include the following provisions:

- a specific description of each benefit available under the plan and the period of coverage
- the rules governing which employees are eligible to participate in the plan
- the procedures for making elections under the plan, including when elections may be made, the rules governing irrevocability of elections and the periods for which elections are effective
- the manner in which employer contributions may be made, such as by salary reduction agreement between the employer and employee, by non-elective employer contributions, or by both
- the maximum amount of employer contributions available to any participant
- the plan year

Examples of qualified benefits of a cafeteria plan are:

- accident and health benefits
- adoption assistance
- dependent care assistance
- group-term life insurance coverage

CHAPTER 8
Cafeteria Plans

Filing Requirements

Contributions to a cafeteria plan are usually made pursuant to salary reduction agreements between the employer and the employee in which the employee agrees to contribute a portion of his or her salary on a pretax basis to pay for the qualified benefits. Salary reduction contributions are not actually or constructively received by the participant. Therefore, those contributions are not considered wages for federal income tax purposes. In addition, those sums generally are not subject to FICA and FUTA. Employers may report employees' nontaxable cafeteria plan benefits on the Form W-2, in box 14.

If you maintain a cafeteria plan, you must report information about the plan each year by the last day of the 7th month after the plan year ends. Use Form 5500, *Annual Return/Report of Employee Benefit Plan.*

For more detail, refer to Publication 15, *Circular E, Employer's Tax Guide,* Publication 15-A*, Employer's Supplemental Tax Guide*, and Publication 15-B, *Employer's Tax Guide to Fringe Benefits.*

CHAPTER 9
Scholarships & Educational Assistance

References:

- Publication 15, *Circular E, Employer's Tax Guide* (Section 15, Special Rules for Various Types of Services and Payments, for students)
- Publication 15-A, *Employer's Supplemental Tax Guide* (Section 5, Wages and Other Compensation, Scholarship and Fellowship Payments)
- Publication 15-B, *Employer's Guide to Fringe Benefits*, (Section 2, Fringe Benefit Exclusion Rules, Working Condition Fringe Benefits
- Publication 970, *Tax Benefits for Education*
- Instructions for Forms W-2 and W-3
- Notice 87-31, 1987-1 C.B. 475

Educational Assistance

Section 127 of the Internal Revenue Code (IRC) addresses educational assistance programs and whether income to the recipient should be included in income.

Gross income of an employee does not include amounts paid or expenses incurred by the employer for educational assistance to the employee. The income exclusion from employee gross income is limited to $5,250 per employee in educational assistance during a calendar year. The excludable amount is not subject to income tax withholding or other employment taxes. The education need not be job-related.

Job-related educational expenses are excluded from an employee's income as a "working condition" fringe benefit. This is a tax-free benefit of property or service provided by an employer to an employee that, if the employee had paid for it, the employee could have deducted as an unreimbursed employee business expense on Form 1040. The exclusion is, generally, available for any form of educational instruction or training that improves or develops the job-related capabilities of an employee.

For purposes of IRC §127, the term "educational assistance" means:

- The payment, by an employer, of expenses incurred by or on behalf of an employee for education of the employee (including, but not limited to tuition, fees, and similar payments, books, supplies, and equipment); and
- The provision, by an employer, of courses of instruction for such employee (including books, supplies, and equipment), but does not include payment for or the provision of, tools or supplies which may be retained by the employee after completion of a course of instruction, or meals, lodging, or transportation. The term "educational assistance" also does not include any

payment for, or the provision of, any benefits with respect to any course or other education involving sports, games, or hobbies.

Scholarships

A scholarship or fellowship grant is any amount paid or allowed to, or for the benefit of, an individual to aid such individual in the pursuit of study or research. A scholarship may, for example, be in the form of a reduction owed by the recipient to an educational organization for tuition, room and board, or any other fee.

Section 117 of the Internal Revenue Code provides an exclusion from income for certain scholarships made to an individual who is candidate for a degree. Per IRC § 170, an educational institution is defined as an educational organization, which maintains a regular faculty, a curriculum, and has a regularly enrolled body of students on site.

Nontaxable Benefits

Only "qualified scholarships" may be excluded from income. Where participants are degree candidates, such payments will ordinarily be excludable from the recipient's gross income to the extent of their qualified tuition and related expenses. The student may be either an undergraduate or graduate.

A qualified scholarship is defined as any amount expended for "qualified tuition and related expenses." Qualified tuition and related expenses are tuition and fees required for the enrollment or attendance of a student at an educational institution, fees, books, supplies and equipment required for courses of instruction at such an educational organization.

Amounts received for room, board, travel, and incidental living expenses are not related expenses. Thus, scholarship receipts that exceed expenses for "qualified tuition and expenses" are not excludable from a recipient's gross income.

The scholarship may be tax free only if the student is a candidate for a degree at an educational institution. Thus, in the case of nondegree candidates, the entire amount of the scholarship is includable in gross income of the recipient regardless of its use.

Reporting Taxable Scholarship Benefits

CHAPTER 9
Scholarships & Educational Assistance

Do not issue Form 1099-MISC to report scholarship or fellowship grants.

A scholarship or fellowship grant represents payment for services when the grantor requires the recipient to perform services in return for granting of the scholarship or fellowship. A requirement that the recipient pursue studies, research, or other activities primarily for the benefit of the grantor is treated as a requirement to perform services.

A scholarship or fellowship grant conditioned upon either past, present, or future services by the recipient, or upon services that are subject to the direction or supervision of the grantor represents payment for services and is considered wages.

The grantor of such an amount is subject to certain withholding and reporting requirements respecting wages, including withholding for income taxes and filing of Forms W-2. The application of social security and Medicare taxes depends on the nature of the employment and the status of the grantor.

Exceptions. You do not have to include in income the part of any scholarship or fellowship that represents payment for teaching, research, or other services, if you receive the amount under either 1) The National Health Service Corps Scholarship Program, or 2) The Armed Forces Health Professions Scholarship Financial Assistance Program. You must also be a candidate for degree at an eligible educational institution, and use part of the scholarship or fellowship to pay qualified education expenses.

Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) are not required to be reported by you to the IRS on any form. The recipient of these payments is responsible for determining whether such payment is, in whole or in part, includable in gross income for federal income tax purposes. You may wish to advise scholarship recipients that the amount of their scholarship or fellowship stipends that exceeds their qualified tuition and related expenses, if any, is generally includible in gross income for federal income tax purposes.

CHAPTER 10
Earned Income Credit (EITC)

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Form W-5, *Earned Income Credit Advance Payment Certificate*
- Notice 797, *Possible Federal Refund Due to the Earned Income Tax Credit (EIC)*

The EITC is a refundable tax credit for certain workers whose earned income is below a certain level. Because it is a "credit", the EITC is subtracted from the amount of tax owed, if any, on the workers individual income tax return. As a refundable credit, any excess over the total tax is refunded to the individual. Even workers who have not filed a tax return in the previous year, because their wages were below minimum income-level requirements to file, may be able to get the credit – but only if they file a tax return. Therefore, you must notify each employee who worked for you at any time during the year, and from whom you did not withhold any income tax, about EITC. You will meet the notification requirements by giving the employee either Notice 797, *Possible Federal Refund Due to the Earned Income Tax Credit (EITC)*; your own written statement as long as it has the exact wording of Notice 797; or the official IRS Form W-2, *Wage and Tax Statement*, which contains a statement on the back of Copy B. You do not need to notify employees who claimed exemption from withholding on Form W-4, *Employee's Withholding Allowance Certificate*.

An eligible employee can receive advance payments of up to 60% of the maximum credit for one qualifying child. To claim the advance EITC, eligible employees should fill out a Form W-5, *Earned Income Credit Advance Payment Certificate*, and return it to you. Employees must file a new W-5 each year they claim the advanced earned income credit. Use the advance EITC tables in Publication 15 each payroll period to figure the correct amount of advance payment to include in the employee's pay. The advance payment first reduces the withheld income tax and then the employee and employer social security and Medicare taxes, thereby reducing your total tax liability.

Note: An employee's advance EITC payments are limited (See Publication 15 for current year's limitation), although the credit may be more. The worker will need to claim Earned Income Tax Credit and include the advance Earned Income Tax Credit amount from their W-2 in order to receive any additional amount of EITC on their Individual Income tax return.

CHAPTER 11
Employment Taxes

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 505, *Tax Withholding and Estimated Tax*
- Publication 509, *Tax Calendars for 2008*
- Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*
- Publication 519, *U.S. Tax Guide for Aliens*
- Publication 919, *How Do I Adjust My Tax Withholding?*
- Form W-4, *Employee's Withholding Allowance Certificate, Instructions*
- Publication 966, *Electronic Choices for Paying All your Federal Taxes*
- Form I-9, *Employment Eligibility Verification*
- Publication 1635, *Understanding Your Employer Identification Number*
- Form SS-4, *Application for Employer Identification Number*
- Form 8109, *Federal Tax Deposit Coupon*
- Publication 1932, *How to Make Correct Federal Tax Deposits*

Form SS-4

When you have employees, you will need to apply for an EIN (Employer's Identification Number) to identify the tax returns of your tribe's business. If you don't already have an EIN, you need to get one if you:

- pay wages to employees
- are required to withhold taxes for non-wage payments
- operate your entity as a corporation, partnership, or
- file any of these tax returns:
  - employment
  - excise
  - fiduciary or
  - alcohol, tobacco and firearms

If you have not applied for an EIN and you are required to have one, you should obtain Form SS-4, *Application for Employer Identification Number,* from the IRS. The address to mail your completed Form SS-4 can be found on the back of the form.

Form SS-4, Line 9a, Type of Entity, has a box that indicates Indian Tribal Governments/Enterprises. By designating this box, you will let the Internal Revenue Service know of your status as a federally recognized Indian tribal government. This will reduce errors and facilitate processing of your returns by routing them to specially trained employees. It allows us to code the returns so any questions will be directed to the Indian Tribal Governments Division of IRS. Because it takes several weeks to receive an EIN after the Form SS-4 has been filed, apply for your EIN well before your tax returns are due. You may be able to obtain an EIN sooner by telephone or fax.

To obtain an EIN, you may apply for one online. Go to the IRS website at www.irs.gov/businesses and click on *Employer ID Numbers.*

Note: Taxpayers who apply for one online have an option to view, print, and save their EIN assignment notice at the end of the session.

You may also apply for an EIN by calling toll-free (800) 829-4933, Monday through Friday from 7:00 a.m. until 10:00 p.m. local time (Pacific Time for Alaska). You can also fax an EIN request 24 hours a day/ 7 days a week. Instructions on the Form SS-4 indicate which location will accept your faxed request. Fax locations are:

- Brookhaven, NY (631) 447-8960
- Cincinnati, OH (859) 669-5760
- Philadelphia, PA (859) 669-5760

Note: Use your EIN on all items you send to the IRS or Social Security Administration (SSA).

This section introduces federal employment taxes. It briefly explains your responsibilities as an employer to withhold and pay these taxes, and it gives other related information. Employment taxes represent the income tax and social security and Medicare (FICA) taxes withheld from the wages of an employee plus the employer's share of social security taxes and federal unemployment (FUTA) taxes, when applicable. The withheld (employee's) portion of employment taxes is referred to as "trust fund" taxes. FUTA will be addressed later in this guide.

If the tribe is required to withhold income or social security and Medicare taxes, a return reporting the amounts withheld must be filed. Form 941, *Employer's Quarterly Federal Tax Return*, is used for this purpose. However, other forms are used under certain circumstances.

- Farms operated for a profit require Form 943, *Employer's Annual Tax Return for Agricultural Employees*.

- Form 944, *Employer's Annual Federal Tax Return*, is used for employers whose liability for social security, Medicare and withheld federal income taxes for the calendar year is $1, 000 or less.
- Form 945, *Annual Return of Withheld Federal Income Tax*, is used to report income tax withheld from nonpayroll payments, such as pensions, IRAs, gambling winnings, per capita payments, and backup withholdings.

Alternative Signature Method. Effective with returns filed after June 2005, corporate officers or duly authorized agents may sign employment tax forms by rubber stamp, mechanical device, or computerized software program. This rule, as outlined in Revenue Procedure 2005-39, applies to such forms as Form 940, *Employer's Annual Federal Unemployment Tax Return* (FUTA); Form 941, *Employer's Quarterly Federal Tax Return*; Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*; and Form 945, *Annual Return of Withholding Federal Income Tax*. For further details, see Revenue Procedure 2005-39 on page 82 of Internal Revenue Bulletin 2005-28 at www.irs.gov/pub/irs-irbs/irb05-28.pdf.

You may use the following publications for additional information:

- Publication 15, *Employer's Tax Guide (Circular E),* explains the rules and methods of withholding, paying, depositing and reporting federal income tax, social security and Medicare taxes and federal unemployment (FUTA) tax on wages, tips and fringe benefits. It also explains who is an employee, what are taxable wages and what are taxable tips.
- Publication 15-A, *Employer's Supplemental Tax Guide*, provides specialized information supplementing the basic employment tax information provided in Circular E, such as a more detailed discussion of fringe benefits and information on how to report third-party sick pay.

Form W-4, Employee's Withholding Allowance Certificate

To know how much federal income tax to withhold from an employee's wages, you should have a Form W-4, *Employee's Withholding Allowance Certificate*, on file for each employee. The amount to be withheld is determined by the employee's gross wages and the information submitted by the employee on Form W-4.

This information includes:

- employee's marital status

- number of withholding allowances claimed
- employee's request to have additional tax withheld or
- employee's claim to exemption from withholding

Ask each new employee to give you a signed Form W-4 by his or her first day of work. This certificate is effective with the first wage payment and will last until the employee files a new certificate.

If an employee does not give you a signed Form W-4, withhold tax as if the employee were a single person who has claimed no withholding allowances. If not enough tax is withheld and your employee has not provided a Form W-4 or has claimed an exemption from withholding, he or she may be subject to penalties. An employee who claims exemption from withholding must renew his or her status by filing a new Form W-4 with you by February 15 of each year.

Note: Student status does not automatically exempt the employee from income tax withholding.

Generally, Forms W-4 are for your records. They need not be sent to IRS.

For more information on withholding, see Publication 505, *Tax Withholding and Estimated Tax*. You can help your employees determine whether they are having the right amount of income tax withheld by ordering Publication 919, *How Do I Adjust My Tax Withholding?*

Form I-9, Employment Eligibility Verification

As an employer, you must verify that each new employee is legally eligible to work in the United States. Both you and the employee must complete the Immigration and Naturalization (INS) Form I-9, *Employment Eligibility Verification.* For questions or more information on employer responsibilities, call the INS at 1-800-375-5283 or visit the INS web site at http://uscis.gov. To request Form I-9, call 1-800-870-3676 or you may download the form at http://uscis.gov/graphics/formsfee/forms/index.htm.

Federal Income Tax

The wages you pay your employees generally are subject to income tax withholding if their wages for any payroll period are more than the dollar amount of their withholding allowances for that period. The amount to be included is figured separately for each payroll period. Wages include all pay you give an employee for services performed. The pay may be in cash or in other forms. It includes salaries, vacation allowances, bonuses, commissions and fringe benefits not excluded by law. It does not matter how payments are measured or paid. Wages paid in any form other than money (such as goods, lodging and meals) are measured by the fair market value. See Publication 15, *Employer's Tax Guide (Circular E),* for more information about income tax withholding.

The income tax to be withheld is figured on ***gross*** wages before any deductions are made for social security and Medicare taxes. You may figure the withholding by different methods, the most common of which are the percentage method and the wage bracket tables method. Publication 15 contains the applicable tables and instructions for using both of these withholding methods, and it gives more information on reporting and withholding requirements on wages and tip income.

Social Security and Medicare Taxes

Under the Federal Insurance Contributions Act (FICA), you must withhold social security and Medicare taxes from wages that you pay your employees each payroll period.

Generally, meals, lodging, clothing, services and other payments in-kind are subject to social security and Medicare taxes, as are wages paid in cash. However, meals are not taxable wages if furnished for the employer's convenience and on the employer's premises. Lodging is not taxable if furnished for the employer's convenience, on the employer's premises and as a condition of employment.

You, as an employer, must withhold and deposit the employee's part of the taxes and pay a matching amount. The social security tax is withheld from the employee's gross wages until the employee's cumulative wages for the year reach the wage base limit. Any wages above the wage base limit are not subject to social security withholding. However, there is no wage base limit for Medicare tax; **all covered wages are subject to Medicare tax.**

The United States has social security agreements with many countries that eliminate dual taxation and coverage. 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 Social Security Administration (SSA) at www.ssa.gov/international.

Federal Unemployment Tax (FUTA)

FUTA will be discussed in depth later in this guide.

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How and When to Deposit

In general, you must deposit income tax withheld and both the employer and employee social security and Medicare taxes (minus any advance EITC payments). But first, you must determine which deposit schedule to use.

There are two deposit schedules – **monthly or semiweekly** – for determining when you deposit social security, Medicare and withheld income taxes. These schedules tell you when a deposit is due after a tax liability arises (e.g., when you have a payday).

IMPORTANT NOTE:
Remember that Form 941 is a quarterly return, but deposits may be required on a monthly or semiweekly schedule. Publication 509, *Tax Calendars for 2008,* is a useful publication for employers to monitor due dates of deposits. Whether you are a monthly or semiweekly depositor, Publication 509 has deposit due date schedules for both types of depositors. The calendars in this publication also include due dates for filing returns, providing information returns to employers, and other important dates employers need to know.

Lookback Period

Your deposit schedule for a calendar year is determined from the total taxes (not reduced by any advance EITC payments) reported on your Form 941 (line 11) in a four-quarter lookback period. The lookback period for Form 941 filers begins July 1 and ends June 30. See Publication 15 for the table that explains the lookback period for the current calendar year. If you reported $50,000 or less of taxes for the lookback period, you are a monthly schedule depositor; if you reported more than $50,000 you are a semiweekly schedule depositor.

Monthly Deposit Schedule

Under the monthly deposit schedule, deposit Form 941 taxes on payments made during a month by the 15th day of the following month.

Note: If this is a new tribal entity, during the first calendar year, your tax liability for each quarter, in the lookback period, is considered to be zero. Therefore, you are a monthly schedule depositor for the first calendar year of the business unless the $100,000 Next-Day Deposit rule (discussed later) applies.

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Semiweekly Deposit Schedule

You are a semiweekly schedule depositor for a calendar year if the total taxes on Form 941 (line 11) during your lookback period were more than $50,000. If the payday falls on Wednesday, Thursday, and or Friday, you must deposit the Form 941 taxes no later than the following Wednesday. (See Exhibit 11.1 below). If the payday falls on Saturday, Sunday, Monday and/or Tuesday, deposit by Friday.

EXHIBIT 11.1
Semiweekly Deposit Schedule

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

$100,000 Next-Day Deposit Rule

If you accumulate a tax liability (reduced by any advance EITC payments) of $100,000 or more on any day during a deposit period, you must deposit the tax by the next banking day, regardless of whether you are a monthly or semiweekly schedule depositor. 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. If you are a monthly depositor and become subject to the rule, you become a semiweekly depositor for the remainder of the year and all of the following year.

How to Deposit

The two methods of depositing employment taxes are by Electronic Federal Payment System (EFTPS) and by using Federal Tax Deposit (FTD) coupons, Form 8109.

You are required to make electronic deposits using EFTPS for all your tax liabilities in 2008 if your total deposits of all federal depository taxes were more than $200,000 in 2006 or you were required to use EFTPS in 2007. For more details, see Chapter 11, *Depositing Taxes*, in Publication 15.

Note: Even if you are not required to make electronic tax deposits, you may voluntarily participate in EFTPS. To enroll, call 1-800-945-8400 or 1-800-555-4477. You can obtain additional information on EFTPS requirements by accessing Publication 966, Electronic Federal Tax Payment System, at: http://publish.no.irs.gov/PUBS/PDF/22397b07.PDF. **You can register on-line and receive more information by using the EFTPS website at:** http://www.eftps.gov

If you are not required to use EFTPS, you can use FTD coupons to make your required deposits at a financial institution or Federal Reserve Bank (FRB) that is an authorized depositary[2] for federal taxes. The IRS will issue you a book of coupons 5 to 6 weeks after you receive your EIN. After the initial mail out, FTD coupons will be automatically mailed by the IRS depending upon the number of FTD coupons you use.

[2] An authorized depositary is a financial institution (e.g., a commercial bank) that is authorized to accept federal tax deposits.

If you prefer, you may mail your coupon and payment to:

Financial Agent, Federal Tax Deposit Processing
P.O. Box 970030
St. Louis, MO 63197

Make sure your check or money order is made payable to **Financial Agent**.

Note: It is very important to clearly mark the correct type of tax and tax period on the FTD coupon. This information is used by the IRS to properly credit your account.

Deposit Penalties

Penalties may apply if you do not make required deposits on time, make deposits for less than the required amount, or if you do not use EFTPS when required. Always ensure your deposits are timely. Check with your local depository or FRB for information concerning their cutoff time (exact hour they start dating deposits as received on their next banking day).

Note: If you use EFTPS to make deposits, you must make your deposit one calendar day prior to your tax due date. Otherwise, the payment will post late and penalties may be assessed.

Deposits not made in a proper or timely manner may be subject to penalties. For amounts not properly or timely deposited, the penalty rates are:

- 2% - Deposits made 1 to 5 days late.
- 5% - Deposits made 6 to 15 days late.
- 10% - Deposits made 16 or more days late.
- 10% - Deposits made at an unauthorized financial institution, paid directly to the IRS or paid with your tax return. See Publication 15 for more exceptions.
- 10% - Amounts that are subject to electronic deposit requirements but not deposited using EFTPS.
- 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 receive the notice and demand for immediate payment, whichever is earlier.

The following example illustrates how a tribe would figure their deposit requirements and due dates.

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Employment Taxes

EXAMPLE 11.1

Tribal Enterprises
EIN: 11-1111111
1512 Poplar St.
Inn, MI 48200

Period Ending	Number of Employees	Gross Wages	*FICA Withheld	*Employer's FICA	Income Tax Withheld	Total Taxes
1/31	4	$ 4,800.00	$ 367.20	$ 367.20	$ 400.00	$1,134.40
2/28	4	$ 4,750.00	$ 363.38	$ 363.38	$ 406.00	$1,132.76
3/31	3	$ 4,200.00	$ 321.30	$ 321.30	$ 340.00	$ 982.60
Quarterly Totals		$13,750.00	$1,051.88	$1,051.88	$1,146.00	$3,249.76
*Social Security and Medicare taxes are referred to as FICA						

Tribal Enterprises, Inc., as a monthly depositor, must deposit each month's taxes by the 15^{th} of the following month ($1,134.40 by February 15^{th}; $1,132.76 by March 15^{th} and $982.60 by April 16^{th} (April 15^{th} is a Sunday). If the **total** taxes for all three months of the quarter had been less than $2,500, then they could have been deposited or paid with the Form 941 to be filed by April 30.

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The following list provides a brief summary of basic federal employment tax responsibilities. If any date shown below falls on a Saturday, Sunday, or Federal holiday, use the next business day. Because the individual circumstances for each tribe can vary greatly, their responsibilities for withholding, depositing, and reporting employment taxes can differ. Each item in this list is discussed in more detail in Publication 15, *Circular E, Employer's Tax Guide.*

New Employees:

- Verify work eligibility of employees via Form I-9, *Employment Eligibility Verification* (available from U.S. Citizenship and Immigration Services by calling 1-800-870-3676 or at www.uscis.gov).
- Record employee's name and SSN from social security card.
- Ask employee for Form W-4, *Employee's Withholding Allowance Certificate.*
- Provide employee Form W-5, *Earned Income Credit Advance Payment Certificate* (if applicable).

Each Payday:

- Withhold federal income tax based on each employee's Form W-4.
- Withhold employee's share of social security and Medicare taxes, as applicable.
- Include advanced earned income credit payment in paycheck if employee requested it on Form W-5.
- Deposit requirements:
    - You may pay the income, social security, and Medicare taxes with Form 941 if your total tax liability for the quarter is less than $2,500 and the taxes are paid in full with a timely filed return.
    - If your total tax liability for the quarter is $2,500 or more, see Publication 15, *Circular E*, for deposit requirements.

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

- File Form 941, *Employer's Quarterly Federal Tax Return*

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Annually:

- **For Employees:**

  - Before *December 1* - remind employees to submit a new Form W-4 if they need to change their withholding.
  - Form W-5 expires on *December 31.* Eligible employees who want to receive advanced payments of the earned income credit in the next year must give you a new Form W-5.
  - Reconcile amounts on Forms 941 with Forms W-2 and W-3.
  - By *January 31* - furnish each employee copies B, C, and 2 of Form W-2.
  - By *February 15* - ask for a new Form W-4 from employees claiming exemption from income tax withholding.
  - File copy A of Forms W-2 via transmittal Form W-3 with the SSA by: 1) *February 28* if filing paper forms, or 2) *March 31* if filing electronically.

- **For Independent Contractors:**

  - By *January 31* - furnish each recipient a Form 1099 (such as Form 1099-MISC). Form W-9 may be used to secure the vendor's Taxpayer Identification Number (SSN or EIN).
  - By *January 31* - file Form 945 for any nonpayroll income tax withholding, such as backup withholding. See the Instructions for Form 945 for details on depositing nonpayroll income tax withholding.
  - File copy A of Forms 1099 via transmittal Form 1096 with the IRS by: 1) *February 28* if filing paper forms or 2) *March 31* if filing electronically.

CHAPTER 12
Preparation of Payroll Checks

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Publication 51, *Circular A, Agricultural Employer's Tax Guide*
- Publication 463, *Travel, Entertainment, Gift, and Car Expenses*
- Publication 966, *Electronic Choices to Pay all Your Federal Taxes*

Payroll Files

In Chapter 11, Form W-4, *Employee's Withholding Allowance Certificate*, Form W-5, *Earned Income Credit Advance Payment Certificate*, and Form I-9, *Employment Eligibility Verification,* are discussed. These are forms that your employees may have on file with your payroll department. It is important to maintain separate files for each employee with his or her completed, signed payroll forms.

Payroll Records

Other records of employment taxes maintained in your payroll records are discussed in Publication 15, *Circular E, Employer's Tax Guide*. Payroll records should be retained for 4 years. Those records include:

- notification of assignment of employer identification number, or other record of your employer identification number
- amounts and dates of all wage, annuity, and pension payments
- amounts of tips reported
- records of allocated tips
- fair market value of in-kind wages paid
- names, addresses, social security numbers, and occupations of employees and recipients
- any employee copies of Form W-2 that were returned to you as undeliverable
- dates of employment
- 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' income tax withholding allowance certificates
- dates and amounts of tax deposits you made and acknowledgment numbers for deposits made using the Electronic Federal Tax Payment System (EFTPS)

- copies of returns filed, including 941 TeleFile Tax Records and confirmation numbers
- records of fringe benefits provided, including substantiation
- Notice 797, *Possible Federal Refund Due to Earned Income Tax Credit,* or other proof of notification of Earned Income Tax Credit (EITC) eligibility
- Form I-9, *Employment Eligibility Verification*
- travel reimbursement plan for nonaccountable plans

Payroll Period

The payroll period is a span of time for which wages are paid. When you have a regular payroll period, withhold income tax for that time period even if your employee does not work the full period.

Each tribe or entity determines the dates on which it will pay its employees. Some entities have weekly paydays, some on the first and fifteenth of the month (semimonthly), some pay every other week (biweekly), some on a monthly basis, and some at irregular intervals. Some entities have different classes of workers (for instance, factory and office) who are paid at different times. It is important to know the payroll period covered for each individual for each paycheck you are about to issue. Knowing the proper payroll period is one element to ensure you are withholding the proper amount of federal income tax from your employee's wages. Publication 15, *Circular E*, has a detailed discussion of this topic.

Wages

Wages subject to federal employment taxes include all pay you give an employee for services performed. The pay may be in cash or in other forms. It includes salaries, vacation allowances, bonuses, commissions, and fringe benefits. It does not matter how you measure or make the payments. Publication 15-A, *Employer's Supplemental Tax Guide*, provides additional information on wages and other compensation, including:

- adoption assistance
- awards
- back pay
- below-market loans
- cafeteria plans
- deferred compensation
- educational assistance

- group-term life insurance
- outplacement services
- retirement plans
- supplemental unemployment benefits, and other

A common item that must be included as wages is employee business expense reimbursement that is under a **nonaccountable** plan. Accountable and non-accountable plans are discussed in Publication 463, *Travel, Entertainment, Gift, and Car Expenses,* and in Chapter 5 of this guide

Unusual situations may be encountered in determining gross wages paid to an employee. The general rule is all payments in cash, cash equivalents, goods, and services are wages for purposes of withholding. Publication 15-A, *Employer's Supplemental Tax Guide,* is a good reference for the purpose of determining what constitutes wages.

Timekeeping

A manual or computerized timekeeping system is generally used to record the hours employees worked during any given pay period. Some type of record will be given to the payroll department as a voucher from which a paycheck will be generated. The timesheet or other voucher should be signed by the appropriate party, or parties, and retained for record keeping purposes.

Once the payroll department is assured of proper reporting of time, it should be determined if any miscellaneous items (as discussed above) should be included in the gross wage computation. Gross wages are the dollar value of the total wages for the pay period. Gross wages are the starting point for computing withholdings and net payroll.

Part-Time Workers

For income tax withholding and social security, Medicare, and federal unemployment tax (FUTA) purposes, there are no differences among full-time employees, part-time employees, and employees hired for short periods. It does not matter whether the worker has another job or has the maximum amount of social security tax withheld by another employer. 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 Publication 15-A.

CHAPTER 12
Preparation of Payroll Checks

Review Payroll Records

After gross wages are computed for each employee, the employee's file should be inspected to determine federal income tax withholding allowances, state income tax withholding allowances (if applicable), and whether the employee has on file a Form W-5, *Earned Income Credit Advance Payment Certificate*. The employer may be required to withhold other items such as child support payments, wage garnishments by court order, federal income tax wage levies, health insurance, charitable payroll deductions, and other items.
The payroll department should retain copies of all items that support a deduction to an employee's wages for a period of 4 years.

Federal Income Tax Withholding

To know how much federal income tax to withhold from employees' wages, you should refer to Form W-4, *Employee's Withholding Allowance Certificate*, on file for each employee. If a new employee does not give you a completed Form W-4; withhold tax as if he or she is single, with no withholding allowances.

Form W-4 remains in effect until the employee gives you a new one. 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 30^{th} day from the date you received the replacement Form W-4.

The amount of income tax withholding must be based on marital status and withholding allowances. Your employees may not base their withholding amounts on a fixed dollar amount or percentage. However, the employee may specify a dollar amount to be withheld in addition to the amount of withholding based on filing status and withholding allowances claimed on Form W-4.

Employees may claim fewer withholding allowances than they are entitled to claim. They may wish to claim fewer allowances to ensure that they have enough withholding or to offset other sources of taxable income that are not subject to adequate withholding.

An employee may claim exemption from income tax withholding because he or she had no income tax liability last year and expects none this year. See the Form W-4 instructions for more information. The wages are still subject to social security and Medicare taxes.

In general, if you pay wages to nonresident aliens, you must withhold income tax (unless exempted by regulations), social security, and Medicare taxes just as you would for a U. S. citizen. The general rules for nonresident aliens are found in

Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, and Publication 519, *U. S. Tax Guide for Aliens*.

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.

Social security and Medicare taxes are levied on both the employer and employees. The employer must withhold and deposit the employee's part of the taxes, and must pay a matching amount. Generally, employee wages are subject to social security and Medicare taxes regardless of the employee's age or whether he or she is receiving social security benefits.

Advance Earned Income Tax Credit (EITC) Payment

An employee who is eligible for the earned income tax credit (EITC) and has a qualifying child is entitled to receive EITC payments with his or her pay during the year. To get those payments, the employee must provide to you a properly completed Form W-5, *Earned Income Credit Advance Payment Certificate*, using either the paper form or using an approved electronic format. You are required to make advance EIC payments to employees who give you a completed and signed Form W-5. Publication 15, *Circular E, Employer's Tax Guide*, has a more detailed section on advance earned income credit payments.

Other Payroll Deductions

Before arriving at the employee's net paycheck, you must also review the individual's payroll folder to determine if you are required to withhold other amounts. Many states require the employer to withhold state income taxes. You should contact your state tax authority for information and instructions on their requirements.

Miscellaneous payroll deductions may include insurance, charitable items, union dues, and others. In each case, you should have an authorization signed by the employee to allow you to make deductions from their wages and remit to the various organizations. Each signed authorization should have instructions on when and where to remit payments. It is important as an employer to be able to account for each deduction from an employee's paycheck.

There may be involuntary deductions from an employee's paycheck such as a court ordered judgment, a federal or state tax levy, or court enforced child support payments. In these cases, the employer is required to make the deductions and remit them to the appropriate agency, even if the employee disagrees with the process. The employer is required by federal or state law to honor the levy or court order. Again, the employer is required to keep all payroll records for at least 4 years.

Net Paycheck

Once you ensure you have computed the payroll correctly, you are ready to issue payroll checks. You may want to use a computerized or manual payroll system to monitor the process. Often, someone other than the payroll clerk is required to sign payroll checks as a matter of internal control.

Many computerized payroll systems automatically print a check stub with fields to list the gross wages and each of the items deducted, with columns for the current pay period and year-to-date totals for each category. If your system does not automatically track these items, you may want to design a spreadsheet to do so. Employees need to be able to reconcile these items from time to time during the year to ensure they are withholding the proper amounts.

CHAPTER 12
Preparation of Payroll Checks

EXAMPLE 12.1
Sample Payroll Ledger Sheet for an Hourly Employee Paid Weekly For the Quarter Ending March 31

Name	SSN	Address	W-4	W-5
John Doe	123-45-6789	111 Elm St. Anytown, USA	Married, 3 exemptions	None

Date	Hrs.	Hourly Rate	Gross Pay	Social Security	Medicare	Federal WH	State WH	Insurance	Other	Net Pay
January										
Week 1	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Week 2	38	$10.00	$380.00	$23.56	$5.51	$5.00	$4.00	$25.00	$0.0	$316.93
Week 3	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Week 4	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
February										
Week 5	38	$10.00	$380.00	$23.56	$5.51	$5.00	$4.00	$25.00	$0.0	$316.93
Week 6	38	$10.00	$380.00	$23.56	$5.51	$5.00	$4.00	$25.00	$0.0	$316.93
Week 7	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Week 8	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
March										
Week 9	32	$10.00	$320.00	$19.84	$4.64	$0.00	$2.00	$25.00	$0.0	$268.52
Week 10	31	$10.00	$310.00	$19.22	$4.50	$0.00	$0.00	$25.00	$0.0	$261.28
Week 11	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Vacation	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Week 13	40	$10.00	$400.00	$24.80	$5.80	$7.00	$4.00	$25.00	$0.0	$333.40
Total			$4,970.00	$308.14	$72.07	$71.00	$46.00	$325.00	$0.0	$4,147.79

EXAMPLE 12.2
Sample Payroll Ledger Sheet for a Salaried Employee Paid Semi-Monthly

Name	SSN	Address	W-4	W-5
Jim Doe	000-65-4321	116 Elm St. Anytown, USA	Married, 2 exemptions	None

Date	Semi-Monthly Salary	Gross Pay	Social Security	Medicare	Federal WH	State WH	Insurance	Other	Net Pay
Jan 15	$ 900.00	$ 900.00	$ 55.80	$13.05	$32.00	$10.00	$35.00	$0.0	$754.15
Jan 31	900.00	900.00	55.80	13.05	32.00	10.00	35.00	$0.0	754.15
Feb 15	900.00	900.00	55.80	13.05	32.00	10.00	35.00	$0.0	754.15
Feb 28	900.00	900.00	55.80	13.05	32.00	10.00	35.00	$0.0	754.15
Mar 15	900.00	900.00	55.80	13.05	32.00	10.00	35.00	$0.0	754.15
Mar 31	900.00	900.00	55.80	13.05	32.00	10.00	35.00	$0.0	754.15
	$5,400.00	$5,400.00	$334.80	$78.30	$192.00	$60.00	$210.00	$0.0	$4,524.90

CHAPTER 12
Preparation of Payroll Checks

Payroll Taxes

After you have computed payroll, you must calculate your payroll tax liability. Federal income tax, social security tax, and Medicare taxes are withheld from your employees. Taxes withheld from your employees make up what is known as "trust fund" taxes. They are called trust fund taxes because you are entrusted to deposit the taxes withheld from your employees' wages with a federal depository. Please refer to Chapter 19 for more specific information on trust fund penalties.

NOTE: As the employer, you are entrusted with the responsibility of remitting other payroll deductions withheld from wages of employees (as previously addressed in this chapter) to the proper payee.

CHAPTER 13
Form 941, Employer's Quarterly Federal Tax Return

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Form 941, *Employer's Quarterly Federal Tax Return*, and Instructions
- Schedule B (Form 941), *Employer's Record of Federal Tax Liability*
- Form 941c, *Supporting Statement to Correct Information,* and instructions
- Form 944, *Employer's Annual Federal Tax Return*, and Instructions

Due Dates for Filing Form 941

Form 941 is due by the last day of the month after each quarter ends. The return filing dates are listed below:

QUARTER	ENDS	DUE DATE
January, February, March	March 31	April 30*
April, May, June	June 30	July 31*
July, August, September	September 30	October 31*
October, November, December	December 31	January 31*
*If the due date for a return falls on a Saturday, Sunday or legal holiday, **the due date is the next business day.**		

If you paid the quarterly tax payments in full, you are allowed an additional 10 days to file the return. For example, your return for the quarter that ends on June 30 would be due on August 10 instead of July 31.

Semiweekly schedule depositors, and monthly schedule depositors who accumulate $100,000 or more on any day, must complete a Schedule B *(Employer's Records of Federal Tax Liability)* and attach it to Form 941. You do not need to complete a Schedule B if you accumulate less than $2,500 in tax liability (reduced by any advance earned income credit payment) during the quarter, and you pay in full with a timely filed return.

The IRS uses Schedule B to determine if you have timely deposited your employment and withholding tax liabilities. Unless Schedule B is properly completed and filed with your Form 941, the IRS may not be able to process your return correctly, and deposit penalties could be applied.

Do not file more than one Form 941 per quarter and do not report more than one calendar quarter on a return.

Seasonal employers are not required to file for quarters when they regularly have no tax liability because they have paid no wages. To alert the IRS that you will not have to file a return for one or more quarters during the year, check the seasonal employer box above line 17 on Form 941 each time you file. The IRS will mail two Forms 941 to you once a year after March 1. The preprinted name and address information will not include the date the quarter ended. You must enter that date when you file the return.

If you are not a seasonal employer, but you receive a preaddressed Form 941 for a quarter in which you have no employees or may have temporarily stopped paying salaries, file a return anyway. This ensures that you will continue to receive Form 941. If the tribe has an entity that ceases to do business or pay wages, a final return needs to be filed. The instructions on Form 941 give information on how to file the final return.

Annual Employment Tax Filing for Small Employers- Starting with calendar year 2006, certain employers will need to file new Form 944, *Employer's Annual Federal Tax Return*, instead of Form 941, *Employer's Quarterly Federal Tax Return*. Form 944 must be filed by employers whose liability for social security, Medicare and withheld federal income taxes for the calendar year is $1,000 or less. The IRS will directly notify employers who are required to file Form 944. If you believe you are eligible but are not notified, you can contact the IRS at 1-800-829-0115 to determine your eligibility. **Do not file Form 944 unless directed to do so by the IRS.**

Always use the preaddressed form mailed to you. If you do not receive a preaddressed form, print or type the tribe's name and address **exactly** as shown on the previous return.

The date your quarter ends and your **EIN** must also be shown. If you have not received notification of your EIN, write "Applied for" and the date you applied in the space provided for the EIN.

Where to mail Forms 941 without a payment:

Internal Revenue Service
Ogden, UT 84201-0046

Regardless of where the tribal government is located, all Forms 941 that are not accompanied by a payment should be mailed to the Ogden address.

Payment With Return

You may make a payment with Form 941 instead of depositing it if your net tax liability (reduced by any advance earned income credit) during the quarter (line 10 of Form 941) is less than $2,500 and you pay in full with a timely filed return.

Form 941-V Payment Voucher would be used. See Publication 15 for additional information and exceptions.

Where to mail Forms 941 together with a payment and Form 941-V, Payment Voucher:

Internal Revenue Service
P. O. Box 660264
Dallas, TX 75266-0264

Regardless of where the tribal government is located, all Forms 941 that are accompanied by a payment should be mailed to the Dallas address.

Note: Do not use the Form 941-V payment voucher to make federal tax deposits.

Correcting Form 941

Errors made in figuring taxes in an earlier quarter can be corrected on a current Form 941 by making an adjustment to the current quarter's taxes. For example, an error in reporting income tax withholding on your first quarter 200X Form 941 and discovered in April 200X can be corrected on the second quarter 200X Form 941.

File a Form 941c, *Supporting Statement to Correct Information,* along with the Form 941 on which you make the adjustment. **Do not file Form 941c separately**. An example of a corrected Form 941 and the related Form 941c are located at the end of this chapter. Section 13 of Circular E describes in detail how to correct errors to income tax withholding, social security and Medicare taxes.

Filing by Other Methods

You may be able to file Form 941 by telephone if you meet certain criteria. A 941 TeleFile package is automatically mailed to eligible employers each quarter. You may also use your personal computer to transmit tax return information through an approved third-party transmitter. Visit the IRS Web Site at www.irs.gov/efile for a list of approved business providers.

CHAPTER 13
Form 941, Employer's Quarterly Federal Tax Return

EXHIBIT 13-1 - Sample Form 941, *Employer's Quarterly Federal Tax Return* and related Form 941c

Form **941 for 2008: Employer's QUARTERLY Federal Tax Return** 950108
(Rev. January 2008) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

(EIN) Employer identification number: 8 9 — 1 2 3 4 5 6 7

Name *(not your trade name)*: ACD Tribe

Trade name *(if any)*:

Address: P.O. Box 8080 (Number, Street, Suite or room number)

Anywhere (City) SD (State) 12345 (ZIP code)

Report for this Quarter of 2008 (Check one.)

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

Read the separate instructions before you fill out this form. Please 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), *Dec. 12* (Quarter 4)	1	300
2	Wages, tips, and other compensation	2	1,269,293.19
3	Total income tax withheld from wages, tips, and other compensation	3	175,391.26
4	If no wages, tips, and other compensation are subject to social security or Medicare tax		☐ Check and go to line 6.
5	Taxable social security and Medicare wages and tips:		

	Column 1		Column 2
5a Taxable social security wages	1,269,293.19	× .124 =	157,392.36
5b Taxable social security tips	0.	× .124 =	.
5c Taxable Medicare wages & tips	1,269,293.19	× .029 =	36,809.5.

5d	Total social security and Medicare taxes (*Column 2*, lines 5a + 5b + 5c = line 5d)	5d	194,201.86
6	Total taxes before adjustments (lines 3 + 5d = line 6)	6	369,593.12
7	**TAX ADJUSTMENTS** (read the instructions for line 7 before completing lines 7a through 7g):		
7a	Current quarter's fractions of cents	.	
7b	Current quarter's sick pay	.	
7c	Current quarter's adjustments for tips and group-term life insurance	.	
7d	Current year's income tax withholding (attach Form 941c)	-2,030.10	
7e	Prior quarters' social security and Medicare taxes (attach Form 941c)	.	
7f	Special additions to federal income tax (attach Form 941c)	.	
7g	Special additions to social security and Medicare (attach Form 941c)	.	
7h	**TOTAL ADJUSTMENTS** (combine all amounts: lines 7a through 7g)	7h	-2,030.10
8	Total taxes after adjustments (combine lines 6 and 7h)	8	367,563.02
9	Advance earned income credit (EIC) payments made to employees	9	16,997.00
10	Total taxes after adjustment for advance EIC (line 8 – line 9 = line 10)	10	350,566.02
11	Total deposits for this quarter, including overpayment applied from a prior quarter	11	350,566.02
12	Balance due (If line 10 is more than line 11, write the difference here.) For information on how to pay, see the instructions.	12	0.
13	Overpayment (If line 11 is more than line 10, write the difference here.)	.	Check one ☐ Apply to next return. ☐ Send a refund.

▶ You **MUST** fill out both pages of this form and **SIGN** it. Next ➡

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form **941** (Rev. 1-2008)

Name *(not your trade name)*: ACD Tribe

Employer identification number (EIN): 89-1234567

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 *Pub. 15 (Circular E)*, section 11.

14 [S] [D] Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in *multiple* states.

15 Check one: ☐ Line 10 is less than $2,500. Go to Part 3.

☐ You were a monthly schedule depositor for the entire quarter. Fill out your tax liability for each month. Then go to Part 3.

Tax liability: Month 1 ______ .

Month 2 ______ .

Month 3 ______ .

Total liability for quarter ______ . Total must equal line 10.

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

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

16 If your business has closed or you stopped paying wages . . . . ☐ Check here, and

enter the final date you paid wages __ / __ / __ .

17 If you are a seasonal employer and you do not have to file a return for every quarter of the year . . ☐ Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☑ Yes. Designee's name and phone number J. Smith, CPA (605) 555 – 1234

Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS. [5] [4] [3] [9] [9]

☐ No.

Part 5: Sign here. You MUST fill out both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

✗ Sign your name here ______

Print your name here ______

Print your title here ______

Date __ / __ / __

Best daytime phone ( ) –

Part 6: For paid preparers only (optional)

Paid Preparer's Signature ______

Firm's name (or yours if self-employed) ______

Address ______ EIN ______

______ ZIP code ______

Date __ / __ / __ Phone ( ) – SSN/PTIN ______

☐ Check if you are self-employed.

Page 2 Form **941** (Rev. 1-2008)

Schedule B (Form 941):

990306

Report of Tax Liability for Semiweekly Schedule Depositors

(Rev. January 2006) Department of the Treasury — Internal Revenue Service

OMB No. 1545-0029

(EIN)
Employer identification number 8 9 — 1 2 3 4 5 6 7

Name (*not your trade name*) ACD Tribe

Calendar year 2 0 0 8 (Also check quarter)

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

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

Use this schedule to show your TAX LIABILITY for the quarter; DO NOT use it to show your deposits. You must fill out this form and attach it to Form 941 (or Form 941-SS) if you are a semiweekly schedule depositor or became one because your accumulated tax liability on any day was $100,000 or more. Write your daily tax liability on the numbered space that corresponds to the date wages were paid. See Section 11 in *Pub. 15 (Circular E), Employer's Tax Guide,* for details.

Month 1

1	.	9	.	17	.	25	.
2	.	10	.	18	.	26	.
3	.	11	.	19	.	27	.
4	.	12	.	20	.	28	.
5	.	13	.	21	.	29	.
6	.	14	.	22	.	30	56750 . 94
7	.	15	56,750. . 93	23	.	31	.
8	.	16	.	24	.		

Tax liability for Month 1: 113,501.87 .

Month 2

1	.	9	.	17	.	25	.
2	.	10	.	18	.	26	.
3	.	11	.	19	.	27	.
4	.	12	.	20	.	28	.
5	.	13	.	21	.	29	.
6	.	14	.	22	.	30	58766 . 02
7	.	15	58766 . 01	23	.	31	.
8	.	16	.	24	.		

Tax liability for Month 2: 117,532 . 03

Month 3

1	.	9	.	17	.	25	.
2	.	10	.	18	.	26	.
3	.	11	.	19	.	27	.
4	.	12	.	20	.	28	.
5	.	13	.	21	.	29	.
6	.	14	.	22	.	30	59,766 . 06
7	.	15	59,766 . 06	23	.	31	.
8	.	16	.	24	.		

Tax liability for Month 3: 119,532 . 12

Fill in your total liability for the quarter (Month 1 + Month 2 + Month 3) = Total tax liability for the quarter ▶
Total must equal line 10 on Form 941 (or line 8 on Form 941-SS).

Total liability for the quarter: 350,566 . 02

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11967Q Schedule B (Form 941) Rev. 1-2006

Form **941c** (Rev. October 2008) Department of the Treasury Internal Revenue Service

Supporting Statement To Correct Information

Do Not File Separately

▶ File with Forms 941, 941-M, 941-SS, 943, 944, 944(SP), 944-SS, 945, or Form 843.

OMB No. 1545-0256

Page No.

Name: ACD Tribe

Employer identification number (EIN): 89 1234567

Telephone number (optional): 605-555-1111

A This form supports adjustments to Form: Check only one box. (see instructions)

☑ 941 ☐ 941-M ☐ 941-SS ☐ 943 ☐ 944 ☐ 944(SP) ☐ 944-SS ☐ 945

B This form is attached to and filed with the return for the period ending (month, year) ▶ 06/2008

C Enter the date that you discovered the error(s) reported on this form. (If you are making more than one correction and the errors were not discovered at the same time, explain in Part V.) ▶ 04/30/2008

Part I **Signature and Certification** (You **must** complete this part for the IRS to process your adjustments for overpayments.) Skip Part I if all of your adjustments are underpayments. **(Part I applies to wages only.)**

I certify that Forms W-2c, Corrected Wage and Tax Statement, have been filed (as necessary) with the Social Security Administration, and that (check appropriate boxes):

☑ All overcollected federal income taxes for the current calendar year and all social security and Medicare taxes for the current and prior calendar years have been repaid to employees. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit for the amount of the overcollection.

☐ All affected employees have given their written consent to the allowance of this credit or refund. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit for the amount of the overcollection.

☐ The social security tax and Medicare tax adjustments represent the employer's share only. An attempt was made to locate the employee(s) affected, but the affected employee(s) could not be located or will not comply with the certification requirements.

☐ None of this refund or credit was withheld from employee wages.

Sign Here Signature ▶ Title ▶ Date ▶

Part II **Federal Income Tax Withholding (Including Backup Withholding) Adjustment**

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Withheld Income Tax Previously Reported for Period	(c) Correct Withheld Income Tax for Period	(d) Withheld Income Tax Adjustment
1	3/2008	168,421.03	166,390.93	-2,030.10
2				
3				
4				

5 **Net withheld income tax adjustment.** If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form. ▶ 5

Part III **Social Security Tax Adjustment** (Use the tax rate in effect during the period(s) corrected. You must also complete Part IV.)

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages Previously Reported for Period	(c) Correct Wages for Period	(d) Tips Previously Reported for Period	(e) Correct Tips for Period	(f) Social Security Tax Adjustment
1						
2						
3						
4						
5	**Totals.** If more than one page, enter totals on first page only. ▶					

6 **Net social security tax adjustment.** If more than one page, enter total of all columns (f) on first page only. Enter here and on the appropriate line of the return with which you file this form. ▶ 6

7 **Net wage adjustment.** If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses . . . ▶ 7 -2,030.10

8 **Net tip adjustment.** If more than one page, enter total of all lines 8 on first page only. If line 5(e) is smaller than line 5(d), enter difference in parentheses . . . ▶ 8

For Paperwork Reduction Act Notice, see page 4. Cat. No. 11242O Form **941c** (Rev. 10-2008)

Form 941c (Rev. 10-2006) Page 2

Part IV **Medicare Tax Adjustment**

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages and Tips Previously Reported for Period	(c) Correct Wages and Tips for Period	(d) Medicare Tax Adjustment
1				
2				
3				
4				
5	**Totals.** If more than one page, enter totals on first page only . . ▶			
6	**Net Medicare tax adjustment.** If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form . . . ▶		6	
7	**Net wage and tip adjustment.** If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses . . . . ▶		7	

Part V **Explanation of Adjustments**

16 new employees did not turn in the Form W-4 for a 2 month period so federal income tax withholding was done at the highest rate. 12 existing employees made changes to their Forms W-4 and returned them timely to the payroll department but they were not processed timely by the payroll department. These forms were turned in to their supervisors on 3/1/2008.

Form **941c** (Rev. 10-2006)

CHAPTER 14
Form 943, Agricultural Employees

References:

- Publication 51, *Circular A, Agriculture Employer's Tax Guide*
- Publication 15, *Circular E, Employer's Tax Guide*
- Form 943, *Employer's Annual Tax Return for Agricultural Employees*

In General

Agricultural workers are subject to FICA tax if certain wage tests are met. Amounts paid to seasonal farmworkers are excluded from FICA tax if specific provisions are met.

You are an employer of farmworkers if your employees:

- Raise or harvest agricultural or horticultural products on a 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, or services pertaining to hurricane labor.
- Handle, process, or package an agricultural or horticultural commodity if you produced over half of the commodity (for a group of up to 20 unincorporated operators, all of the commodity).
- Perform work related to cotton ginning, turpentine, gum resin products, or the operation and maintenance of irrigation facilities.

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 or harvesting of agricultural or horticultural commodities and orchards.

Farmwork does not include reselling activities that do not involve any substantial activity of raising agricultural commodities, such as a retail store or a greenhouse used primarily for display or storage. Refer to Publication 51 for information to distinguish between farm and nonfarm activities.

Taxable Wages

Cash wages you pay to employees for farmwork are subject to social security and Medicare taxes, if the wages meet the wage test (discussed below). They are also subject to income tax withholding. Additionally, they may also be liable for federal unemployment (FUTA) tax.

Cash wages include checks, money orders, etc. Do not count the value of food, lodging, and other noncash items. For more information on what payments are considered taxable wages, see Publication 15, *Employer's Tax Guide (Circular E).*

Wage Test

All cash wages you pay to an employee during the year for farmwork are subject to social security and Medicare taxes and 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 farm work (count all cash wages paid on a time, piecework, or other basis); or
- The total you pay for farm work (cash and noncash) to all your employees is $2,500 or more during the year.

EXAMPLE 14-1

A tribe is the owner of a local mushroom farm. The tribe paid their employees to plant mushrooms. John was paid $95, Tom was paid $175, and Kirk $900. The tribe had no other employees on the farm. Wages paid to Tom and Kirk were subject to FICA tax because they met the $150 or more requirement. John's wages were not subject to FICA because he did not meet the wage requirement

Exceptions: The $150 and $2,500 test do not apply to the following situations:

1) Wages you pay to a farmworker who receives less than $150 in annual cash wages are not subject to social security and Medicare taxes, or income tax withholding, even if you pay $2,500 or more in that year to all your farm workers, if the farmworker:

    a) Is employed in agriculture as a hand-harvest laborer,
    b) Is paid piece rates in an operation that is usually paid on a piece-rate basis in the region of employment,
    c) Commutes daily from his or her home to the farm, and
    d) Had been employed in agriculture less than 13 weeks in the preceding calendar year.

Amounts you pay to these seasonal farmworkers, however, count toward the $2,500-or-more test to determine whether wages you pay to other farm workers are subject to social security and Medicare taxes.

EXAMPLE 14-2

A tribe, a local avocado grower, hired Marion, a high school student, to harvest a new crop of avocados. Marion, who had never harvested avocados before, was paid by the pound as is customary in the industry. Marion was transported by a bus provided by the tribe from her home to the farm. She was given instructions by the tribe on where and how to harvest the avocados. The tribe inspected and approved the avocados that Marion harvested. Marion earned $125.

The amount earned by Marion is not subject to FICA tax based on the provision of IRC 3121(a)(8)(B). This exception to FICA tax applies regardless of the fact that the worker had the status of common law employee.

Due Date of Form 943

Form 943, *Employer's Annual Tax Return for Agricultural Employees*, should be filed with the Internal Revenue Service by January 31. However, if you deposited all Form 943 taxes when due, you may file Form 943 in February; check the Form 943 instructions for the specific date.

Making Payment with Form 943

Make a payment with your Form 943 only if:

1. Your net taxes for the year (line 11 on Form 943) are less than $2,500 **or**
2. You are a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule. (See section 7 of Publication 51 for more details.) This amount may be $2,500 or more.

Otherwise, you must deposit the amount at an authorized financial institution or by using the Electronic Federal Tax Payment System. Do not use the Form 943-V payment voucher to make federal tax deposits.

Caution: If you pay an amount with Form 943 that should have been deposited, you may be subject to a penalty.

CHAPTER 14
Form 943, Agricultural Employees

For information about depositing social security, Medicare taxes, and income tax withheld, see Publication 51. This publication also contains information about penalties that may apply if deposits are not made on time and/or if the Form 943 is not filed timely.

Where to file

Government entities, including Indian tribal governments, use the following addresses to file Form 943, regardless of the location of the tribal government:

Return without payment:	**Internal Revenue Service** **Ogden, UT 84201-0008**
Return with payment:	**Internal Revenue Service** **P.O. Box 105085** **Atlanta, GA 30348-5085**

There are special rules for social security and Medicare withholding on agricultural workers. Refer to Section 4, Social Security and Medicare taxes, in Pub 51. Also refer to Section 13, Federal Income Tax Withholding Methods, for withholding methods.

Crew Leaders

A crew leader is a person who furnishes and pays workers to do farmwork for a farm operator. A crew leader must pay the workers on his/her behalf, or on behalf of the farm operator and the crew leader must not have a written agreement with the farm operator stating that he or she is an employee. A crew leader is an independent contractor and will receive a Form 1099-MISC for all of the work performed.

Employment taxes for farmworkers must be filed on Form 943 and must be separate from other workers filed on Form 941.

Refer to Publication 51, *Circular A, Agricultural Employer's Tax Guide*, for more complete information on agricultural workers.

CHAPTER 15
Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return

References:

- Publication 15, *Employer's Tax Guide (Circular E)*
- Publication 15-A, *Employer's Supplemental Tax Guide*
- Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return and* Instructions
- Consolidated Appropriations Act 2001

Beginning January 1, 2000, Indian tribes are not required to file Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, as long as they participate in the State Unemployment (SUTA) system. This is due to the Consolidated Appropriations Act, 2001 (CAA) that was signed in to law on December 21, 2000 (Public Law No. 106-554.)

Services performed in the employ of tribes generally are no longer subject to the FUTA tax unless the tribal government elects not to participate in the state unemployment system.

This applies to all enterprises wholly owned by an Indian Tribe whether or not they might compete with similar private businesses. This also includes entities that are jointly owned by two or more tribes providing they are wholly owned. If an enterprise is jointly owned by an Indian tribe and another entity that is not tribally owned, then this entity would not be exempt from paying FUTA.

In other words, the enterprise must be owned 100% by the tribe or tribes. There are certain services which may be excluded from the required coverage. See Publication 15 or Publication 15-A for a list of these exceptions.

With the enactment of the CAA, states must now also give Indian tribes the option to elect the reimbursement method rather than paying the SUTA tax (tax contribution method). Employers electing the reimbursement option are required to reimburse the Unemployment Fund on a dollar-for-dollar basis for benefits paid to their former employees and charged to their accounts. This requirement applies to benefit payments that are calculated based on remuneration paid to employees on or after the date the election becomes effective.

If a tribe wishes to use the reimbursement option, each of their subdivisions, subsidiaries, and wholly-owned business enterprises will each need to make a separate election as to whether or not to use the reimbursement method. Some entities may find the tax contribution method more advantageous to their particular enterprise.

Two or more wholly-owned tribal enterprises can elect the benefit reimbursement option as a group for the purposes of sharing the cost of benefits paid to former employees. The members of the group shall be severally and jointly liable for reimbursement.

States may enact safeguards (including requiring the tribe to post a payment bond) to ensure that tribes using the reimbursement method make the required payments to the state. For state specific information on unemployment benefits employment assistance, or employer information, visit the website of the Office of Workforce Security at http://www.workforcesecurity.doleta.gov/.

However, regardless of whether a tribe uses the reimbursement method or the tax contribution method to pay SUTA, if the tribe fails to make required payments to the state's unemployment fund or payments of penalty or interest, then the tribe may be terminated from the program by the state. This would result in tribal employees not being covered for unemployment insurance.

States are not required to terminate coverage due to nonpayment. This is generally done only as a last resort because termination of coverage punishes workers who have no control over whether their employers satisfy their unemployment compensation obligations.

The law requires states to notify the Internal Revenue Service and the United States Department of Labor when the tribe is terminated from coverage due to nonpayment.

Once the IRS is notified that the tribe is in noncompliance with the state, the tribe will become liable for FUTA taxes and will be required to file Form 940 with the IRS.

Form 940 is an annual return. It is due on January 31 of the subsequent year. However, if you deposited all FUTA tax when due, you have ten additional days to file. If the due date falls on a Saturday, Sunday, or legal holiday, the due date will be the next business day.

The FUTA tax rate for 2007 and 2008 is 6.2% and is applicable to the first $7,000 of wages you pay each employee during the year. Only the employer pays the FUTA tax. Do not collect or deduct it from your employees' wages. .

Although Form 940 covers a calendar year, you may have to make deposits of the tax before filing the return. Deposit FUTA tax quarterly if the FUTA tax exceeds $500. For more information on FUTA taxes, the tribe should refer to

CHAPTER 15
Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return

Publication 15, *Employer's Tax Guide (Circular E)* and Publication 15-A, *Employer's Supplemental Tax Guide*, for assistance with filing Form 940.

Note: When a tribe is required to file Form 940, due to failure to meet state unemployment program requirements, tribal employees will not be eligible for unemployment compensation benefits, even though the tax per the Form 940 is paid. In essence, the tribe's employees will not receive unemployment compensation benefits when they otherwise would be eligible.

Who are Employers?

In general, you are an employer for Unemployment Compensation (UC) tax purposes and must pay UC tax when you would qualify as an employer if you were subject to FUTA. Under FUTA, you are an employer generally if you:

- Paid wages of $1,500 or more in any calendar quarter to employees (other than farm workers or household workers) **or**
- Have one or more employees (other than farm workers or household workers) at any time in each of any 20 or more weeks (calendar).

The 20 weeks do not have to be consecutive. Count all regular, temporary and part-time employees, and count employees on vacation or sick leave.

Note: The definition of an employer may change from state to state.

The tribe should refer to Publication 15 and Publication 15-A for assistance with the definition of an employer for FUTA purposes.

Who are Employees?

The rules used for purposes of social security and Medicare tax also apply in determining who are common-law employees for purposes of paying the UC tax.

For UC tax, as for social security and Medicare taxes, there are statutory employees and nonemployees in addition to common-law employees.

Amounts paid to Tribal council members for services performed by them as council members do not constitute wages for Federal Unemployment Taxes. For further information, see Chapter 3, Treatment of Certain Payments, and Attachment A, Revenue Ruling 59-354.

CHAPTER 15
Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return

Note: The definition of an employee may change from state to state.

The tribe should refer to Publication 15, *Employer's Tax Guide (Circular E)* and Publication 15-A, *Employer's Supplemental Tax Guide* for assistance with the definition of employees for FUTA purposes.

What are UC Wages?

Wages subject to UC will vary from state to state because each state has a different method for computing UC. States may base the UC on a wage base and an experience rate.

A state experience rate is the rate at which the state taxes your payroll for UC. This rate may be adjusted from time to time based on the number and length of claims for unemployment compensation that your former employees make against the fund. If you do not know your rate, contact your state employment security agency. Each state may have a different wage base upon which the UC is computed. This rate can vary from year to year. It may also vary, depending on the duties performed.

For example, a state's 200X wage base subject to UC is $10,100. The UC program has assigned the tribe an experience rate of 1%, based upon the employment history of the tribe. The tribe would pay a maximum of $10,100 x 1% or $101 per year for each employee subject to UC.

What if Wages are not Paid in Cash?

If you pay your employees in some medium that is neither cash nor a readily negotiable instrument (such as a check), you are said to pay them "in-kind." Payments in-kind may be in the form of goods, lodging, food, clothing, or services. Generally, wages paid in-kind are treated the same way as wages paid in money. The value of a wage payment in-kind is its fair market price on the day the payment is made.

CHAPTER 16
Wage Reports

References:

- Publication 15, *Circular E, Employer's Tax Guide*
- Form W-2, *Wage and Tax Statement*
- Form W-3, *Transmittal of Wage and Tax Statements*
- Instructions for Forms W-2 and W-3

Form W-2, Wage and Tax Statement

You must give each of your employees the statement by January 31 following the end of the calendar year covered. If not computer-generated, every effort should be made to ensure that Forms W-2 provided to employees are legible.

Form W-2 must show total wages and other compensation paid (even if not subject to withholding); total wages subject to social security and Medicare taxes; allocated tips (if any); amounts deducted for income, social security and Medicare taxes; and the total advance earned income credit payment.

If employment ends before the close of the year, the employee may request the form earlier. You must give the employee a Form W-2 within 30 days of the employee's request or final payment, whichever is later.

You should keep any undeliverable employee copies of Form W-2 (Copies B and C) as part of your records for 4 years.

If you file more than 250 Forms W-2 for the year, you are required to file them electronically. See Chapter 17 for electronic filing requirements or Forms W-2 and W-3 instructions.

Form W-3, Transmittal of Wage and Tax Statements

Each year, you must file Form W-3 in order to transmit copy A of Forms W-2 to the Social Security Administration (SSA) by the last day of February (paper) or the last day of March (electronic) after the calendar year for which the Forms W-2 are prepared. The SSA will process these forms and provide the IRS with the income tax data that it needs from those forms.

The Form W-3 is required to be filed electronically if you file more than 250 Forms W-2 for the year. See Chapter 17 for electronic filing requirements or Forms W-2 and W-3 instructions.

Paper Forms W-2 (copy A) and W-3 (entire page) should be mailed to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Note: The totals on the Form W-3 you file should equal the totals from all Forms 941 filed for the same year.

Correcting Forms W-2 and W-3

If there is an error made on Forms W-2 or W-3, make the correction by filing Form W-2c, *Corrected Wage and Tax Statement*, and Form W-3c, *Transmittal of Corrected Wage and Tax Statements.* See Chapter 17 or Forms W-2 and W-3 instructions for further information.

Reconciling Forms W-2, W-3, 941, and 943

Certain amounts reported on the four quarterly Forms 941 should agree with the Forms W-2 and Form W-3 filed with the SSA. The following amounts should agree on forms 941, W-2 and W-3: income tax withholding, social security wages, social security tips, Medicare wages and tips, and the advance earned income tax credit. If the totals do not agree, the discrepancy should be investigated.

The Combined Annual Wage Reporting (CAWR) is the system that permits employers to file a single statement to report the employees' earnings. Both the IRS and SSA use the information reported by employers to ensure the proper amount of taxes has been paid and reported. CAWR cases are identified by the SSA when it appears that the amounts, as noted above, do not agree with the Forms 941, 943, W-2, and W-3, or for not filing any or all of the required Forms W-2.

Upon receipt of the notification of a CAWR discrepancy, you should review your copies of the Forms 941, W-2, and W-3 that were filed and do a complete review to find the error. A complete explanation of the error and what you did to make the necessary corrections (including any corrected forms) should be sent to the address noted on the CAWR discrepancy notice. If you have questions about a CAWR discrepancy, please contact your local ITG Manager.

To reduce the discrepancies between amounts reported on Forms W-2, W-3 and Forms 941/943:

- Be sure the amounts on Form W-3 match the total amounts from Forms W-2.
- Reconcile Form W-3 with your four quarterly Forms 941 (or annual Forms 943 or 944) by comparing amounts reported for income tax withholding, social security wages, Medicare wage and tips, and social security tips.
- The amounts for social security and Medicare taxes on the four quarterly Forms 941 (or annual Forms 943 or 944) should be approximately twice the amounts shown on Form W-3. This is because the amounts on the Forms 941 represent both the employee and employer share of FICA while the Forms W-2 only represents the employee share.

Remember: Amounts reported on Forms W-2, W-3, and 941/943/944 may not match for valid reasons. If they do not match, you should determine that the reasons are valid. Keep your reconciliation in case you receive a CAWR discrepancy notice.

CHAPTER 17
Magnetic Media Filing Requirements for Form W-2, Wage and Tax Statements

References:

- Instructions for Forms W-2 and W-3
- Social Security Business Services Online User Handbook (1-888-772-2970)
- Social Security Number Verification Service (1-800-772-6270)
  SSNVS information line for technical questions (1-888-772-2970)
  Internet website: www.ssa.gov/employer
- Social Security Specifications for Filing Forms W2 Electronically (EFW2) for Tax Year 2007 (EFW2 updated annually)
- Social Security Business Services Online at www.ssa.gov/bso/bsowelcome.htm
- Form 8508, *Request for Waiver from Filing Information Returns Electronically/Magnetically*

Forms W-2, *Wage and Tax Statements*

Forms W-2 are filed with the Social Security Administration (SSA). Employers are required to file Forms W-2, Wage and Tax Statements, to report wages, tips, social security withholdings, Medicare tax withholdings, federal income tax withholdings, and other items with regard to an employee's annual wages. The SSA provides Form W-2 information to the Internal Revenue Service.

Social Security Business Services Online (BSO), is a suite of business services enabling organizations and authorized individuals to conduct business with, and submit confidential information to, the SSA. It allows registered users to submit a wage file, create, save, print, and submit Forms W-2 and W-2c online, view status, error, and notice information, acknowledge notices, request a one-time 15-day extension, and verify names and social security numbers of employees. Other services include Electronic Records Express, which enables users to upload electronic records to support the processing of disability claims. You must be a registered BSO user to use these services. Other services will be added in the future. You can register online.

When employers file **250 or more Forms W-2** for a given year, they are required to file them with the SSA electronically. The employer must provide a paper copy of Form W-2 to employees, and retain a copy of the paper document for their own records. They should also retain copies of electronic files transmitted.

Electronic submission of Forms W-2 and W-3 is considered the best practice and is recommended by the Social Security Administration.

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Magnetic Media Filing Requirements for Form W-2, Wage and Tax Statements

Information from the Social Security Employer Services Online User Handbook for Tax Year 2007:

Before year-end, you should register with the SSA either by accessing the Internet site at www.ssa.gov/employer, or telephoning 1-800-772-6270 Monday through Friday from 7 a.m. to 7 p.m. Eastern time. It is preferable to register in December for new registrations and submitting test files. Register early so you'll be ready when the filing season begins.

The SSA has Employer Services Liaison Officers (ESLO) in regional offices across the country that can help you with information and expertise. A list of specialists can be found at www.ssa.gov/employer/wage_reporting_specialists.htm

The SSA must confirm your identity before issuing a **User ID** and **password.** They also have to know how to contact you if the need arises. You will be asked to provide your name as it appears on your Social Security Card, Social Security Number (SSN), date of birth, mailing address, work telephone number, fax number (optional), e-mail address (optional), company name, Employer Identification Number (EIN), and company telephone number. Your SSN, date of birth, and EIN will be verified against SSA records.

Once the information is verified, a **User ID** will be issued immediately.

The first time you log on to the system, you will be asked to create and enter your own personal **password**. You can change your **password** at any time, and you are required to change it at least once every 365 days for security purposes.

The SSA will notify the tribe of the electronic registration.

If the tribe wishes to participate in the verification of social security numbers online, access to this service involves a more rigorous process and requires pre-authorization from the tribal entity/employer. If access is requested, the employer will be notified via first class mail within two weeks and will include an **activation code**, which is needed to activate the service.

Commercial Software Packages

Most commercial software packages for payroll programs have detailed instructions for year-end closing and procedures for transmitting data electronically. You will also need to consult with your software developers to determine if they have compatible state W-2 electronic products if you are required to file W-2s with your state. You will also want to verify with your state if they support the EFW2 format used by the SSA.

Requests for Waiver of Requirement

Under the Treasury Regulations at section 301.6011-2(c)(2), the Commissioner of Internal Revenue may waive the electronic requirements upon a written showing of hardship by the filer. In determining whether hardship has been shown, the principal factor to be taken into account is the amount, if any, by which the cost of filing returns electronically exceeds the cost of filing returns on paper forms.

A request for waiver must be filed at least 90 days before the filing of the first return for which a waiver is requested. The filer must send the request to the IRS using Form 8508, *Request for Waiver from Filing Information Returns Electronically/Magnetically.*

Accuracy

Accurate reporting of employee's Form W-2 information directly affects the eligibility for, and amount of any Social Security and Medicare benefits payable to employees and their families. That is why we continually emphasize the importance of recording the right employee name, SSN and wages for each employee. Accurate reporting can also prevent penalty assessments for inaccurate or late filing.

Frequently Asked Questions

1. **Who should I call if I have problems with registration?**

   Call 1-800-772-6270 Monday through Friday between 7:00 a.m. and 7:00 p.m. Eastern time.

2. **What if I have 250 or more Form W-2s and I submit paper forms to the SSA?**

   The IRS may penalize you.

3. **Where can I find AccuWage?**

   By accessing www.ssa.gov/employer/accuwage

4. When is my filing deadline to the SSA?

A paper copy of Form W-2 must be provided to the employee by January 31 of each year.

Form W-2 information must be transmitted to the SSA no later than February 28 for paper copies. For files transmitted electronically, the deadline is March 31.

5. Can I correct Form W-2 information that has already been processed?

You can submit corrections to the Form W-2 processed information electronically, or using paper Forms W-3c and W-2c. If more than 250 corrections, you must transmit the correction electronically.

6. I believe my Social Security payments reported to IRS on Form 941 and my Form W-2 reports filed with SSA last year may not balance. What should I do?

Check your records. If your Form W-2 reports need to be corrected, you should file Forms W-3c and W-2c with SSA. If your Form W-2 reports were correct as filed, then you should file Form 941c with IRS to correct your previous Form 941.

CHAPTER 18
Records Retention

What if Records are Lost or Destroyed?

Fires, natural disasters, equipment failure, and human error may cause records to be lost or destroyed. The extent to which payroll records can be reconstructed depends primarily on back ups, storage, and cataloging of archived records.

Reconstructed records are no substitute for maintenance of original records, as they are never as accurate or complete as the originals. An extensive effort to reconstruct records is sometimes required. However, a reconstruction may lack the authenticity and credibility of original records to regulators, state agencies, federal agencies, or the courts. Reconstructed records, simply put, are better than nothing.

In this chapter, we will briefly discuss record retention, as well as duplicate information that may be available from banks, regulators and government agencies.

Back up of Records

Instructions on how to back up your accounting and payroll records can be found in accounting and bookkeeping textbooks, from the manufacturer of your payroll system, and many other sources. The form of back up will depend on the system you use to maintain your records. For instance, a manual peg-board payroll system creates carbon copies of payroll entries. A computerized system will be stored on your computer's hard-drive.

However you decide to back up your payroll records, it is important to follow instructions, and to test a back up copy from time to time to ensure you are copying the intended files. Back ups of either manual or computerized systems should be made routinely, checked for accuracy, and should be stored in a safe place.

Storage

The site you select for storage of records should be carefully chosen. You will want your back up copies to be reasonably secure from physical damage including fire, flood, theft, insects, rodents, temperature and humidity. While paper documents may seem more sensitive to these hazards, you will want to provide the same safeguards for your computerized records.

You also want to ensure privacy of your records by restricting access to those persons with a "need to know." Payroll records contain a great deal of personal information, and employees depend on their employers to keep this information confidential. Employee names, addresses, and social security numbers, in addition to items like notices of employee levies, garnishments, and child support payments should always be kept secure.

Record Retention

As previously stated in this guide, there are predetermined periods of time for which records should be maintained. The general rule is 4 years.

Original records should be well labeled and well organized. Because payroll records "close out" at year-end, a new file should be started for each employee for each year. Some payroll records such as Form W-4, garnishments, court ordered deductions for child support, and others, may span more than one calendar year. A copy of the original document should be made for the prior year file. Keep the original in the new file folder for the employee.

All payroll reconciliation workpapers generated in your payroll office should be retained. Some entities reconcile payroll every payday, or every week, or every month. Often payroll reconciliations coincide with the payroll deposits you make with the bank, or over the telephone or online using the Electronic Federal Tax Payment System (EFTPS). You will want to keep all the workpapers, receipts, recordation of telephone or online deposits, photocopies of checks written for payroll deposits, copies of the front and back of canceled checks written for payroll deposits, and any IRS correspondence. These records will be useful when you prepare your quarterly payroll reports, and they should be retained for at least 4 years.

Copies for Easy Access

Sometimes, the Internal Revenue Service will send out correspondence with regard to payroll tax deposits, or payroll tax reports. This correspondence may have a short response time. It is recommended you keep accessible copies of payroll deposits and payroll reports for the past two years. (This should be an **extra copy** in addition to the ones you are going to take to storage).

Preparing Hard Copy Files for Storage

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After you file year-end payroll reports, Forms W-2 and W-3, you will prepare files for storage. It is well worth the time to organize, label, and place the files (whether they are electronic or hard copy) in some sort of storage container. If you store large quantities of records, it is helpful to label the box with a list of contents and the calendar year. For instance, you may have a storage box labeled Payroll Records – 2007. You should also attach a packing list to inventory the contents of each box.

Preparing Computerized Copies for Storage

After you follow established procedures for backing up your computerized payroll records, test the media on which they are stored. You want to ensure you copied the correct information and there are no glitches or errors to prevent you from reloading it if the need arises.

A secure, off-site location is generally recommended for storage of back ups to your computerized records. They should be well labeled and write-protected so no one can accidentally write over your valuable back up.

Reconstruction

After taking steps to prepare complete and accurate records and storing them according to established procedures, something unexpected may happen to cause your records to be lost or destroyed.

Every effort should be made to find lost records, or partial records that may have "survived" a disaster. If partial records are recovered, they are the best place to begin a reconstruction.

A reconstruction of records is best approached in reverse order. In other words, begin with the end of the year and work backward. The following steps may be helpful in the reconstruction process:

1. Determine exactly what has been lost.
2. Determine if you lost the only copy of an item.
3. For those items where you lost the only copy, rank the relative importance of the lost items, starting with those of highest importance.
4. Make a list of the items you determine warrant the time and expense of reconstruction.
5. Determine if there is a state, federal, or other agency from which you can request a copy of a lost report.

For instance, from the Internal Revenue Service, you can request either a transcript of a filed return, or a photocopy of a filed return. Either can be certified as an actual copy and can take the place of your copy of a lost return. Transcripts are available at no cost.

6. For items of public record, contact your local courthouse for a copy.
7. For bank records, contact your bank. It could be expensive to get copies of canceled checks, but they are available.

You will want to evaluate the need for the records in relation to the cost of reconstruction. For assistance with IRS records, you should contact your Indian Tribal Governments office[3].

[3] Contact information for your local IRS Indian Tribal Governments office is listed in Chapter 1 of this guide.

CHAPTER 19
Penalties

References:

- [Publication 15](), *Circular E, Employer's Tax Guide*
- [Notice 746](), *Information About Your Notice, Penalty, and Interest*

The best way to avoid penalties is to have an in-depth understanding of what can be done to reduce or eliminate them before they are ever assessed. In an effort to assist, we have created a "Helpful Hints to Avoid Penalties" guide, which is included on the "Tax Tools for Tribes" CD-Rom referenced in Chapter 1. Hopefully the suggestions outlined in this guide will reduce penalty assessments, but if a penalty is asserted, the guide also outlines the steps required to address it.

The ultimate goal of each payroll/accounting department is timely compliance with the different filing, paying, and depositing requirements. There may be times when this doesn't happen.

The following is a list of the penalties that may be assessed for failure to comply with filing and payment requirements:

Failure to File – a penalty of 5% (of the tax required to be shown on a return) may be imposed for each month or part of a month that a return is not filed (not to exceed 25%)

Failure to Pay – a penalty of .05% will be imposed on any tax shown on the return not timely paid (not to exceed 25%)

Dishonored Check – 2% of the amount of the bad check. If the check is less than $750, the penalty is the amount of the or $15 whichever is less.

Failure to Timely File an Information Return - You may be required to file information returns to report certain types of payments made during the year (i.e., Forms 1099-MISC, 1099-R, W-2, etc.). This penalty applies if you fail to timely file, you fail to include all information required to be shown, or you include incorrect information on a return. The penalty is:

> $15 per return if correctly filed within 30 days of due date (maximum penalty of $75,000 per year or $25,000 for small businesses, defined below),
>
> $30 per return if correctly filed more than 30 days after the due date but before August 1 ($150,000 maximum or $50,000 for small businesses), or

$50 per return if not filed or correctly filed after August 1 ($250,000 maximum or $100,000 for small businesses)

(You are a small business if your average annual gross receipts for the 3 most recent tax years ending before the calendar year in which the information returns were due are $5 million or less.)

Failure to Timely Furnish a Copy of any Information Return to the Payee – a penalty of $50 per return is imposed for failure to provide an information return to the payee by January 31. You may also be subject to the penalty for failure to include all information required to be shown or if you include incorrect information on the statement (penalty not to exceed $100,000).

Failure to Make Federal Tax Deposits On Time in an Authorized Government Depository - Penalties may apply if you do not make required deposits on time, make deposits for less than the required amount, or if you do not use EFTPS (Electronic Federal Tax Payment System) when required. For amounts not properly or timely deposited, the penalty rates are:

- 2% - Deposits made 1 to 5 days late
- 5% - Deposits made 6 to 15 days late
- 10% - Deposits made 16 or more days late (Also applies to amounts paid within 10 days of the date of the first notice the IRS sent asking for the tax due.)
- 10% - Deposits made at an unauthorized financial institution, paid directly to the IRS, or paid with your tax return (unless otherwise excepted)
- 10% - Amounts subject to electronic deposit
- 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 receive notice and demand for immediate payment, whichever is earlier.

Failure to Collect and Pay Over Trust Fund Taxes – If income, social security and Medicare taxes that are to be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. This penalty is the full amount of the unpaid trust fund tax. It may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over theses taxes. Refer to Chapter 20 for further information on the trust fund recovery penalty.

If a penalty is assessed and you don't feel that the assessment is correct or you still have questions, the law allows the IRS to remove or reduce the penalties if you can show you acted reasonably and in good faith, or relied on the incorrect advice of an IRS employee.

Upon receipt of your assessment notice, you may send us a signed statement explaining why you believe the penalty should be removed or reduced. Please be sure to explain in detail what caused the problem. Your statement will be reviewed and you will be notified if your explanation is accepted.

Please refer to Notice 746, *Information About Your Notice, Penalty, and Interest*, for detailed information on why penalties are assessed and in what amounts, and the removal of penalties. Contact your local Indian Tribal Governments office for further assistance.

How are Penalties Paid?

If you receive a notice of penalty, it will include instructions to send payment with the voucher at the bottom of the notice. Do not pay penalties via EFTPS. If you have questions regarding the payment of penalties, please call your ITG Specialist.

CHAPTER 20
The Collection Process

The Collection Process: What To Do When You Owe Taxes

It is highly recommended that you have one designated office for each entity to receive and review all IRS notices. It is important to pay attention to the time frame as stated in the notice and then to respond to the notice promptly. This internal control will alleviate notices being lost or misdirected.

When employment tax returns are filed, we check to see if the math is accurate and if the correct amount of tax has been paid or timely deposited. If you have not paid all you owe, we send a bill called a Notice of Tax Due and Demand for Payment. The bill includes the taxes, plus penalties and interest. We encourage you to pay your bill by check or money order as quickly as possible. If you have received a bill for unpaid taxes, you should pay the entire amount, or tell us right away why you cannot. If you have received a tax notice or if you would like to know if there are any outstanding tax debts, call the IRS Indian Tribal Governments office[4] in your area for assistance.

If you do not pay the taxes you owe and if you make no effort to pay them, we can ask you to take action to pay your taxes, such as selling or mortgaging assets or getting a loan. If you still make no effort to pay your bill or to work out a payment plan, we may also take more serious action, such as seizing bank accounts or other assets.

If you Cannot Pay in Full, There's Still Something You Can Do…

If you cannot pay all your taxes now, pay as much as you can. Paying now reduces the amount of interest and penalty owed on the account. Then, immediately call or write the IRS Indian Tribal Governments office, or visit the nearest IRS office to explain your situation. They will assist you with resolving the account.

What if You Believe Your Bill is Wrong?

If you believe your bill is wrong, let us know as soon as possible. Call the number on your bill or contact the IRS Indian Tribal Governments office in your area for assistance.

To help us correct the problem, gather a copy of the bill along with copies of any records, tax returns, and canceled checks, etc., that will help us understand why you believe your bill is wrong. If we find you are correct, we will adjust your account.

[4] Contact information for your local IRS Indian Tribal Governments office is listed in Chapter 1 of this guide.

CHAPTER 20
The Collection Process

Before any action that is explained in this section is taken, you have the opportunity to voluntarily pay what is owed. But if you do not pay your taxes in full and do not contact us to let us know why you cannot pay or why you disagree with our decision to take enforcement action, the law requires us to take action. We may:

- **File a lien** against property (make a legal claim to property as security or payment for a tax debt)
- **Serve a levy** on property (legally seize property to satisfy a tax debt)
- **Assess a trust fund recovery penalty** for employment taxes

These *enforced collection actions* are the means by which the *Notice and Demand for Tax Payment* is enforced. Publication 1660, *Collection Appeal Rights,* and Publication 5, *Your Appeal Rights and How to Prepare a Protest if You Don't Agree,* give detailed information regarding the appeals process.

Liens

Liens give a legal claim to property as security or payment for a tax debt. A *Notice of Federal Tax Lien* may be filed only after:

- We assess the liability,
- We send you a *Notice and Demand for Payment* (a bill that tells how much is owed in taxes); and
- You neglect or refuse to pay the debt within 10 days after we notify you about it.

Once these requirements are met, a lien is created for the amount of the tax debt. Filing this notice publicly notifies other possible creditors that the federal government has a claim against the debtor's property, including property acquired after the lien is filed.

Liens can be attached to all property or rights to property, including an employer's accounts receivable.

Levies

A levy is a legal seizure of property to satisfy a tax debt. Levies are different from liens. A lien is a claim used as security for the tax debt, while a levy actually takes the property to satisfy the tax debt.

If the taxes are not paid, or arrangements are not made to settle the debt, the IRS may seize and sell any type of real or personal property.

Generally, these three requirements must be met before a levy action is taken:

- Tax is assessed and a *Notice and Demand for Payment* is issued,
- Someone neglects or refuses to pay the tax, and
- A *Final Notice of Intent to Levy* and *Notice of Your Right to a Hearing* (levy notice) was issued at least 30 days before the levy.

Trust Fund Recovery Penalty

To encourage prompt payment of withheld income and employment taxes, including social security taxes, railroad retirement taxes, or collected excise taxes, Congress passed a law that provides for the trust fund recovery penalty. (These taxes are called *trust fund taxes* because you actually hold the employee's money in trust until you make a federal tax deposit in that amount.)

If we plan to assess the trust fund recovery penalty, we will send you a letter stating that you have been determined to be a *responsible* person. You have 60 days after you receive our letter to appeal our proposal. If you do not respond to our letter, we will assess the penalty against you as a responsible person and send you a *Notice and Demand for Payment.* Also, we can apply this penalty whether or not you are out of business.

A responsible person is a person or group of people who has the duty to perform and the power to direct the collecting, accounting, and paying of trust fund taxes. This person may be:

- an officer or an employee of a corporation,
- a tribal council member,
- a member or employee of a partnership,
- a corporate director or shareholder,
- a member of a board of trustees of a nonprofit organization, or
- another person with authority and control over funds to direct their disbursement,
- another corporation.

Assessing the Trust Fund Recovery Penalty

We may assess the penalty against anyone:

- **Who is responsible** for collecting or paying withheld income and employment taxes, or for paying collected excise taxes, and
- **Who willfully** fails or neglects to collect or pay them.

For willfulness to exist, the responsible person must:

- Have been aware or should have been aware of the unpaid taxes, and
- Have used the funds to keep the business going or allowed available funds to be paid to other creditors.

Employment Taxes Are:

- The amount you should withhold from your employees for both income and social security tax, plus
- The amount of social security tax you pay on behalf of each employee.

If you ignore the federal tax deposit and filing requirements, the amount you owe can increase dramatically.

If you do not pay your employment taxes on time, or if you were required to and did not include your payment with your return, we will charge you interest and penalties on any unpaid balance. We may charge you penalties of up to 15% of the amount not deposited, depending on how many days the deposit is late.

If you do not pay withheld trust fund taxes, we may take additional collection action. We may require you to:

- File and pay your taxes monthly rather than quarterly, or
- Open a special bank account for the withheld amounts, under penalty of prosecution. See Form 8109, *Federal Tax Deposit Coupon,* and Publication 15, *Circular E, Employer's Tax Guide.*

There is a special program to help you with tax problems that cannot be resolved through normal IRS channels.

The Taxpayer Advocate Service is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. You may be eligible for Taxpayer Advocate Service assistance if:

- You are experiencing economic harm or significant cost (including fees for professional representation),

- You have experienced a delay of more than 30 days to resolve your tax issue, or
- You have not received a response or resolution to the problem by the date that was promised by the IRS.

The service is free, confidential, tailored to meet your needs, and is available for businesses as well as individuals. There is at least one Local Taxpayer Advocate in each state, as well as in Puerto Rico and the District of Columbia. Because they are part of the IRS, Advocates know the tax system and how to navigate it. If you qualify, you will receive personalized service from a knowledgeable Advocate who will:

- Listen to your situation,
- Help you understand what needs to be done to resolve it, and
- Stay with you every step of the way until your problem is resolved.

You can reach the Taxpayer Advocate Service by:

- Calling toll–free 1-877-777-4778 or TTY/TTD 1-800-829-4059.
- Writing or calling your Local Taxpayer Advocate, whose address and phone number are listed in the government listings in your local telephone directory and in IRS Publication 1546*, Taxpayer Advocate Service - Your Voice at the IRS*
- Filing Form 911*, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance order),* with the Taxpayer Advocate Service, or
- Requesting that an IRS employee complete Form 911 on your behalf.

To obtain a copy of Form 911 or learn more about the Taxpayer Advocate Service, go to www.irs.gov/advocate.

GLOSSORY OF TERMS

Application for Taxpayer Assistance Order	ATAO
Consolidated Appropriations Act	CAA
Combined Annual Wage Reporting	CAWR
Cash or Deferred Arrangement	CODA
Electronic Data Transfer	EDT
Electronic Filing	E-FILE
Electronic Federal Tax Payment System	EFTPS
Employer Identification Number	EIN
Earned Income Tax Credit	EITC
Employee Retirement Income Security Act	ERISA
Frequently Asked Questions	FAQs
Federal Insurance Contributions Act	FICA
Federal Reserve Bank	FRB
Flexible Spending Account	FSA
Federal Tax Coupon	FTD
Federal Unemployment Tax Act	FUTA
Immigration and Naturalization Service	INS
Individual Retirement Account	IRA
Internal Revenue Code	IRC
Internal Revenue Service	IRS
Magnetic Media Reporting & Electronic Filing	MMREF
Old-Age, Survivors, and Disability Insurance	OASDI
Online Wage Reporting Service	OWRS

GLOSSORY OF TERMS

Personal Identification Number	PIN
Railroad Retirement Tax Act	RRTA
Salary Reduction Simplified Employee Pension	SARSEP
Self-Employment Contributions Act	SECA
Simplified Employee Pension Plan	SEP
Savings Incentive Match Plan	SIMPLE
Social Security Administration	SSA
Social Security Number	SSN
Trust Fund Recovery Penalty	TFRP
Unemployment Compensation	UC
Publication 15 Circular E, Employer's Tax Guide	Pub 15, or Circular E
Publication 15-A, Employer's Supplemental Tax Guide	Pub 15-A
Publication 15-B, Employer's Tax Guide to Fringe Benefits	Pub 15-B
Publication 51, Agriculture Employer's Tax Guide	Pub 51, or Circular A

Revenue Ruling 59-354

SECTION 61 – Gross Income Defined
1959-2 Cumulative Bulletin 24; July 1959

26 CFR 1.61-2: Compensation for services, including fees, commissions, and similar items (Also Sections 3121, 3306, 3401; 31.3121(a)-1, 31.3306(b)-1, 31.3401(a)-1.)

Although includible in gross income under section 61 of the Internal Revenue Code of 1954, amounts paid to members of Indian tribal councils for services performed by them as council members do not constitute "wages" for the purposes of the Federal Insurance Contributions Act, the Federal Unemployment Tax Act and the collection of income tax at source on wages.

Amounts paid to other salaried employees of such Indian councils and to employees of private tribal business enterprises constitute "wages" subject to the Federal employment taxes, including the withholding of income tax under section 3402 of the Internal Revenue Code of 1954.

Advice has been requested whether the salaries of members of Indian tribal councils are subject to Federal income tax and Federal employment taxes and whether the tribal councils are liable for the withholding and payment of such taxes.

The constitution and bylaws of the various Indian tribes provide that the members of the council are elected from among the full tribal membership; that their duties include representing the tribe in business 25 dealings with the United States Government and the public generally; that the council is a policy determining group; and that the members also have some duties to perform in legislative and executive capacities for the tribe. Their duties appear to be similar to the duties of a city council.

Section 61(a) of the Internal Revenue of 1954 defines the term "gross income" to include "income derived from any source whatever."

Exemption from the payment of Federal income tax may not be implied and, if exemption of Indians from the payment of such tax exists, it must derive plainly from the Federal tax statutes or from treaties or agreements with the Indian tribes concerned or some Act of Congress dealing with their affairs. See Revenue Ruling 54-456, C.B. 1954-2, 49. Accordingly, Indians are required to include in gross income all income they receive which has not been specifically exempted in some manner from Federal income tax.

There is no provision in the Federal income tax laws, which would exempt Indians, as such, from income taxation. Accordingly, unless income of an Indian derived from a particular source is otherwise exempt; such income will be subject to tax in his hands the same as it would be in the hands of any other taxpayer. Similarly, all remuneration received by an Indian for services performed as an employee for his employer which constitutes "wages," as that term is defined in the Federal employment tax statutes, is subject to the taxes imposed by such statutes.

Where a business enterprise of an Indian tribe is organized and operated by the tribe itself, such enterprise is considered a private tribal activity and services performed in its employ constitute employment. In this connection, see Revenue Ruling 56-110, Cumulative Bulletin 1956-1, 488.

A review of many court decisions and legislative enactments pertaining to Indian tribes indicates that the powers vested in any tribe or tribal council by existing law, within the meaning of section 16 of the Wheeler-Howard Act, 25 U.S.C. 476, precludes a conclusion that services performed by members of such councils in their capacities as council members constitute employment for Federal employment tax purposes. Accordingly, it is held that the amounts paid to members of tribal councils for services performed by them as council members do not constitute "wages" for purposes of the Federal Insurance Contributions Act, Federal Unemployment Tax Act and the collection of income tax at source on wages (chapters 21, 23 and 24, respectively, Subtitle C, Internal Revenue Code of 1954).

It is held further that services performed by other salaried employees of tribal councils and by employees of tribal business enterprises constitute employment and their wages are subject to the Federal employment taxes, including the withholding of income tax under section 3402 of the Code. The tribal councils are responsible for the withholding of taxes where applicable and for the payment of any taxes owing with respect to the wages paid to such employees

Revenue Ruling 63-136

SECTION 61 –Gross Income Defined
1963-2 Cumulative Bulletin 19; January 1, 1963

26 CFR 1.61-1: Gross income.

Benefit payments made to individuals undergoing training or retraining under either the Area Redevelopment Act or the Manpower Development and Training Act of 1962 are not includible in the gross incomes of the recipients.

Advice has been requested whether benefit payments received by individuals undergoing training or retraining under the Area Redevelopment Act, 75 Stat. 47-63, or the Manpower Development and Training Act of 1962, 76 Stat. 23-33, are includible in the gross incomes of the recipients.

The Area Redevelopment Act provides for certain types of Federal assistance to areas of substantial and persistent unemployment and underemployment, which have been designated redevelopment areas, for the purpose of aiding such areas in financing their redevelopment.

The purpose of the Manpower Development and Training Act of 1962 is to deal with the problems of unemployment resulting from technological developments and structural changes in the economy.

Both of these Acts authorize the Secretary of Labor to enter into agreements under which payments are made to the several states for the purpose of enabling them, as agents of the United States, to make weekly payments to individuals selected for training or retraining under one of the Acts. Payments made under either of the Acts are equal to the amount of the average weekly unemployment compensation payment payable for a week of total unemployment by the state making such payment. Both Acts also provide that no retraining payment may be made to any person for any week for which he has received, or is seeking, unemployment compensation under any Federal or state unemployment compensation law; however, these provisions do not prevent a person from receiving training or retraining benefits for any week for which it is later determined that he was not eligible to receive unemployment compensation.

The Manpower Development and Training Act of 1962 authorizes the payment of benefits to persons undergoing on-the-job training. However, the amount of any payment which would otherwise be made to such a person is reduced by an amount which bears the same ratio to the payment as the number of compensated hours per week bears to forty hours. That Act also authorizes additional payments for transportation and subsistence in the case of persons whose training is provided in facilities which are not within commuting distance of their regular place of residence.

Revenue Ruling 55-652, C.B. 1955-2, 21, and I.T. 3230, C.B. 1938-2, 136, hold that unemployment compensation payments made by a state or Federal agency are not subject to Federal income tax in the hands of the recipients. A similar position has been taken with respect to other payments which were made in the interest of the general welfare. See Revenue Ruling 57-102, C.B. 1957-1, 26, which holds that benefit payments received by a blind person from the State of Pennsylvania constitute disbursements from a general welfare fund in the interest of the general public and are not includible in the gross income of the recipients. See also Revenue Ruling 131, C.B. 1953-2, 112, and I.T. 3447, C.B. 1941-1, 191.

Benefit payments made under the Area Redevelopment Act and the Manpower Development and Training Act of 1962 are intended to aid the recipients in their efforts to acquire new skills that will enable them to obtain better employment opportunities, and, as such, fall in the same category as other unemployment relief payments made for the promotion of the general welfare.

Accordingly, it is held that such payments are not includible in the gross incomes of the recipients.

Revenue Ruling 2000-6

SECTION 6041 – Information at Source
2001-1 Cumulative Bulletin 512; February 7, 2000

26 CFR 1.6041-2: Return of information as to payments to employees. (Also Sections 3121, 3401, 6051); (Also Section 1.6041-1.)

ISSUE

How do the information reporting requirements of §§ 6041(a) and 6051(a) of the Internal Revenue Code apply to election workers?

FACTS

Election workers are individuals who are generally employed to perform services for state and local governments (governments) at election booths in connection with national, state, or local elections. Governments typically pay election workers a set fee for each day of work. Election workers' wages are includible in gross income as compensation for services. Section 61(a)(1). An individual employed as an election worker may also perform services for the government in another capacity.

A state and the Social Security Administration may agree to extend social security coverage to services of employees of the state or its political subdivisions under § 218 of the Social Security Act (§ 218 agreement). A § 218 agreement may cover the services of election workers. If so, the § 218 agreement may specify the level of fees the election workers must receive to be entitled to coverage. Information about a state's § 218 agreement can be obtained from the State Social Security Administrator.

Situation 1: Government A pays V $ 200 in a calendar year for services as an election worker. A does not employ V in any other capacity. The services of A's election workers are not covered by a § 218 agreement. V is not covered by a retirement plan maintained by A.

Situation 2: Government B pays W $ 200 in a calendar year for services as an election worker. B does not employ W in any other capacity. The services of B's election workers are covered by a § 218 agreement if their remuneration is $ 100 or more in a calendar year. W is not covered by a retirement plan maintained by B.

Situation 3: Government C pays X $ 1,100 in calendar year 2000 for services as an election worker. C does not employ X in any other capacity. The services of C's election workers are not covered by a § 218 agreement. X is not covered by a retirement plan maintained by C.

Situation 4: Government D pays Y $ 200 in a calendar year for services as an election worker. D also employed Y in another capacity, in which Y earned wages of $ 300 that are subject to income tax withholding. The services of D's election workers are not covered by a § 218 agreement. Y is not covered by a retirement plan maintained by D.

Situation 5: Government E pays Z $ 200 in a calendar year for services as an election worker. E also employed Z in another capacity, in which Z earned wages of $ 500 that are subject to income tax withholding. The services of E's election workers are not covered by a § 218 agreement. Z is not covered by a retirement plan maintained by E.

LAW

Taxes under the Federal Insurance Contribution Act (FICA) apply to "wages" as defined in § 3121(a). That section provides that the term wages includes only remuneration for "employment." Section 3121(b)(7)(F)(iv) provides that the services of an election worker are not employment for FICA purposes if the worker's remuneration is less than $ 1,000. For calendar years beginning on or after January 1, 2000, the amount is indexed for inflation. The applicable amount for the year 2000 is $ 1,100. Because service performed by an election worker for calendar year 2000 for an amount less than $ 1,100 is excluded from employment for FICA purposes, that amount is not wages for FICA purposes unless covered under a § 218 agreement.

Similarly, section 3121(u)(2)(B)(ii)(V) provides that the services of an election worker are not employment for purposes of the Medicare tax portion of the FICA if the worker's remuneration is less than $ 1,000 in a calendar year. For calendar years beginning on or after January 1, 2000, the amount is indexed for inflation. The applicable amount for the year 2000 is $ 1,100. For services performed before January 1, 1995, the § 3121(u)(2)(B)(ii)(V) exclusion was for remuneration of less than $ 100. Rev. Rul. 88-36, 1988-1 C.B. 343, A2, provides that an election worker is subject to Medicare tax unless the remuneration paid to the worker in a calendar year is less than $ 100.

Section 3401(a) provides that, for purposes of income tax withholding, the term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for an employer. Section 31.3401(a)-2(b)(2) of the Employment Tax Regulations states that amounts paid to precinct workers for services performed at election booths are "in the nature of fees paid to public officials" and not subject to income tax withholding.

Sections 6041(a) and 6051(a) both impose a duty to file information reports of compensation paid to workers.

Section 6041(a) provides:

> All persons engaged in a trade or business and making payment in the course of such trade or business to another person, of rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income ... of $ 600 or more in any taxable year ... shall render a true and accurate return to the Secretary, under such regulations and in such form and manner and to such extent as may be prescribed by the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

Under § 1.6041-1(b)(1) of the Income Tax Regulations, the term "all persons engaged in a trade or business," as used in § 6041(a), includes organizations the activities of which are not for the purpose of gain or profit.

The general rule stated in § 1.6041-1(a)(2) is that the required return is made on Forms 1096 and 1099, except that § 1.6041-1(a)(2)(ii) provides that compensation paid to an employee by an employer shall be reported on Forms W-3 and W-2 under the provisions of § 1.6041-2 (relating to return of information as to payments to employees).

Under § 1.6041-2(a)(1), payments of wages not subject to income tax withholding must be reported on Form W-2 if the total of those payments and the amount of the employee's wages subject to income tax withholding, if any, is $ 600 or more in a calendar year. For example, if a payment of $ 700 was made to an employee and $ 400 thereof represents wages subject to withholding under section 3402 and the remaining $ 300 represents compensation not subject to withholding, such wages and compensation must both be reported on Form W-2. If the employee has no wages subject to income tax withholding, the employer is required to file Form W-2 for that employee if payments to that employee equal $ 600 or more in a calendar year.

Section 1.6041-2(a)(1) provides that, at the election of the employer, components of amounts required to be reported on Form W-2 pursuant to this subparagraph may be reported on more than one Form W-2. Thus the amounts paid to an individual for services as an election worker may be reported on a separate W-2 from amounts paid to the individual for service in another capacity, even though the amounts are aggregated to determine whether reporting applies.

Section 6051(a) imposes a reporting requirement on the following two categories of payors of remuneration:

> Every person required to deduct and withhold from an employee a tax under section 3101 [employee FICA tax] or 3402 [income tax withholding] ... or every employer engaged in a trade or business who pays remuneration for services performed by an employee... .

Section 6051(a) does not require reporting of compensation that is not subject to withholding of FICA tax or income tax.

Section 6051(c) provides that the Secretary may prescribe by regulations the reporting of additional items. No regulations requiring employers to furnish additional information have been published.

ANALYSIS

Compensation of an election worker is not subject to income tax withholding. Sections 3401(a) and 31.3401(a)-2(b)(2). If an election worker's compensation is less than $ 1,100 for calendar year 2000, it is generally not subject to FICA tax. Sections 3121(b)(7)(F)(iv) and 3121(u)(2)(B)(ii)(V). However, under a state's § 218 agreement, an election worker's compensation may be subject to both the old-age, survivors and disability insurance (OASDI) and the Medicare portions of the FICA tax at a level below $ 1,100 for calendar year 2000.

Section 6041(a) applies to payments of compensation that are not subject to withholding of FICA or income tax. If an election worker's compensation is not subject to withholding of FICA tax, the § 6041(a) reporting requirement applies to payments that aggregate $ 600 or more in any taxable year. Under § 1.6041-2(a)(1), compensation subject to income tax withholding is taken into account in determining whether the $ 600 reporting requirement applies.

Section 6051(a) requires reporting of compensation subject to either FICA tax or income tax withholding. No reporting is required by §§ 6051(a) and 31.6051-1(a) and (b) for items of income that are not subject to withholding of FICA tax or income tax. If an election worker's compensation is subject to withholding of FICA tax, reporting is required by § 6051(a), regardless of the amount of compensation.

HOLDINGS

The reporting requirements applicable to governments that employ election workers are as follows:

Situation 1: Neither FICA tax nor income tax withholding applies to the $ 200 paid to V. The reporting requirements of § 6041(a) apply. Because V earns fees that are less than $ 600, Government A is not required to issue Form W-2 to V.

Situation 2: FICA tax, but not income tax withholding, applies to the $ 200 paid to W because the fees exceed the $ 100 threshold in the § 218 agreement. Government B must follow the reporting requirements of § 6051(a), reporting on Form W-2 the fees of $ 200 and the FICA tax withheld.

Situation 3: FICA tax, but not income tax withholding, applies to the $ 1,100 paid to X for calendar year 2000. Government C must follow the reporting requirements of § 6051(a), reporting on Form W-2 the fees of $ 1,100 and the FICA tax withheld.

Situation 4: Neither FICA tax nor income tax withholding applies to the $ 200 paid to Y for services as an election worker, but the $ 300 payment is subject to income tax withholding. Government D must follow the reporting requirements of § 6051(a), reporting on Form W-2 the $ 300 payment and the income tax withheld. Section 6041(a) does not require reporting of the $ 200 payment because the total of the two payments is less than $ 600 for the calendar year.

Situation 5: Neither FICA tax nor income tax withholding applies to the $ 200 paid to Z for services as an election worker, but the $ 500 payment is subject to income tax withholding. Government E must follow the reporting requirements of §§ 6041(a) and 6051(a), reporting on Form W-2 both the $ 200 and the $ 500 payments and the amount of income tax withheld.

EFFECT ON OTHER REVENUE RULING(S)

This ruling modifies Rev. Rul. 88-36, A2, to reflect the increase in the amount of remuneration applicable for purposes of the Medicare tax exclusion under § 3121(u)(2)(B)(ii)(V), currently $ 1,100 for calendar year 2000.

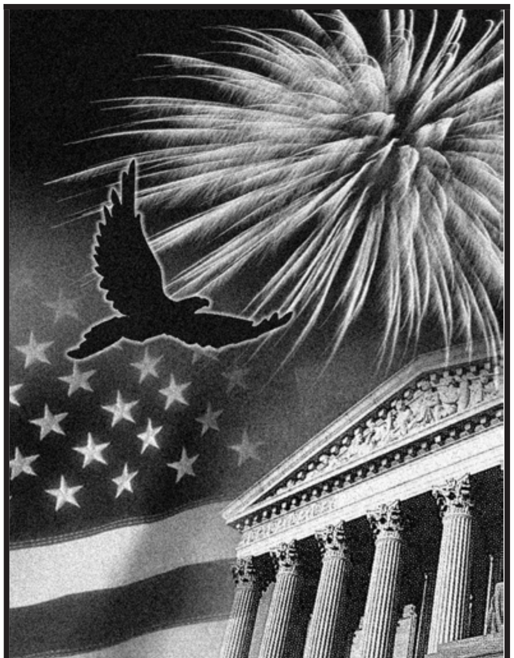
Department of the Treasury
Internal Revenue Service

Publication 15
Cat. No. 10000W

(Circular E), Employer's Tax Guide

(Including 2008 Wage Withholding and Advance Earned Income Credit Payment Tables)

For use in **2008**



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Contents

What's New

Social security and Medicare tax for 2008. Do not withhold social security tax after an employee reaches $102,000 in social security wages. There is no limit on the amount of wages subject to Medicare tax. Social security and Medicare taxes apply to the wages of household workers you pay $1,600 or more in cash. Social security and Medicare taxes apply to election workers who are paid $1,400 or more.

Disregarded entities and qualified subchapter S subsidiaries (QSubs). The IRS has published final regulations (T.D. 9356) under which QSubs and eligible single-owner disregarded entities are treated as separate entities for employment tax purposes. For more information, see *Disregarded entities and qualified subchapter S subsidiaries* in the Introduction.

Social Security Administration and magnetic media. Employers and authorized reporting agents requesting verification of names and social security numbers of between 51 and 250,000 employees can no longer use magnetic media to submit their requests to the Social Security Administration. Employers can upload a file through the Social Security Number Verification System (SSNVS) and will usually receive the results the next government business day. For more information, see *Verification of social security numbers* in section 4.

Substitute Forms W-4. After October 10, 2007, you cannot accept substitute Forms W-4 developed by employees. For more information, see *Substitute Forms W-4* in section 9.

Calendar

The following is a list of important dates. Also see Publication 509, Tax Calendars for 2008.

TIP *If any date shown below for filing a return, furnishing a form, or depositing taxes falls on a Saturday, Sunday, or federal holiday, use the next business day. A statewide legal holiday delays a filing due date only if the IRS office where you are required to file is located in that state. For any due date, you will 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 U.S. Postal Service on or before the due date, or sent by an IRS-designated private delivery service on or before the due date. See* Private Delivery Services *on page 6 for more information.*

By January 31

Furnish Forms 1099 and W-2. Furnish each employee a completed Form W-2, Wage and Tax Statement. Furnish each other payee a completed Form 1099 (for example, Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and Form 1099-MISC, Miscellaneous Income).

File Form 941 or Form 944. File Form 941, Employer's QUARTERLY Federal Tax Return, 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 is less than $2,500. File Form 944, Employer's ANNUAL Federal Tax Return, for the previous calendar year instead of Form 941 if the IRS has notified you in writing to file Form 944 and pay any undeposited income, social security, and Medicare taxes. You may pay these taxes with Form 944 if your total tax liability for the year is less than $2,500. For additional rules on when you can pay your taxes with your return, see *Payment with return* on page 19. If you deposited all taxes when due, you have 10 additional calendar days from the due date above to file the appropriate return.

File Form 940. File Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. However, if you deposited all of the FUTA tax when due, you have 10 additional calendar days to file.

File Form 945. File Form 945, Annual Return of Withheld Federal Income Tax, to report any nonpayroll income tax withheld in 2007. See *Nonpayroll Income Tax Withholding* on page 5 for more information.

By February 15

Request a new Form W-4 from exempt employees. Ask for a new Form W-4, Employee's Withholding Allowance Certificate, from each employee who claimed exemption from income tax withholding last year.

On February 16

Exempt Forms W-4 expire. Any Form W-4 previously given to you claiming exemption from withholding has expired. Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new Form W-4 for the current year. If the employee does not give you a new Form W-4, withhold tax as if he or she is single, with zero withholding allowances. See section 9 for more information. However, if you have an earlier Form W-4 for this employee that is valid, withhold based on the earlier Form W-4.

By February 28

File Forms 1099 and 1096. File Copy A of all Forms 1099 with Form 1096, Annual Summary and Transmittal of U.S. Information Returns, with the IRS. For electronically filed returns, see *By March 31* below.

By February 29

File Forms W-2 and W-3. File Copy A of all Forms W-2 with Form W-3, Transmittal of Wage and Tax Statements, with the Social Security Administration (SSA). For electronically filed returns, see *By March 31* below.

File Form 8027. File 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* below.

By March 31

File electronic Forms 1099, 8027, and W-2. File electronic (not magnetic media) Forms 1099 and 8027 with the IRS. File electronic Forms W-2 with the SSA. For information on reporting Form W-2 information to the SSA electronically, visit the Social Security Administration's Employer W-2 Filing Instructions & Information webpage at *www.socialsecurity.gov/employer*.

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

Deposit FUTA taxes. Deposit federal unemployment (FUTA) tax due if it is more than $500.

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 is less than $2,500. If you deposited all taxes when due, you have 10 additional calendar days from the due dates above to file the return.

Before December 1

New Forms W-4. Remind employees to submit a new Form W-4 if their withholding allowances have changed or will change for the next year.

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 employees 4
- ☐ Record employees' names and SSNs from social security cards 9
- ☐ Ask employees for Form W-4 15

Each Payday:

- ☐ Withhold federal income tax based on each employee's Form W-4 15
- ☐ Withhold employee's share of social security and Medicare taxes 17
- ☐ Include advance earned income credit payment in paycheck if employee requested it on Form W-5 18
- ☐ Deposit:
  - Withheld income tax
  - Withheld and employer social security taxes
  - Withheld and employer Medicare taxes . . . 19

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

Annually (By January 31)

- ☐ File Form 944 if required (pay tax with return if not required to deposit) 25

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

- ☐ Deposit FUTA tax if undeposited amount is over $500 30
- ☐ File Form 941 (pay tax with return if not required to deposit) 25

Annually (See *Calendar* for due dates):

- ☐ Remind employees to submit a new Form W-4 if they need to change their withholding . . . 15
- ☐ Ask for a new Form W-4 from employees claiming exemption from income tax withholding 15
- ☐ Reconcile Forms 941 (or Form 944) with Forms W-2 and W-3 26
- ☐ Furnish each employee a Form W-2 2
- ☐ File Copy A of Forms W-2 and the transmittal Form W-3 with the SSA 2
- ☐ Furnish each other payee a Form 1099 (for example, Forms 1099-R and 1099-MISC) . . 2
- ☐ File Forms 1099 and the transmittal Form 1096 2
- ☐ File Form 940 30
- ☐ File Form 945 for any nonpayroll income tax withholding 2

On December 31

Form W-5 expires. Form W-5, Earned Income Credit Advance Payment Certificate, expires each year on December 31. Eligible employees who want to receive advance payments of the earned income credit next year must give you a new Form W-5.

Reminders

Electronic Filing and Payment

Now, more than ever before, 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 programs to make filing and payment easier.

Spend less time and worry on taxes and more time running your business. Use *e-file* and the Electronic Federal Tax Payment System (EFTPS) to your benefit.

- For *e-file,* visit *www.irs.gov* for additional information.
- For EFTPS, visit *www.eftps.gov* or call EFTPS Customer Service at 1-800-555-4477.
- For electronic filing of Forms W-2, visit *www.socialsecurity.gov/employer*.

Electronic funds withdrawal (EFW). If you file Form 940, Form 941, or Form 944 electronically, you can e-file and e-pay (electronic funds withdrawal) the balance due in a single step using tax preparation software or through a tax professional. However, **do not** use EFW to make federal tax deposits. For more information on paying your taxes using EFW, visit the IRS website at *www.irs.gov* and click on the *electronic IRS* link. A fee may be charged to file electronically.

Credit Card Payments

You can use your American Express® Card, Discover® Card, MasterCard® card, or Visa® card to pay the balance due shown on Form 940, Form 941, or Form 944. To pay by credit card, call toll-free or visit the website of either service provider listed below and follow the instructions. A convenience fee will be charged by the service provider based on the amount you are paying. Fees vary between the providers. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by calling the provider's toll-free automated customer service number or by visiting the provider's website shown below. You may not use a credit card to pay taxes that are required to be deposited.

- Official Payments Corporation
  1-800-2PAY-TAX^{sm} (1-800-272-9829)
  1-877-754-4413 (Customer Service)
  www.officialpayments.com
- Link2Gov Corporation
  1-888-PAY-1040^{sm} (1-888-729-1040)
  1-888-658-5465 (Customer Service)
  www.PAY1040.com

Forms in Spanish

You can provide Formulario W-4(SP), Certificado de Exención de la Retención del Empleado, in place of Form W-4, Employee's Withholding Allowance Certificate, to your Spanish-speaking employees. For more information, see Publication 579SP, Cómo Preparar la Declaración de Impuesto Federal. You can also provide Formulario W-5(SP), Certificado del Pago por Adelantado del Crédito por Ingreso del Trabajo, in place of Form W-5, Earned Income Credit Advance Payment Certificate. For nonemployees, Formulario W-9(SP), Solicitud y Certificación del Número de Identificación del Contribuyente, may be used in place of Form W-9, Request for Taxpayer Identification Number and Certification.

Hiring New Employees

Eligibility for employment. You must verify that each new employee is legally eligible to work in the United States. This will include completing the U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification. You can get the form from USCIS offices or by calling 1-800-870-3676. Contact the USCIS at 1-800-375-5283, or visit the USCIS website at *www.uscis.gov* for further information.

New hire reporting. You are required to report any new employee to a designated state new hire registry. Many states accept a copy of Form W-4 with employer information added. Call the Office of Child Support Enforcement at 202-401-9267 or access their website at *www.acf.hhs.gov/programs/cse/newhire* for more information.

Income tax withholding. Ask each new employee to complete the 2008 Form W-4. See section 9.

Name and social security number. Record each new employee's name and number from his or her social security card. Any employee without a social security card should apply for one. See section 4.

Paying Wages, Pensions, or Annuities

Correcting Form 941 or Form 944. If you discover an error on a previously filed Form 941 or Form 944, make the correction for the quarter (Form 941) or the year (Form 944) in which you discovered the error and attach Form 941c, Supporting Statement to Correct Information. For example, in March 2008, you discover that you underreported $10,000 in social security and Medicare wages on your fourth quarter 2007 Form 941. Correct the error by showing $1,530 (15.3% × $10,000) on line 7e of your 2008 first quarter Form 941 and attaching a completed Form 941c. See *Prior Period Adjustments* in section 13 for more information.

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 rate. If you have nonresident alien employees, see *Withholding income taxes on the wages of nonresident alien employees* in section 9.

Withhold from periodic **pension and annuity payments** as if the recipient is married claiming three withholding allowances, unless he or she has provided Form W-4P, Withholding Certificate for Pension or Annuity Payments, either electing no withholding or giving a different number of allowances, marital status, or an additional amount to be withheld. Do not withhold on direct rollovers from qualified plans or governmental section 457(b) plans. See section 9 and Publication 15-A, Employer's Supplemental Tax Guide. Publication 15-A includes information about withholding on pensions and annuities.

Zero wage return. If you have not filed a "final" Form 941 or Form 944, or are not a "seasonal" employer (see lines 16 and 17 on Form 941), you must continue to file a Form 941 or Form 944 even for periods during which you paid no wages. IRS encourages you to file your "Zero Wage" Forms 941 or 944 electronically using IRS e-file at *www.irs.gov*. Click on the *e-file* link.

Information Returns

You may be required to file information returns to report certain types of payments made during the year. For example, you must file Form 1099-MISC, Miscellaneous Income, to report payments of $600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business. For details about filing Forms 1099 and for information about required electronic or magnetic media filing, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G for general information and the separate, specific instructions for each information return that you file (for example, 2008 Instructions for Forms 1099-MISC). Do not use Forms 1099 to report wages and other compensation that you paid to employees; report these on Form W-2. See the Instructions for Forms W-2 and W-3 for details about filing Form W-2 and for information about required electronic filing. If you file 250 or more Forms 1099, you must file them electronically or on magnetic media. If you file 250 or more Forms W-2, you must file them electronically. SSA will not accept Forms W-2 and W-3 filed on magnetic media.

CAUTION

After December 1, 2008, you cannot file Forms 1099 using magnetic media.

Information reporting customer service site. The IRS operates the Enterprise Computing Center-Martinsburg, a centralized customer service site, to answer questions about reporting on Forms W-2, W-3, 1099, and other information returns. If you have questions related to reporting on information returns, call 1-866-455-7438 (toll free) or 304-263-8700 (toll call). The center can also be reached by email at *mccirp@irs.gov*. Call 304-267-3367 if you are a TDD/TYY user.

Annual Employment Tax Filing for Small Employers

Certain small employers may have to file Form 944 rather than Form 941 to report their employment taxes. For more information, see the Instructions for Form 944.

Nonpayroll Income Tax Withholding

Nonpayroll federal income tax withholding must be reported on Form 945, Annual Return of Withheld Federal Income Tax. Form 945 is an annual tax return and the return for 2007 is due January 31, 2008. Separate deposits are required for payroll (Form 941 or Form 944) and nonpayroll (Form 945) withholding. Nonpayroll items include:

- Pensions (including distributions from governmental section 457(b) plans), annuities, and IRAs.
- Military retirement.
- Gambling winnings.
- Indian gaming profits.
- Certain government payments subject to voluntary withholding.
- Payments subject to backup withholding.

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

All income tax withholding reported on Forms 1099 or Form W-2G must also be reported on Form 945. All income tax withholding reported on Form W-2 must be reported on Form 941, Form 943, Form 944, or Schedule H (Form 1040).

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, income tax withheld must be reported on Form 941 or Form 944, not on Form 945. However, distributions from such plans to a beneficiary or estate of a deceased employee are not wages and are reported on Forms 1099-R; income tax withheld must be reported on Form 945.

Backup withholding. You generally must withhold 28% of certain taxable payments if the payee fails to furnish you with his or her correct taxpayer identification number (TIN). This withholding is referred to as “backup withholding.”

Payments subject to backup withholding include interest, dividends, patronage dividends, rents, royalties, commissions, nonemployee compensation, and certain other payments that 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.

CAUTION *Backup withholding does not 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, health savings accounts, long-term-care benefits, or real estate transactions.*

You can use Form W-9 or Formulario W-9(SP) to request that payees furnish a TIN and to certify that the number furnished is correct. You can also use Form W-9 or Formulario W-9(SP) to get certifications from payees that they are not subject to backup withholding or that they are exempt from backup withholding. The Instructions for the Requester of Form W-9 (also available in Spanish) includes a list of types of payees who are exempt from backup withholding. For more information, see Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s).

Recordkeeping

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

- Your employer identification number (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 of in-kind wages paid,
- Names, addresses, social security numbers, and occupations of employees and recipients,
- Any employee copies of Forms W-2 and W-2c that were 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’ income tax withholding allowance certificates (Forms W-4, W-4P, W-4(SP), W-4S, and W-4V),
- Copies of employees’ Earned Income Credit Advance Payment Certificates (Forms W-5 and W-5(SP)),
- Dates and amounts of tax deposits that you made and acknowledgment numbers for deposits made by EFTPS,
- Copies of returns filed, including 941TeleFile Tax Records (discontinued after June 2005) and confirmation numbers, and
- Records of fringe benefits and expense reimbursements provided to your employees, including substantiation.

Change of Address

To notify the IRS of a new business mailing address or business location, file Form 8822, Change of Address. Do not mail Form 8822 with your employment tax return. For information on how to change your address for deposit coupons, see *Making deposits with FTD coupons* in section 11.

Private Delivery Services

You can use certain private delivery services designated by the IRS to mail tax returns and payments. The list includes only the following:

- DHL Express (DHL): DHL Same Day Service; DHL Next Day 10:30 am; DHL Next Day 12:00 pm; DHL Next Day 3:00 pm; and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

Your private delivery service can tell you how to get written proof of the mailing date.

CAUTION *Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.*

Telephone Help

Additional employment tax information. Visit the IRS website at *www.irs.gov/businesses* and click on the *Employment Taxes* link.

Tax questions. You can call the IRS Business and Specialty Tax Line with your employment tax questions at 1-800-829-4933.

Help for people with disabilities. Telephone help is available using TTY/TDD equipment. You may call 1-800-829-4059 with any tax question or to order forms and publications. You may also use this number for assistance with unresolved tax problems.

Recorded tax information (TeleTax). The IRS TeleTax service provides recorded tax information on topics that answer many individual and business federal tax questions. You can listen to up to three topics on each call that you make. Touch-Tone service is available 24 hours a day, 7 days a week. TeleTax topics are also available on the IRS website at *www.irs.gov/taxtopics*.

A list of employment tax topics is provided below. Select, by number, the topic you want to hear and call 1-800-829-4477. For the directory of all topics, select Topic 123.

Teletax Topics

Topic No.	**Subject (These topics are available in Spanish)**
752	Form W-2—Where, When, and How to File (Dónde, Cuándo y Cómo Presentar La Formulario W-2)
753	Form W-4—Employee's Withholding Allowance Certificate (Formulario W-4—Certificado de Deducción en la Retención del Empleado)
754	Form W-5—Advance Earned Income Credit (Formulario W-5—Pago Anticipado del Crédito por Ingreso del Trabajo)
755	Employer Identification Number (EIN)—How to Apply (Como Solicitar Un Número de Identificación Patronal (EIN))
756	Employment Taxes for Household Employees (Impuestos Patronales por Empleados Domésticos)
757	Form 941 and Form 944—Deposit Requirements (Formulario 941 and Formulario 944—Requisitos de Depósito)
758	Form 941—Employer's QUARTERLY Federal Tax Return and Form 944—Employer's ANNUAL Federal Tax Return (Formulario 941—Declaración Trimestral del Impuesto Federal del Empleador) (Formulario 944—Declaración Anual del Impuesto Federal del Empleador)
759	Form 940—Deposit Requirements (Formulario 940—Requisitos de Depósito)
760	Form 940—Employer's Annual Federal Unemployment (FUTA) Tax Return (Formulario 940—Declaración Anual del Empleador del Impuesto Federal para el Desempleo)
761	Tips—Withholding and Reporting (Propinas—Declaración y Retención)
762	Independent Contractor vs. Employee (Contratista Independiente vs. Empleado)

Ordering Employer Tax Products

You can order employer tax products and information returns online at *www.irs.gov/businesses*. To order 2007 and 2008 forms, select "Online Ordering for Information Returns and Employer Returns." You may also order employer tax products and information returns by calling 1-800-829-3676.

Instead of ordering paper Forms W-2 and W-3, consider filing them electronically using the Social Security Administration's (SSA) free e-file service. Visit SSA's Employer W-2 Filing Instructions & Information website at *www.socialsecurity.gov/employer*, select "Electronically File Your W-2s," and provide registration information. You will be able to create and file "fill-in" versions of Forms W-2 with SSA and can print out completed copies of Forms W-2 for filing with state and local governments, for distribution to your employees, and for your records. Form W-3 will be created for you based on your Forms W-2.

Contacting Your Taxpayer Advocate

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, Taxpayer Advocate Service – Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to *www.irs.gov/advocate*.

Filing Addresses

Generally, your filing address for Forms 940, 941, 943, 944, and 945 depends on the location of your residence or principal place of business and whether or not you included a payment with your return. There are separate filing addresses for these returns if you are a tax-exempt organization or government entity. If you are located in the United States and do not include a payment with your return, you should file at either the Cincinnati or Ogden Service Centers. File Form CT-1 (for railroad retirement taxes) at the Cincinnati Service Center. See the separate instructions for Form 940, 941, 943, 944, 945, or CT-1 for the filing addresses.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. 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 looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

This publication explains your tax responsibilities as an employer. It explains the requirements for withholding, depositing, reporting, and paying employment taxes. It explains the forms that you must give to your employees, those that your employees must give to you, and those that you must send to the IRS and SSA. This guide also has tax tables that you need to figure the taxes to withhold from each employee for 2008. References to “income tax” in this guide apply only to “federal” income tax. Contact your state or local tax department to determine if their rules are different.

Additional employment tax information is available in Publication 15-A, Employer’s Supplemental Tax Guide. Publication 15-A includes specialized information supplementing the basic employment tax information provided in this publication. Publication 15-B, Employer’s Tax Guide to Fringe Benefits, contains information about the employment tax treatment and valuation of various types of noncash compensation.

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

- Income tax.
- Social security tax.
- Medicare tax.
- Federal unemployment tax (FUTA).

There are exceptions to these requirements. See section 15, *Special Rules for Various Types of Services and Payments.* Railroad retirement taxes are explained in the Instructions for Form CT-1.

Federal Government employers. The information in this guide applies to federal agencies except for the rules requiring deposit of federal taxes only at Federal Reserve banks or through the FedTax option of the Government On-Line Accounting Link Systems (GOALS). See the Treasury Financial Manual (I TFM 3-4000) for more information.

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 federal unemployment (FUTA) tax. Most elected and appointed public officials of state or local governments are employees under common law rules. See chapter 3 of Publication 963, Federal-State Reference Guide. In addition, wages, with certain exceptions, are subject to social security and Medicare taxes. See section 15 of this guide 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 *www.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, visit the National Conference of State Social Security Administrators website at *www.ncsssa.org*.

Disregarded entities and qualified subchapter S subsidiaries. Under Notice 99-6, employment taxes for employees of a qualified subchapter S subsidiary (QSub) or an entity disregarded as an entity separate from the owner under Regulations section 301.7701-2(c)(2) may be reported and paid either:

- By the owner (as if the employees of the disregarded entity are employed directly by the owner) using the owner’s name and taxpayer identification number (TIN), or
- By each entity recognized as a separate entity under state law using the entity’s own name and TIN.

If the second method is chosen, the owner retains responsibility for the employment tax obligations of the disregarded entity on wages paid before January 1, 2009. You can find Notice 99-6 on page 12 of Internal Revenue Bulletin 1999-3 at *www.irs.gov/pub/irs-irbs/irb99-03.pdf.*

The IRS has published final regulations (T.D. 9356) under which QSubs and eligible single-owner disregarded entities are treated as separate entities for employment tax purposes. Under T.D. 9356, disregarded entities, and the owners of such entities may continue to use the first method permitted for wages paid before January 1, 2009. A taxpayer may switch to the second method for wages paid after August 15, 2007, and before January 1, 2009, without seeking permission of the Commissioner. Taxpayers who switch from the first method to the second method for wages paid before January 1, 2009, may consider wages paid by the owner to employees of the disregarded entity during the calendar year of the switch as having been paid by the disregarded entity for purposes of determining whether wages paid to the disregarded entity’s employees have reached the compensation bases for social security and FUTA taxes.

Note. All taxpayers must switch to the second method for wages paid after December 31, 2008, and the disregarded entity will be responsible for its own employment tax obligations on wages paid after that date.

You can find T.D. 9356 on page 675 of Internal Revenue Bulletin 2007-39 at *www.irs.gov/pub/irs-irbs/irb07-39.pdf*.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions. You can email us at **taxforms@irs.gov*. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line.

You can write to us at the following address:

Internal Revenue Service
Tax Products Coordinating Committee
SE:W:CAR:MP:T:T:SP
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

1. Employer Identification Number (EIN)

If you are required to report employment taxes or give tax statements to employees or annuitants, you need an employer identification number (EIN).

The EIN is a 9-digit number that 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 that you send to the IRS and SSA. For more information, get Publication 1635, Understanding Your EIN.

If you do not have an EIN, you may apply for one online. Go to the IRS website at *www.irs.gov* and click on the *Online EIN Application* link. You may also apply for an EIN by calling 1-800-829-4933, or you can fax or mail Form SS-4 to the IRS. Do not use a social security number (SSN) in place of an EIN.

You should have only one EIN. If you have more than one and are not sure which one to use, call 1-800-829-4933 (TTY/TDD users can call 1-800-829-4059). Give the numbers that 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.

If you took over another employer's business (see *Successor employer* in section 9), do not use that employer's EIN. If you have applied for an EIN but do not have your EIN by the time a return is due, write "Applied For" and the date that you applied for it in the space shown for the number.

See *Depositing without an EIN* in section 11 if you must make a tax deposit and you do not have an EIN.

2. Who Are Employees?

Generally, employees are defined either under common law or under statutes for certain situations.

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 Publication 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 are not employees. For example, doctors, lawyers, veterinarians, construction contractors, and others in an independent trade in which they offer their services to the public are usually not employees. However, if the business is incorporated, corporate officers who work in the business are employees.

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

Statutory employees. If someone who works for you is not an employee under the common law rules discussed above, do not withhold federal income tax from his or her pay, unless backup withholding applies. Although the following persons may not be common law employees, they may be considered employees by statute for social security, Medicare, and FUTA tax purposes under certain conditions.

- An agent (or commission) driver who delivers food, beverages (other than milk), laundry, or dry cleaning for someone else.
- A full-time life insurance salesperson who sells primarily for one company.
- A homeworker who works by guidelines of the person for whom the work is done, with materials furnished by and returned to that person or to someone that person designates.
- A traveling or city salesperson (other than an agent-driver 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 items for resale or use as supplies 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.

See Publication 15-A for details on statutory employees.

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

Treating employees as nonemployees. You will generally be liable for social security and Medicare taxes and withheld income tax if you do not deduct and withhold these taxes because you treated an employee as a nonemployee. See Internal Revenue Code section 3509 for details. Also see *Special additions to tax liability* under *Prior Period Adjustments* in section 13.

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.

IRS help. If you want the IRS to determine whether a worker is an employee, file Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding.

3. Family Employees

Child employed by parents. Payments for the services of a child under age 18 who works for his or her parent in a trade or business are not 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 are 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 his or her parent, whether or not in a trade or business, are not subject to federal unemployment (FUTA) tax. Although not subject to FUTA tax, the wages of a child may be subject to income tax withholding.

One spouse employed by another. The wages for the services of an individual who works for his or her 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, are not 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 he or she works 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.

Parent employed by child. The payments for the services of a parent employed by his or her child in a trade or business are subject to income tax withholding and social security and Medicare taxes. Social security and Medicare taxes do not apply to payments made to a parent for services not in a trade or business, but they apply to domestic services if:

- The parent cares for a child who lives with the parent's child and the child is under age 18 or requires adult supervision for at least 4 continuous weeks in a calendar quarter due to a mental or physical condition and
- The parent's son or daughter is a widow or widower, divorced, or living with a spouse who, because of a physical or mental condition that lasts at least 4 continuous weeks, cannot care for the child during such period.

Payments made to a parent employed by his or her child are not subject to FUTA tax, regardless of the type of services provided.

4. Employee's Social Security Number (SSN)

You are required to get each employee's name and SSN and to enter them on Form W-2. This requirement also applies to resident and nonresident alien employees. You should ask your employee to show you his or her social security card. The employee may show the card if it is available. You may, but are not required to, photocopy the social security card if the employee provides it. If you do not provide the correct employee name and SSN on Form W-2, you may owe a penalty unless you have reasonable cause. See Publication 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs.

Applying for a social security card. Any employee who is legally eligible to work in the United States and does not 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 this form at SSA offices, by calling 1-800-772-1213, or from the SSA website at *www.socialsecurity.gov/online/ss-5.html*. The employee must complete and sign Form SS-5; it cannot be filed by the employer.

Applying for a social security number. If you file Form W-2 on paper and your employee applied for an SSN but does not have one when you must file Form W-2, enter "Applied For" on the form. If you are filing electronically, enter all zeros (000-00-000) in the social security number 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 five Forms W-2c for each Form W-3c may now be filed per session over the Internet, with no limit on the number of sessions. For more information, visit the SSA's Employer W-2 Filing Instructions & Information webpage at *www.socialsecurity.gov/employer*. Advise your employee to correct the SSN on his or her original Form W-2.

Correctly record the employee's name. Record the name and number of each employee as they are shown on the employee's social security card. If the employee's name is not correct as shown on the card (for example, because of marriage or divorce), the employee should request a corrected card from the SSA. Continue to report the employee's wages under the old name until the employee shows you an updated social security card with the new name.

If the Social Security Administration issues the employee a replacement card after a name change, or a new card with a different social security number 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 is not necessary to correct other years if the previous name and number were used for years before the most recent Form W-2.

IRS individual taxpayer identification numbers (ITINs) for aliens. Do not 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 are not eligible for U.S. employment and need identification for other tax purposes. You can identify an ITIN because it is a 9-digit number, beginning with the number "9" with either a "7" or "8" as the fourth digit and is formatted like an SSN (for example, 9NN-7N-NNNN).

CAUTION *An individual with an ITIN who later becomes eligible to work in the United States must obtain an SSN.*

Verification of social security numbers. The SSA offers employers and authorized reporting agents three methods for verifying employee SSNs.

- **Internet.** Verify up to 10 names and numbers (per screen) online and receive immediate results, or upload batch files of up to 250,000 names and numbers and usually receive results the next government business day. Visit *www.socialsecurity.gov/employer* and click on the *Verify SSNs Online* link.
- **Telephone.** Verify up to five names and numbers by calling 1-800-772-6270 or 1-800-772-1213.
- **Paper.** Verify up to 300 names and numbers by submitting a paper request. For information, see *Appendix A* in the Social Security Number Verification System (SSNVS) handbook at *www.socialsecurity.gov/employer/ssnvs_handbk.htm#appendix*.

Some verification methods require registration. For more information, call 1-800-772-6270.

5. Wages and Other Compensation

Wages subject to federal employment taxes generally include all pay that 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 fringe benefits. It does not 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 federal unemployment taxes and income tax withholding. Also, compensation paid to a former employee for services performed while still employed is wages subject to employment taxes.

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. Publication 15-A provides additional information on wages, including nonqualified deferred compensation, and other compensation. Publication 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,
- Group-term life insurance coverage,
- Health Savings Accounts,
- Lodging on your business premises,
- Meals,
- Moving expense reimbursements,
- No-additional-cost services,
- Retirement planning services,
- Transportation (commuting) benefits,
- Tuition reduction, and
- Working condition benefits.

Employee business expense reimbursements. A reimbursement or allowance arrangement is a system by which you pay the advances, reimbursements, and charges for your employees' substantiated 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 ordinary and necessary employee business expenses that would otherwise qualify for a deduction by the employee.

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 deductible expenses while performing services as your employees.
2. They must adequately account to you for these expenses within a reasonable period of time.
3. They must return any amounts in excess of expenses within a reasonable period of time.

Amounts paid under an accountable plan are not wages and are not subject to income tax withholding and payment of social security, Medicare, and federal unemployment (FUTA) taxes.

If the expenses covered by this arrangement are not substantiated (or amounts in excess of expenses are not 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 tax withholding and payment of social security, Medicare, and FUTA taxes for the first payroll period following the end of the reasonable period.

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 that they 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. Also, 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 tax withholding and payment of social security, Medicare, and FUTA taxes. Your payments are treated as paid under a nonaccountable plan if:

- Your employee is not required to or does not substantiate timely those expenses to you with receipts or other documentation,
- You advance an amount to your employee for business expenses and your employee is not required to or does not return timely any amount he or she does not use for business expenses, or

- You advance or pay an amount to your employee without regard for anticipated or incurred business expenses.

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. In these cases, your employee is considered to have accounted to you if your reimbursement does not exceed rates established by the Federal Government. The 2007 standard mileage rate for auto expenses was 48.5 cents per mile. The rate for 2008 is 50.5 cents per mile. The government per diem rates for meals and lodging in the continental United States are listed in Publication 1542, Per Diem Rates. 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).

If the per diem or allowance paid exceeds the amounts specified, 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 specified amount (for example, the nontaxable portion) in box 12 of Form W-2 using code L.

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 are said to pay them "in kind." Payments in kind may be in the form of goods, lodging, food, clothing, or services. Generally, the fair market value of such payments at the time that they are 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.

Moving expenses. Reimbursed and employer-paid qualified moving expenses (those that would otherwise be deductible by the employee) paid under an accountable plan are not includible in an employee's income unless you have knowledge that the employee deducted the expenses in a prior year. Reimbursed and employer-paid nonqualified moving expenses are includible in income and are subject to employment taxes and income tax withholding. For more information on moving expenses, see Publication 521, Moving Expenses.

Meals and lodging. The value of meals is not taxable income and is not subject to 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 is not subject to 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 that you have a substantial business reason for providing the meals and lodging other than to provide additional compensation to the employee. For example, meals that you provide at the place of work so that an employee is available for emergencies during his or her lunch period are generally considered to be for your convenience.

However, 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 are for your convenience is not 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 is not subject to federal income tax withholding or employment taxes. For more information, see Publication 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 are not wages and are not 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 wages only for employees and their dependents or for a class or classes of employees and their dependents. 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 and medical savings accounts. Your contributions to an employee's Health Savings Account (HSA) or medical savings account (Archer MSA) are not subject to social security, Medicare, or FUTA taxes, or federal income tax withholding if it is reasonable to believe at the time of payment of the contributions that they will be excludable from the income of the employee. To the extent that it is not reasonable to believe that they will 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 income tax withholding. However, HSA contributions made under a salary reduction arrangement in a section 125 cafeteria plan are not wages and are not 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 are not wages and are not subject to social security, Medicare, and FUTA taxes, or income tax withholding. See Publication 15-B for an exception for highly compensated employees.

Military differential pay. Military differential payments are made voluntarily by an employer to make up some or all of the difference between the regular salary of an employee called to military active duty and the amount being paid by the military if the regular salary was higher. It also includes military continuation pay and active duty differential payments required by state statutes or payments made by certain states or commonwealths that pay a stipend or a set dollar amount to their employees called to military active duty.

Military differential payments are not wages and are not subject to social security, Medicare, or FUTA taxes or to income tax withholding. Employers should report military differential pay on Form 1099-MISC in box 3, Other income. For more information about the tax treatment of military differential pay, visit the IRS website at *www.irs.*

gov and search for “Employers with Employees in a Combat Zone.”

Fringe benefits. You generally must include fringe benefits in an employee’s gross income (but see *Nontaxable fringe benefits* next). The benefits are subject to income tax withholding and employment taxes. Fringe benefits include cars that you provide, flights on aircraft that 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 that you must include is the amount by which the fair market value of the benefits is more than the sum of what the employee paid for it plus any amount that the law excludes. There are other special rules that you and your employees may use to value certain fringe benefits. See Publication 15-B for more information.

Nontaxable fringe benefits. Some fringe benefits are not taxable (or are minimally taxable) if certain conditions are met. See Publication 15-B for details. Examples include:

1. Services provided to your employees at no additional cost to you,
2. Qualified employee discounts,
3. Working condition fringes that are property or services that the employee could deduct as a business expense if he or she had paid for it. Examples include a company car for business use and subscriptions to business magazines,
4. Certain minimal value fringes (including an occasional cab ride when an employee must work overtime, local transportation benefits provided because of unsafe conditions and unusual circumstances, and meals that you provide at eating places that you run for your employees if the meals are not furnished at below cost),
5. Qualified transportation fringes subject to specified conditions and dollar limitations (including transportation in a commuter highway vehicle, any transit pass, and qualified parking),
6. Qualified moving expense reimbursement. See *Moving expenses,* on page 11 for details,
7. The use of on-premises athletic facilities, if substantially all of the use is by employees, their spouses, and their dependent children, and
8. Qualified tuition reduction that an educational organization provides to its employees for education. For more information, see Publication 970, Tax Benefits for Education.

However, do not exclude the following fringe benefits from the income of highly compensated employees unless the benefit is available to other employees on a nondiscriminatory basis.

- No-additional-cost services (item 1 above).
- Qualified employee discounts (item 2 above).
- Meals provided at an employer operated eating facility (included in item 4 above).
- Reduced tuition for education (item 8 above).

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

When fringe benefits are treated as paid. You may choose to treat certain noncash fringe benefits as paid by the pay period, by the quarter, or on any other basis that you choose as long as you treat the benefits as paid at least once a year. You do not have to make a formal choice of payment dates or notify the IRS of the dates that you choose. You do not 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 Publication 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 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 flat 25% supplemental wage rate. However, see *Withholding on supplemental wages when an employee receives more than $1,000,000 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 that you provide. You must, however, withhold social security and Medicare taxes on the use of the vehicle. See Publication 15-B for more information on this election.

Depositing taxes on fringe benefits. Once you choose payment dates for fringe benefits (discussed above), you must deposit taxes in the same deposit period that 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 that 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* above. If you underestimated the value and deposited too little, you may be subject to a failure-to-deposit 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 taxes that you deposited on his or her behalf, and included in the employee’s Form W-2. However, you must recover the income taxes before April 1 of the following year.

Sick pay. In general, sick pay is any amount that 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. Sick pay becomes exempt from these taxes after the end of 6 calendar months after the calendar month that the employee last worked for the employer. The payments are always subject to federal income tax. See Publication 15-A for more information.

6. Tips

Tips that 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 that the tips are received. The report should include tips that you paid over to the employee for charge customers and tips that the employee received directly from customers. No report is required for months when tips are less than $20. Your employee reports the tips on Form 4070, Employee's Report of Tips to Employer, or on a similar statement. The statement must be signed by the employee and must show the following:

- The employee's name, address, and SSN.
- Your name and address.
- The month or period that the report covers.
- The total of tips received during the month or period.

Both Forms 4070 and 4070-A, Employee's Daily Record of Tips, are included in Publication 1244, Employee's Daily Record of Tips and Report to Employer.

TIP *You are permitted to establish a system for electronic tip reporting by employees. See Regulations section 31.6053-1(d).*

Collecting taxes on tips. You must collect income tax, employee social security tax, and employee Medicare tax on the employee's 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.

You can collect these taxes from the employee's wages or from other funds that he or she makes available. See *Tips treated as supplemental wages* in section 7 for more information. Stop collecting the employee social security tax when his or her wages and tips for tax year 2008 reach $102,000; collect the income and employee Medicare taxes for the whole year on all wages and tips. You are responsible for the employer social security tax on wages and tips until the wages (including tips) reach the limit. You are responsible for the employer Medicare tax for the whole year on all wages and tips. 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 do not have enough employee funds available to deduct the employee tax, you no longer have to collect it. If there are not 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.

Reporting tips. Report tips and any uncollected social security and Medicare taxes on Form W-2 and on lines 5b and 5c of Form 941 (lines 4b and 4c of Form 944). Report an adjustment on line 7c of Form 941 (line 6a of Form 944) for the uncollected social security and Medicare taxes. Enter the amount of uncollected social security and Medicare taxes in box 12 of Form W-2 with codes A and B. See section 13 and the Instructions for Forms W-2 and W-3.

Allocated tips. If you operate a large food or beverage establishment, you must report allocated tips under certain circumstances. However, do not withhold income, social security, or Medicare taxes on allocated tips.

A large food or beverage establishment is one that 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, including the requirement to file Forms 8027 on magnetic media or electronically if 250 or more forms are filed, see the Instructions for Form 8027.

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 Tip Reporting Alternative Commitment (TRAC). Additionally, the IRS is offering an expanded tip reporting and education program for food and beverage industry employers called the Attributed Tip Income Program (ATIP). ATIP has simple enrollment requirements and procedures. To find out more about the program, or to identify the IRS Tip Coordinator for your state, call the IRS at 1-800-829-4933. To get more information about TRDA, TRAC, or ATIP agreements, access the IRS website at *www.irs.gov* and search for Market Segment Understanding (MSU) agreements.

7. Supplemental Wages

Supplemental wages are compensation paid in addition to an employee's regular wages. They include, but are not limited to, bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay increases, and payments for nondeductible moving expenses. Other payments subject to the supplemental wage rules include taxable fringe benefits and expense allowances paid under a nonaccountable plan. 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 for wages paid after January 1, 2007.

Withholding on supplemental wages when an employee receives more than $1,000,000 of supplemental wages from you during the calendar year. Special rules apply to the extent that supplemental wages paid to any one employee during the calendar year exceed $1,000,000. If a supplemental wage payment, together with other supplemental wage payments made to the employee during the calendar year, exceeds $1,000,000, the excess is subject to withholding at 35 percent (or the highest rate of income tax for the year). Withhold using the 35% 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. You can find Treasury Decision 9276 on page 423 of Internal Revenue Bulletin 2006-37 at *www.irs.gov/pub/irs-irbs/irb06-37.pdf*.

Withholding on supplemental wage payments to an employee who does not receive $1,000,000 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 $1,000,000, 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 do not 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, you can use one of the following methods for the supplemental wages.
   a. Withhold a flat 25% (no other percentage allowed).
   b. Add the supplemental and regular wages for the most recent payroll period this year. Then figure the income tax withholding as if the total was a single payment. Subtract the tax already withheld from the regular wages. Withhold the remaining tax from the supplemental wages. If there were other payments of supplemental wages (after the last payment of regular wages but before the current payment of supplemental wages), aggregate all the payments, calculate the tax on the total, subtract the tax already withheld from the regular wages and the previous supplemental wages, and withhold the remaining tax.
2. If you did not withhold income tax from the employee's regular wages, use method 1-b above. This would occur, for example, when the value of the employee's withholding allowances claimed on Form W-4 is more than the wages.

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

Example 1. You pay John Peters a base salary on the 1st of each month. He is single and claims one withholding allowance. In January of 2008, he is paid $1,000. Using the wage bracket tables, you withhold $51 from this amount. In February 2008, he receives salary of $1,000 plus a commission of $2,000, which you include with regular wages. You figure the withholding based on the total of $3,000. The correct withholding from the tables is $344.

Example 2. You pay Sharon Warren a base salary on the 1st of each month. She is single and claims one allowance. Her May 1, 2008, pay is $2,000. Using the wage bracket tables, you withhold $194. On May 14, 2008, she receives a bonus of $2,000. Electing to use supplemental payment method 1-b, you:

1. Add the bonus amount to the amount of wages from the most recent pay date ($2,000 + $2,000 = $4,000).
2. Determine the amount of withholding on the combined $4,000 amount to be $584 using the wage bracket tables.
3. Subtract the amount withheld from wages on the most recent pay date from the combined withholding amount ($584 – $194 = $390).
4. Withhold $390 from the bonus payment.

Example 3. The facts are the same as in Example 2, except that you elect to use the flat rate method of withholding on the bonus. You withhold 25% of $2,000, or $500, from Sharon's bonus payment.

Example 4. The facts are the same as in Example 2, except that you elect to pay Sharon a second bonus of $1,000 on May 28. Using supplemental payment method 1-b, you:

1. Add the bonus amount to the amount of wages from the most recent pay date ($2,000 + $2,000 + $1,000 = $5,000).
2. Determine the amount of withholding on the combined $5,000 amount to be $834 using the wage bracket tables.
3. Subtract the amount withheld from wages on the most recent pay date and from the first bonus payment from the combined withholding amount ($834 – $584 = $250).
4. Withhold $250 from the second bonus payment.

Tips treated as supplemental wages. Withhold income tax on tips from wages or from other funds that the employee makes available. If an employee receives regular wages and reports tips, figure income tax withholding as if the tips were supplemental wages. If you have not withheld income tax from the regular wages, add the tips to the regular wages. Then withhold income tax on the total. If you withheld income tax from the regular wages, you can withhold on the tips by method 1-a or 1-b above.

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, 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 does not work the full period.

No regular payroll period. When you do not 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 one week, and the employee signs a statement under penalties of perjury indicating that he or she is not 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.

9. Withholding From Employees' Wages

Income Tax Withholding

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, Employee's Withholding Allowance Certificate, on file for each employee. Encourage your employees to file an updated Form W-4 for 2008, especially if they owed taxes or received a large refund when filing their 2007 tax return. Advise your employees to use the Withholding Calculator on the IRS website at *www.irs.gov/individuals* for help in determining how many withholding allowances to claim on their Forms W-4.

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 does not give you a completed Form W-4, withhold income tax as if he or she is single, with no withholding allowances.

Form in Spanish. You can provide Formulario W-4(SP), Certificado de Exención de la Retención del Empleado, in place of Form W-4, Employee's Withholding Allowance Certificate, to your Spanish-speaking employees. For more information, see Publication 579SP, Cómo Preparar la Declaración de Impuesto Federal. The rules discussed in this section that apply to Form W-4 also apply to Formulario W-4(SP).

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) for more information.

Effective date of Form W-4. A Form W-4 remains in effect until the employee gives you a new one. When you receive a new Form W-4 from an employee, do not 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 W-4. For exceptions, see *Exemption from federal income tax withholding, IRS review of Forms W-4,* and *Invalid Forms W-4* later.

CAUTION

A Form W-4 that makes a change for the next calendar year will not take effect in the current calendar year.

Successor employer. If you are a successor employer (see *Successor employer* on page 17), secure new Forms W-4 from the transferred employees unless the "Alternative Procedure" in section 5 of Revenue Procedure 2004-53 applies. You can find Rev. Proc. 2004-53 on page 320 of Internal Revenue Bulletin 2004-34 at *www.irs.gov/pub/irs-irbs/irb04-34.pdf*.

Completing Form W-4. The amount of any federal income tax withholding must be based on marital status and withholding allowances. 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 in addition to the amount of withholding based on filing status and withholding allowances claimed on Form W-4.

Employees may claim fewer withholding allowances than they are entitled to claim. They may wish to claim fewer allowances to ensure that they have enough withholding or to offset the tax on other sources of taxable income that are not subject to adequate withholding.

See Publication 505, Tax Withholding and Estimated Tax, for more information about completing Form W-4. Along with Form W-4, you may wish to order Publication 505 and Publication 919, How Do I Adjust My Tax Withholding, for use by your employees.

Do not 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, Estimated Tax for Individuals.

Exemption from federal income tax withholding. Generally, an employee may claim exemption from federal income tax withholding because he or she had no income tax liability last year and expects 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* on page 17.

A Form W-4 claiming exemption from withholding is valid for only 1 calendar year. To continue to be exempt from withholding in the next year, an employee must give you a new Form W-4 by February 15 of that year. If the employee does not give you a new Form W-4, withhold tax as if the employee is single with zero withholding allowances or withhold based on the last valid Form W-4 you have for the employee.

Withholding 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 Publication 515 for exceptions to this general rule. You must add an amount as set forth in the chart below to the nonresident alien's wages solely for calculating the income tax withholding for each payroll period. You determine the amount to be withheld by applying the income tax withholding tables to the amount of wages paid plus the additional chart amount. For more information, see Notice 2005-76. You can find Notice 2005-76 on page 947 of Internal Revenue Bulletin 2005-46 at *www.irs.gov/pub/irs-irbs/irb05-46.pdf*.

TIP

Nonresident alien students from India and business apprentices from India are not subject to this procedure.

The amount to be added to the nonresident alien's wages to calculate income tax withholding is set forth in the following chart.

Amount to Add to Nonresident Alien Employee's Wages for Calculating Income Tax Withholding Only

Payroll Period	Add Additional
Weekly	$ 51.00
Biweekly	102.00
Semimonthly	110.00
Monthly	221.00
Quarterly	663.00
Semiannually	1,325.00
Annually	2,650.00
Daily or Miscellaneous (each day of the payroll period)	10.20

The amounts added under this chart are added to wages solely for calculating income tax withholding on the wages of the nonresident alien employee. These chart amounts should not be included in any box on the employee's Form W-2 and do not increase the income tax liability of the employee. Also, these chart amounts do not increase the social security, Medicare, or FUTA tax liability of the employer or the employee.

This procedure only applies to nonresident alien employees who have wages subject to income tax withholding.

Example. An employer using the percentage method of withholding pays wages of $500 for a biweekly payroll period to a married nonresident alien employee. The nonresident alien has properly completed Form W-4, entering marital status as "single" with one withholding allowance and indicating status as a nonresident alien on line 6 of Form W-4 (see below). The employer determines the wages to be used in the withholding tables by adding to the $500 amount of wages paid the amount of $102 from the chart above ($602 total). The employer then applies the applicable table (Table 2(a), the table for biweekly payroll period, single persons) by subtracting the applicable percentage method amount for one withholding allowance for a biweekly payroll period from $602 and making the calculations according to the table.

The $102 added to wages for purposes of calculating income tax withholding is not reported on Form W-2, and does not increase the income tax liability of the employee. The $102 added amount also does not affect the social security tax, Medicare tax, or FUTA tax liability of the employer or the employee.

Supplemental wage payment. This procedure for determining the amount of income tax withholding does not apply to a supplemental wage payment (see section 7) if the 35 percent mandatory flat rate withholding applies or if the 25 percent 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,
- Request withholding as if they are single, regardless of their actual marital status,
- Claim only one allowance (if the nonresident alien is a resident of Canada, Mexico, or Korea, he or she may claim more than one allowance), and
- Write "Nonresident Alien" or "NRA" above the dotted line on line 6 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 in lieu of writing "Nonresident Alien" or "NRA" above the dotted line on line 6.

TIP *A nonresident alien employee may request additional withholding at his or her option for other purposes, although such additions should not be necessary for withholding to cover federal income tax liability related to employment.*

Form 8233. If a nonresident alien employee claims a tax treaty exemption from withholding, the employee must submit Form 8233, Exemption from Withholding or Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual, with respect to the income exempt under the treaty, instead of Form W-4. See Publication 515 for details.

IRS review of 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. When we refer to Form W-4, the same rules apply to Formulario W-4(SP), its Spanish translation.

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* on page 17). However, if the IRS later notifies you in writing that the employee is not entitled to claim exemption from withholding or a claimed number of withholding allowances, withhold federal income tax based on the effective date, marital status, and maximum number of withholding allowances specified in the notice (commonly referred to as a ''lock-in letter'').

Initial lock-in letter. The IRS also uses information reported on Form W-2 to identify employees with withholding compliance problems. In some cases, if a serious under-withholding problem is found to exist for a particular employee, the IRS may issue a lock-in letter to the employer specifying the maximum number of withholding allowances and marital status permitted for a specific employee. You must furnish this notice to the employee within 10 business days of receipt if the employee is employed by you as of the date of the notice. Begin withholding based on the notice on the date specified in the notice.

Employee not performing services. If you receive a notice for an employee who is not performing services for you, you must still furnish the notice to the employee and withhold based on the notice if any of the following apply.

- You are 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 does not exceed 12 months or the employee has a right to reemployment after the leave of absence.

Termination and re-hire 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 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 maximum number of withholding allowances and marital status permitted, the IRS may issue a subsequent notice (modification notice) that modifies the original notice. The modification notice may change the marital status and/or the number of withholding allowances permitted. You must withhold federal income tax based on effective date specified in the modification notice.

New Form W-4 after 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 claims a marital status, a number of withholding allowances, and any additional withholding 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 Form W-4 that does not claim exemption from federal income tax withholding and claims a marital status, a number of withholding allowances, and any additional withholding 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.

For additional information about these rules, see Treasury Decision 9337. You can find Treasury Decision 9337 on page 455 of Internal Revenue Bulletin 2007-35 at *www.irs.gov/pub/irs-irbs/irb07-35.pdf*.

Substitute Forms W-4. You are encouraged to have your employees use the official version of Form W-4 to claim withholding allowances or exemption from withholding. Call the IRS at 1-800-829-3676 or visit the IRS website at *www.irs.gov* to obtain copies 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 that you provide your substitute form to the employee, you must provide him or her with all tables, instructions, and worksheets from the current Form W-4.

You cannot 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 that the form is correct. A Form W-4 is also invalid if, by the date an employee gives it to you, he or she indicates in any way that 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" on line 7 and also entered a number on line 5 or an amount on line 6.

When you get an invalid Form W-4, do not use it to figure federal income tax withholding. Tell the employee that it is invalid and ask for another one. If the employee does not give you a valid one, withhold taxes as if the employee was single and claiming no withholding allowances. However, if you have an earlier Form W-4 for this worker that is valid, withhold as you did before.

Amounts exempt from levy on wages, salary, and other income. If you receive a Notice of Levy on Wages, Salary, and Other Income (Forms 668-W(c), 668-W(c)(DO), or 668-W(ICS)), you must withhold amounts as described in the instructions for these forms. Publication 1494 (2008), Tables for Figuring Amount Exempt From Levy on Wages, Salary, and Other Income–Forms 668-W(c), 668-W(c)(DO), and 668-W(ICS), shows the exempt amount. 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 Publication 1494 to compute 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 are required to withhold social security and Medicare taxes from your employees' wages and you must also pay a matching amount of these taxes. Certain types of wages and compensation are not subject to social security and Medicare taxes. See sections 5 and 15 for details. Generally, employee wages are subject to social security and Medicare taxes regardless of the employee's age or whether he or she is receiving social security benefits. If the employee reported tips, see section 6.

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 that is 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. There are no withholding allowances for social security and Medicare taxes.

The employee tax rate for social security is 6.2% (amount withheld). The employer tax rate for social security is also 6.2% (12.4% total). The 2007 wage base limit was $97,500. For 2008, the wage base limit is $102,000.

The employee tax rate for Medicare is 1.45% (amount withheld). The employer tax rate for Medicare tax is also 1.45% (2.9% total). There is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

Successor employer. If you received all or most of the property used in the trade or business of another employer, or a unit of that employer's trade or business, you may include the wages that the other employer paid to your acquired employees before the transfer of property when you figure the annual wage base limit for social security. 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 Rev. Proc. 2004-53 for more information. You can find Rev. Proc. 2004-53 on page 320 of Internal Revenue Bulletin 2004-34 at *www.irs.gov/pub/irs-irbs/irb04-34.pdf*.

Example. Early in 2008, you bought all of the assets of a plumbing business from Mr. Martin. Mr. Brown, who had been employed by Mr. Martin and received $2,000 in wages before the date of purchase, continued to work for you. The wages that you paid to Mr. Brown are subject to social security taxes on the first $100,000 ($102,000 minus $2,000). Medicare tax is due on all of the wages that you pay him during the calendar year.

Withholding of social security and Medicare taxes on nonresident aliens. In general, if you pay wages to nonresident alien employees, you must withhold federal social security and Medicare taxes as you would for a U.S. citizen. However, see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exceptions to this general rule.

International social security agreements. The United States has social security agreements with many countries that eliminate dual taxation and dual coverage. 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 *www.socialsecurity.gov/international* or see section 7 of Publication 15-A.

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 Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers.

Part-Time Workers

For federal income tax withholding and social security, Medicare, and federal unemployment (FUTA) tax purposes, there are no differences among full-time employees, part-time employees, and employees hired for short periods. It does not matter whether the worker has another job or has the maximum amount of social security tax withheld by another employer. 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 9 of Publication 15-A.

10. Advance Earned Income Credit (EIC) Payment

An employee who expects to be eligible for the earned income credit (EIC) and expects to have a qualifying child is entitled to receive EIC payments with his or her pay during the year. To get these payments, the employee must provide to you a properly completed Form W-5 (or Formulario W-5(SP), its Spanish translation), Earned Income Credit Advance Payment Certificate, using either the paper form or an approved electronic format. You are required to make advance EIC payments to employees who give you a completed and signed Form W-5. You may establish a system to electronically receive Forms W-5 from your employees. See Announcement 99-3 for information on electronic requirements for Form W-5. You can find Announcement 99-3 on page 15 of Internal Revenue Bulletin 1999-3 at *www.irs.gov/pub/irs-irbs/irb99-03.pdf*.

Certain employees who do not have a qualifying child may be able to claim the EIC on their tax return. However, they cannot get advance EIC payments.

For 2008, the advance payment can be as much as $1,750. The tables that begin on page 60 reflect that limit.

Form W-5. Form W-5 explains the eligibility requirements for receiving advance EIC payments. On Form W-5, an employee states that he or she expects to be eligible to claim the EIC and shows whether he or she has another Form W-5 in effect with any other current employer. The employee also shows the following:

- Whether he or she expects to have a qualifying child.
- Whether he or she will file a joint return.
- If the employee is married, whether his or her spouse has a Form W-5 in effect with any employer.

An employee may have only one certificate in effect with a current employer at one time. If an employee is married and his or her spouse also works, each spouse should file a separate Form W-5.

Length of effective period. Form W-5 is effective for the first payroll period ending on or after the date the employee gives you the form (or the first wage payment made without regard to a payroll period). It remains in effect until the end of the calendar year unless the employee revokes it or files another one. Eligible employees must file a new Form W-5 each year.

Change of status. If an employee gives you a signed Form W-5 and later becomes ineligible for advance EIC payments, he or she must revoke Form W-5 within 10 days after learning about the change of circumstances. The employee must give you a new Form W-5 stating that he or she is no longer eligible for or no longer wants advance EIC payments.

If an employee's situation changes because his or her spouse files a Form W-5, the employee must file a new Form W-5 showing that his or her spouse has a Form W-5 in effect with an employer. This will reduce the maximum amount of advance payments that you can make to that employee.

If an employee's spouse has filed a Form W-5 that is no longer in effect, the employee may file a new Form W-5 with you, but is not required to do so. A new form will certify that the spouse does not have a Form W-5 in effect and will increase the maximum amount of advance payments you can make to that employee.

Invalid Form W-5. The Form W-5 is invalid if it is incomplete, unsigned, or has an alteration or unauthorized addition. The form has been altered if any of the language has been deleted. Any writing added to the form other than the requested entries is an unauthorized addition.

You should consider a Form W-5 invalid if an employee has made an oral or written statement that clearly shows the Form W-5 to be false. If you receive an invalid form, tell the employee that it is invalid as of the date that he or she made the oral or written statement. For advance EIC payment purposes, the invalid Form W-5 is considered void.

You are not required to determine if a completed and signed Form W-5 is correct. However, you should contact the IRS if you have reason to believe that it contains an incorrect statement.

How to figure the advance EIC payment. To figure the amount of the advance EIC payment to include with the employee's pay, you must consider:

- Wages, including reported tips, for the same period. Generally, figure advance EIC payments using the amount of wages subject to income tax withholding. If an employee's wages are not subject to income tax withholding, use the amount of wages subject to withholding for social security and Medicare taxes.
- Whether the employee is married or single.
- Whether a married employee's spouse has a Form W-5 in effect with an employer.

Do not consider combat zone pay received by the employee and excluded from income as earned income when figuring the advance EIC payment.

Figure the amount of advance EIC to include in the employee's pay by using the tables that begin on page 60. There are separate tables for employees whose spouses have a Form W-5 in effect. See page 36 for instructions on using the advance EIC payment tables.

CAUTION

The amount of advance EIC paid to an employee during 2008 cannot exceed $1,750. If during the year you have paid an employee total wages of at least $33,995 ($36,995 if married filing jointly), you must also stop making advance EIC payments to that employee for the rest of the year.

Paying the advance EIC to employees. An advance EIC payment is not subject to withholding of income, social security, or Medicare taxes. An advance EIC payment does not change the amount of income, social security, or

Medicare taxes that you withhold from the employee's wages. You add the EIC payment to the employee's **net** pay for the pay period. At the end of the year, you show the total advance EIC payments in box 9 on Form W-2. Do not include this amount as wages in box 1.

Employer's returns. Show the total payments that you made to employees on the advance EIC payments line (line 9) of your Form 941 (line 8 of Form 944). Subtract this amount from your total taxes on line 8 (line 7 of Form 944). See the separate Instructions for Form 941 (or the separate Instructions for Form 944). Reduce the amounts reported on line 15 of Form 941 or on appropriate lines of Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, by any advance EIC paid to your employees.

Generally, employers will make the advance EIC payment from withheld income tax and employee and employer social security and Medicare taxes. These taxes are normally required to be paid over to the IRS either through federal tax deposits or with employment tax returns. For purposes of deposit due dates, advance EIC payments are treated as deposits of these taxes on the day that you pay wages (including the advance EIC payment) to your employees. The payments are treated as deposits of these taxes in the following order: (1) income tax withholding, (2) withheld employee social security and Medicare taxes, and (3) the employer's share of social security and Medicare taxes.

Example. You have 10 employees, each entitled to an advance EIC payment of $10. The total amount of advance EIC payments that you make for the payroll period is $100. The total amount of income tax withholding for the payroll period is $90. The total employee and employer social security and Medicare taxes for the payroll period is $122.60 ($61.30 each).

You are considered to have made a deposit of $100 advance EIC payment on the day that you paid wages. The $100 is treated as if you deposited the $90 total income tax withholding and $10 of the employee social security and Medicare taxes. You remain liable for depositing the remaining $112.60 of the social security and Medicare taxes ($51.30 + $61.30 = $112.60).

Advance EIC payments more than taxes due. For any payroll period, if the total advance EIC payments are more than the total payroll taxes (withheld income tax and both employee and employer shares of social security and Medicare taxes), you may choose either to:

1. Reduce each employee's advance payment proportionally so that the total advance EIC payments equal the amount of taxes due or
2. Make full payment of the advance EIC and treat the excess as an advance payment of employment taxes.

Example. You have 10 employees who are each entitled to an advance EIC payment of $10. The total amount of advance EIC payable for the payroll period is $100. The total employment tax for the payroll period is $90 (including income tax withholding and social security and Medicare taxes). The advance EIC payable is $10 more than the total employment tax. The $10 excess is 10% of the advance EIC payable ($100). You may—

- Reduce each employee's payment by 10% (to $9 each) so that the advance EIC payments equal your total employment tax ($90) or
- Pay each employee $10, and treat the excess $10 as an advance payment of employment taxes. See the Instructions for Form 941 (or the Instructions for Form 944) for reporting details.

U.S. possessions. If you are in American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, or the U.S. Virgin Islands, consult your local tax office for information on the EIC. You cannot take advance EIC payments into account on Form 941-SS or Form 944-SS.

Required Notice to Employees

You must notify employees who have no federal income tax withheld that they may be able to claim a tax refund because of the EIC. Although you do not have to notify employees who claim exemption from withholding on Form W-4 about the EIC, you are encouraged to notify any employees whose wages for 2007 were less than $37,783 ($39,783 if married filing jointly) that they may be eligible to claim the credit for 2007. This is because eligible employees may get a refund of the amount of EIC that is more than the tax that they owe.

You will 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 will 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 does not have the required statement, you must notify the employee within 1 week of the date that the substitute for Form W-2 is given. If Form W-2 is required but is not given on time, you must give the employee Notice 797 or your written statement by the date that Form W-2 is required to be given. If Form W-2 is not required, you must notify the employee by February 7, 2008.

11. Depositing Taxes

In general, you must deposit federal income tax withheld and both the employer and employee social security and Medicare taxes plus or minus any prior period adjustments to your tax liability (minus any advance EIC payments). You must deposit by using the Electronic Federal Tax Payment System (EFTPS) or by mailing or delivering a check, money order, or cash with Form 8109, Federal Tax Deposit Coupon, to a financial institution that is an authorized depositary for federal taxes. Some taxpayers are required to deposit using EFTPS. See *How To Deposit* on page 22 for information on electronic deposit requirements for 2008.

Payment with return. You may make a payment with Form 941 or Form 944 instead of depositing, without incurring a penalty, if one of the following applies.

- You report less than a $2,500 tax liability for the quarter on line 10 of Form 941 (or for the year on line 9 of Form 944). However, if you are unsure that you will report less than $2,500, deposit under the appropriate rules so that you will not be subject to failure-to-deposit penalties.
- You are a monthly schedule depositor (defined below) and make a payment in accordance with the *Accuracy of Deposits Rule* discussed on page 22. This payment may be $2,500 or more.

Employers who have been notified to file Form 944 can pay their fourth quarter tax liability with Form 944 if the fourth quarter tax liability is less than $2,500. Employers must have deposited any tax liability due for the first, second, and third quarters according to the deposit rules to avoid failure-to-deposit penalties for deposits during those quarters.

Separate deposit requirements for nonpayroll (Form 945) tax liabilities. Separate deposits are required for nonpayroll and payroll income tax withholding. Do not combine deposits for Forms 941 (or Form 944) and 945 tax liabilities. Generally, the deposit rules for nonpayroll liabilities are the same as discussed below, except that the rules apply to an annual rather than a quarterly return period. Thus, the $2,500 threshold for the deposit requirement discussed above applies to Form 945 on an annual basis. See the separate Instructions for Form 945 for more information.

When To Deposit

There are two deposit schedules—monthly and semiweekly—for determining when you deposit social security, Medicare, and withheld income taxes. These schedules tell you when a deposit is due after a tax liability arises (for example, when you have a payday). Before the beginning of each calendar year, you must determine which of the two deposit schedules that you are required to use. The deposit schedule that you must use is based on the total tax liability that you reported on Form 941 during a lookback period discussed below. Your deposit schedule is not determined by how often you pay your employees or make deposits. See special rules for Forms 944 and 945 below. See *Application of Monthly and Semiweekly Schedules* on page 21.

CAUTION

These rules do not apply to federal unemployment (FUTA) tax. See section 14 for information on depositing FUTA tax.

Lookback period. If you are a Form 941 filer, your deposit schedule for a calendar year is determined from the total taxes (that is, not reduced by any advance EIC payments) reported on line 8 of your Forms 941 in a 4-quarter lookback period. The lookback period begins July 1 and ends June 30 as shown in Table 1 below. If you reported $50,000 or less of taxes for the lookback period, you are a monthly schedule depositor; if you reported more than $50,000, you are a semiweekly schedule depositor.

Table 1. **Lookback Period for Calendar Year 2008**

Lookback Period				
2006		2007		2008
July 1 ↓ Sept. 30	Oct. 1 ↓ Dec. 31	Jan. 1 ↓ Mar. 31	Apr. 1 ↓ June 30 ◄	Calendar Year Jan.–Dec.

CAUTION

The lookback period for a 2008 Form 941 filer who filed Form 944 in either 2006 or 2007 is calendar year 2006.

If you are a 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 (that is, not reduced by any advance EIC payments) reported on line 8 of your Form 941 for all 4 quarters of the second preceding calendar year. The lookback period for 2008 for a Form 944 filer is calendar year 2006.

If you are a Form 945 filer, your deposit schedule for a calendar year is determined from the total taxes reported on line 4 of your Form 945 for the second preceding calendar year. The lookback period for 2008 for a Form 945 filer is calendar year 2006.

Adjustments and the lookback rule. Determine your tax liability for the 4 quarters in the lookback period based on the tax liability as reported on your Form 941. If you made adjustments to correct errors on previously filed Forms 941, these adjustments do not affect the amount of tax liability for purposes of the lookback rule.

If you report adjustments on your current Form 941 (or Form 944) to correct errors on prior returns, include these adjustments as part of your tax liability for the current quarter and adjust your deposits accordingly. If you filed Form 843 to claim a refund for a prior period overpayment, your tax liability does not change for either the prior period or the current period 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 2008 that the tax during one of the lookback period quarters was understated by $10,000 and corrected this error with an adjustment on the 2008 first quarter return. This employer is a monthly schedule depositor for 2008 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 part of the 2008 first quarter tax liability.

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.

Monthly Deposit Schedule

You are a monthly schedule depositor for a calendar year if the total taxes on line 8 of Form 941 for the 4 quarters in 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 on Banking Days Only* on page 21.

Monthly schedule depositors should not file Form 941 or Form 944 on a monthly basis. Also, do not file Form 941-M, Employer's Monthly Federal Tax Return, unless you are instructed to do so by an IRS representative.

New employers. Your tax liability for any quarter in the lookback period before you started or acquired your business is considered to be zero. Therefore, you are a monthly schedule depositor for the first calendar year of your business. However, see the *$100,000 Next-Day Deposit Rule* on page 21.

Semiweekly Deposit Schedule

You are a semiweekly schedule depositor for a calendar year if the total taxes on line 8 of Form 941 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 on Banking Days Only* on page 21.

Note. 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 must file Form 944 and are a semiweekly schedule depositor, complete Form 945-A, Annual Record of Federal Tax Liability, and submit it with your return (instead of Schedule B).

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. If you have more than one pay date during a semiweekly period and the pay dates fall in different calendar quarters, you will need to make **separate deposits** for the separate liabilities.

Example 1. If you have a pay date on Saturday, March 29, 2008 (first quarter), and another pay date on Tuesday, April 1, 2008 (second quarter), two separate deposits would be required even though the pay dates fall within the same semiweekly period. Both deposits would be due Friday, April 4, 2008 (3 banking days from the end of the semiweekly deposit period).

Example 2. If you made a payment on both Wednesday and Friday and incurred taxes of $10,000 for each pay date, deposit the $20,000 on the following Wednesday. If you made no additional payments on Saturday through Tuesday, no deposit is due on the following Friday.

Summary of Steps To Determine Your Deposit Schedule

1. Identify your lookback period (see *Lookback period* earlier).
2. Add the total taxes from line 8, Form 941 you reported during the lookback period.
3. Determine if you are a monthly or semiweekly schedule depositor:

If the total taxes you reported in the lookback period were . . .	Then you are 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:

2007 Lookback Period		2008 Lookback Period	
3rd Quarter 2005	$12,000	3rd Quarter 2006	$12,000
4th Quarter 2005	$12,000	4th Quarter 2006	$12,000
1st Quarter 2006	$12,000	1st Quarter 2007	$12,000
2nd Quarter 2006	$12,000	2nd Quarter 2007	$15,000
	$48,000		$51,000

Rose Co. is a monthly schedule depositor for 2007 because its tax liability for the 4 quarters in its lookback period (third quarter 2005 through second quarter 2006) was not more than $50,000. However, for 2008, Rose Co. is a semiweekly schedule depositor because the total taxes exceeded $50,000 for the 4 quarters in its lookback period (third quarter 2006 through second quarter 2007).

Deposits on Banking Days Only

If a deposit is required to be made on a day that is not a banking day, the deposit is considered timely if it is made by the close of the next banking day. In addition to federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required to be made on a Friday and Friday is not a banking day, the deposit will be considered timely if it is made by the following Monday (if that Monday is a banking day).

Semiweekly schedule depositors have at least 3 banking days to make a deposit. That is, if any of the 3 weekdays after the end of a semiweekly period is a banking holiday, you will have 1 additional banking day to deposit. For example, if a semiweekly schedule depositor accumulated taxes for payments made on Friday and the following Monday is not a banking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

Application of Monthly and Semiweekly Schedules

The terms “monthly schedule depositor” and “semiweekly schedule depositor” do not refer to how often your business pays its employees or even how often you are required to make deposits. The terms identify which set of deposit rules that you must follow when an employment tax liability arises. The deposit rules are based on the dates when wages are paid (for example, 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 March it paid wages but did not pay any wages during April. Under the monthly deposit schedule, Spruce Co. must deposit the combined tax liabilities for the four March paydays by April 15. Spruce Co. does not have a deposit requirement for April (due by May 15) because no wages were paid and, therefore, it did not have a tax liability for April.

Semiweekly schedule example. Green, Inc., which has a semiweekly deposit schedule, pays wages once each month on the last day of the month. Although Green, 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 25, 2008 (Friday), payday must be deposited by April 30, 2008 (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 of taxes (that is, line 10 of Form 941 or line 9 of Form 944) on any day during a deposit period, you must deposit the tax by the next banking day, whether you are a monthly or semiweekly schedule depositor.

For purposes of the $100,000 rule, do not 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 does not apply. 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 banking day. On Tuesday, Fir Co. accumulates additional taxes of $30,000. Because the $30,000 is not 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 are a monthly schedule depositor and accumulate a $100,000 tax liability on any day, 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 April 1, 2008. On April 11, it paid wages for the first time and accumulated a tax liability of $40,000. On Friday, April 18, 2008, Elm, Inc., paid wages and accumulated a liability of $60,000, bringing its 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, since Elm, Inc., accumulated a $100,000 liability on April 18, it became a semiweekly schedule depositor on April 19. It will be a semiweekly schedule depositor for the remainder of 2008 and for 2009. Elm, Inc., is required to deposit the $100,000 by Monday, April 21, the next banking day.

Accuracy of Deposits Rule

You are required to deposit 100% of your tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if both of the following conditions are met.

- Any deposit shortfall does not exceed the greater of $100 or 2% of the amount of taxes otherwise required to be deposited and
- The deposit shortfall is paid or deposited by the shortfall makeup date as described below.

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 by the earlier of:
   a. The first Wednesday or Friday (whichever comes first) that falls on or after the 15th 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 July 2008, the shortfall makeup date is August 15, 2008 (Friday). However, if the shortfall occurred on the required October 1 (Wednesday) deposit due date for a September 26 (Friday) pay date, the return due date for the September 26 pay date (October 31) would come before the November 19 (Wednesday) shortfall makeup date. In this case, the shortfall must be deposited by October 31.

How To Deposit

The two methods of depositing employment taxes, including Form 945 taxes, are discussed below. See *Payment with return* on page 19 for exceptions explaining when taxes may be paid with the tax return instead of being deposited.

Electronic deposit requirement. You must make electronic deposits of all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2008 if:

- Your total deposits of depository taxes in 2006 were more than $200,000 or
- You were required to use EFTPS in 2007 or any prior year.

If you are required to use EFTPS and fail to do so, you may be subject to a 10% failure-to-deposit penalty. EFTPS is a free service provided by the Department of Treasury. If you are not required to use EFTPS, you may participate voluntarily. To get more information or to enroll in EFTPS, call 1-800-555-4477. You can also visit the EFTPS website at *www.eftps.gov*.

When you receive your EIN. If you are a new employer that indicated a federal tax obligation when requesting an EIN, you will be pre-enrolled in EFTPS. You will receive information in your Employer Identification Number (EIN) Package about Express Enrollment 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. Be sure to tell your payroll provider about your EFTPS enrollment. Consider using EFTPS to make your other federal tax payments electronically as well. You should activate your EFTPS enrollment now even if you plan to deposit using FTD coupons (Form 8109) because it may take 5 to 6 weeks to receive the coupons and you may be required to make a deposit while waiting for them.

Depositing on time. For deposits made by EFTPS to be on time, you must initiate the transaction at least 1 business day before the date that the deposit is due.

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

Same day payment option. If you fail to initiate a deposit transaction on EFTPS at least 1 business day before the date a deposit is due, you can still make your deposit on time by using the Federal Reserve-Electronic Tax Application (FR-ETA). If you ever need the same-day payment method, you will need to make arrangements with your financial institution ahead of time. FR-ETA allows you to initiate the transaction and have the funds transferred from your financial institution on the same day. Enrollment in EFTPS automatically enrolls you in FR-ETA. Instructions for using FR-ETA are included in your EFTPS enrollment package. Business taxpayers can use FR-ETA even if not enrolled, but may need help to have their financial institution use the proper format for making the payment. The guidelines for financial institutions for making payments using FR-ETA can be found at *www.frbservices.org/Treasury/pdf/Sameday.pdf*.

Making deposits with FTD coupons. If you are not making deposits by EFTPS, use Form 8109 to make the deposits at an authorized financial institution.

For **new employers,** if you would like to receive a Federal Tax Deposit (FTD) coupon booklet, call 1-800-829-4933. Allow 5 to 6 weeks for delivery. Consider activating your enrollment in EFTPS now so that you can make timely deposits of payroll taxes while waiting for requested FTD coupons.

The IRS will keep track of the number of FTD coupons that you use and automatically will send you additional coupons when you need them. If you do not receive your resupply of FTD coupons, call 1-800-829-4933. You can have the FTD coupon books sent to a branch office, tax preparer, or service bureau that is making your deposits by showing that address on Form 8109-C, FTD Address Change, which is in the FTD coupon book. Filing Form 8109-C will not change your address of record; it will change only the address where the FTD coupons are mailed. The FTD coupons will be preprinted with your name, address, and EIN. They have entry boxes for indicating the type of tax and the tax period for which the deposit is made.

It is very important to clearly mark the correct type of tax and tax period on each FTD coupon. This information is used by the IRS to credit your account.

If you have branch offices depositing taxes, give them FTD coupons and complete instructions so that they can deposit the taxes when due.

Please use only **your** FTD coupons. If you use anyone else's FTD coupon, you may be subject to a failure-to-deposit penalty. This is because your account will be underpaid by the amount of the deposit credited to the other person's account. See *Deposit Penalties* below for penalty amounts.

How to deposit with an FTD coupon. Mail or deliver each FTD coupon and a single payment covering the taxes to be deposited to an authorized depositary. An authorized depositary is a financial institution (for example, a commercial bank) that is authorized to accept federal tax deposits. Follow the instructions in the FTD coupon book. Make your check or money order payable to the depositary. To help ensure proper crediting of your account, include your EIN, the type of tax (for example, Form 941), and the tax period to which the payment applies on your check or money order.

Authorized depositaries must accept cash, a postal money order drawn to the order of the depositary, or a check or draft drawn on and to the order of the depositary. You may deposit taxes with a check drawn on another financial institution only if the depositary is willing to accept that form of payment. Be sure that the financial institution where you make deposits is an authorized depositary. Deposits made at an unauthorized institution may be subject to the failure-to-deposit penalty.

If you prefer, you may mail your coupon and payment to: Financial Agent, Federal Tax Deposit Processing, P.O. Box 970030, St. Louis, MO 63197. Make your check or money order payable to "Financial Agent."

Depositing on time. The IRS determines whether deposits are on time by the date that they are received by an authorized depositary. To be considered timely, the funds must be available to the depositary on the deposit due date before the institution's daily cutoff deadline. Contact your local depositary for information concerning check clearance and cutoff schedules. However, a deposit received by the authorized depositary after the due date will be considered timely if the taxpayer establishes that it was mailed in the United States in a properly addressed, postage prepaid envelope at least 2 days before the due date.

CAUTION

If you must deposit any taxes more than once a month, any deposit of $20,000 or more must be received by the authorized depositary by its due date to be timely. See Internal Revenue Code section 7502(e)(3) for more information.

Depositing without an EIN. If you have applied for an EIN but have not received it and you must make a deposit, make the deposit with the IRS. Do not make the deposit at an authorized depositary. Make it payable to the "United States Treasury" and show on it your name (as shown on Form SS-4), address, kind of tax, period covered, and date you applied for an EIN. Send your deposit with an explanation to the IRS office where you will file your return. IRS office addresses are in the instructions for your return and on the IRS website at *www.irs.gov/businesses* under "Where To File". Use the "Without a payment" address. Do not use Form 8109-B, Federal Tax Deposit Coupon, in this situation.

Depositing without Form 8109. If you have an EIN but do not have a preprinted Form 8109, you may use Form 8109-B to make deposits. Form 8109-B is an over-the-counter FTD coupon that is not preprinted with your identifying information. You may get this form by visiting an IRS taxpayer assistance center. Be sure to have your EIN with you. You will not be able to obtain Form 8109-B by calling 1-800-TAX-FORM.

Use Form 8109-B to make deposits only if:

- You are a new employer and you have been assigned an EIN, but you have not received your initial supply of Forms 8109 or
- You have not received your resupply of preprinted Forms 8109.

Deposit record. For your records, a stub is provided with each FTD coupon in the coupon book. The FTD coupon itself will not be returned. It is used to credit your account. Your cancelled check, bank receipt, or money order receipt is your deposit record.

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 944 for that year) to have the overpayment refunded or applied as a credit to your next return. Do not ask the depositary or EFTPS to request a refund from the IRS for you.

Deposit Penalties

TIP

Although the deposit penalties information provided below refers specifically to Form 941, these rules also apply to Form 945 and Form 944 (if the employer required to file Form 944 does not qualify for the exception to the deposit requirements discussed on page 19 under Payment with return).

Penalties may apply if you do not make required deposits on time, if you make deposits for less than the required amount, or if you do not use EFTPS when required. The penalties do not apply if any failure to make a proper and timely deposit was due to reasonable cause and not to willful neglect. The IRS may also waive penalties if you inadvertently fail to deposit in the first quarter that you were required to deposit any employment tax, or in the first quarter during which your frequency of deposits changed, if you timely filed your employment tax return.

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

2% - Deposits made 1 to 5 days late.

5% - Deposits made 6 to 15 days late.

10% - Deposits made 16 or more days late. Also applies to amounts paid within 10 days of the date of the first notice the IRS sent asking for the tax due.

10% - Deposits made at an unauthorized financial institution, paid directly to the IRS, or paid with your tax return. But see *Depositing without an EIN* on page 23 and *Payment with return* on page 19 for exceptions.

10% - Amounts subject to electronic deposit requirements but not deposited using EFTPS.

15% - Amounts still unpaid more than 10 days after the date of the first notice that 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 must file Forms 941 for the current year because your employment tax liability for the prior year exceeded the Form 944 eligibility requirement ($1,000 or less), the failure-to-deposit penalty will not apply to a late deposit of employment taxes for the first month 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 generally are applied to the most recent tax liability within the quarter. If you receive a failure-to-deposit 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 that you received. For more information on designating deposits, see Rev. Proc. 2001-58. You can find Rev. Proc. 2001-58 on page 579 of Internal Revenue Bulletin 2001-50 at *www.irs.gov/pub/irs-irbs/irb01-50.pdf*.

Example. Cedar, Inc. is required to make a deposit of $1,000 on June 15 and $1,500 on July 15. It does not make the deposit on June 15. On July 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 July 15 deposit and the remaining $500 is applied to the June deposit. Accordingly, $500 of the June 15 liability remains undeposited. The penalty on this underdeposit will apply as explained above.

Trust fund recovery penalty. If federal income, social security, and Medicare taxes that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is the full amount of the unpaid trust fund tax. This penalty may apply to you if these unpaid taxes cannot 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, and paying over these taxes, and who acted willfully in not doing so.

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. A responsible person also may 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 that the required actions are not taking place.

Separate accounting when deposits are not made or withheld taxes are not paid. Separate accounting may be required if you do not pay over withheld employee social security, Medicare, or income taxes; 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 would also have to file monthly tax returns on Form 941-M, Employer's Monthly Federal Tax Return.

CAUTION *You may be charged with criminal penalties if you do not comply with the special bank deposit requirements for the special trust account for the U.S. Government.*

"Averaged" failure-to-deposit penalty. IRS may assess an "averaged" failure-to-deposit (FTD) penalty of 2% to 10% if you are a monthly schedule depositor and did not properly complete line 15 of Form 941 when your tax liability (line 10) shown on Form 941 equaled or exceeded $2,500.

The IRS may also assess an "averaged" FTD penalty of 2% to 10% if you are a semiweekly schedule depositor and your tax liability (line 10) shown on Form 941 equaled or exceeded $2,500 and you:

- Completed line 15 of Form 941 instead of Schedule B (Form 941),
- Failed to attach a properly completed Schedule B (Form 941), or
- Improperly completed Schedule B (Form 941) 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 line 10 of Form 941 equally throughout the tax period. As a result, your deposits and payments may not be counted as timely because the actual dates of your tax liabilities cannot 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.

- If you are a monthly schedule depositor, report your tax liabilities (not your deposits) in the monthly entry spaces on line 15 of Form 941.
- If you are a semiweekly schedule depositor, report your tax liabilities (not your deposits) on Schedule B (Form 941) in the lines that represent the dates your employees were paid.
- Verify that your total liability shown on line 15 of Form 941 or the bottom of Schedule B (Form 941) equals your tax liability shown on line 10 of Form 941.
- Do not show negative amounts on line 15 or Schedule B (Form 941). If a prior period correction results in a decrease to your tax liability, reduce your liability for the day that you discovered the error by the tax decrease resulting from the error, but not below zero. Apply any remaining decrease to subsequent liabilities.

12. Filing Form 941 or Form 944

Form 941. Each quarter, all employers who pay wages subject to income tax withholding (including withholding on sick pay and supplemental unemployment benefits) or social security and Medicare taxes must file Form 941, Employer's QUARTERLY Federal Tax Return, unless the employer is required to file Form 944 or the following exceptions apply. Form 941 must be filed by the last day of the month that follows the end of the quarter. See the *Calendar* on page 2.

Form 944. If you receive written notification that you qualify for the Form 944 program, you must file Form 944, Employer's ANNUAL Federal Tax Return, instead of Form 941. If you received this notification, but prefer to file Form 941, you can request to have your filing requirement changed to Form 941 if you satisfy certain requirements. See the Instructions for Form 944 for details. Employers who must file Form 944 have until the last day of the month that follows the end of the year to file Form 944.

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

- **Seasonal employers who no longer file for quarters when they regularly have no tax liability because they have paid no wages.** To alert the IRS that you will not have to file a return for one or more quarters during the year, check the "Seasonal employer" box on line 17 of Form 941. The IRS will mail two Forms 941 to the seasonal filer once a year after March 1. 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 will not 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 that 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 are a sole proprietor and file Form 941 or Form 944 for business employees, you may include taxes for household employees on your Form 941 or Form 944. Otherwise, report social security and Medicare taxes and income tax withholding for household employees on Schedule H (Form 1040), Household Employment Taxes. See Publication 926, Household Employer's Tax Guide, for more information.
- **Employers reporting wages for employees in American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or Puerto Rico.** If your employees are not subject to U.S. income tax withholding, use Form 941-SS or Form 944-SS. Employers in Puerto Rico use Form 941-PR or Form 944-PR. If you have both employees who are subject to U.S. income tax withholding and employees who are not subject to U.S. income tax withholding, you can file only Form 941 (or Form 944) and include all your employees' wages on that form.
- **Agricultural employers reporting social security, Medicare, and withheld income taxes.** Report these taxes on Form 943, Employer's Annual Federal Tax Return for Agricultural Employees.

Form 941 e-file. The Form 941 e-file program allows a taxpayer to electronically file Form 941 or Form 944 using a personal computer, modem, and commercial tax preparation software. For more information, visit the IRS website at *www.irs.gov* and click on the *e-file* link, or call 1-866-255-0654. See Publication 1855, Technical Specifications Guide for the Electronic Filing of Form 941, Employer's QUARTERLY Federal Tax Return, for technical specifications.

Electronic filing by reporting agents. Reporting agents filing Forms 941 or Form 944 for groups of taxpayers can file them electronically. See *Reporting Agents* in section 7 of Publication 15-A.

Penalties. For each whole or part month that a return is not filed when required (disregarding any extensions of the filing deadline), there is a failure-to-file 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 that the tax is paid late (disregarding any extensions of the payment deadline), there is a failure-to-pay penalty of 0.5% per month of the amount of tax. For individual filers only, the failure-to-pay 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 failure-to-pay penalty is also 25% of the tax due. If both penalties apply in any month, the failure-to-file penalty is reduced by the amount of the failure-to-pay penalty. The penalties will not be charged if you have a 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.

Note. In addition to any penalties, interest accrues from the due date of the tax on any unpaid balance.

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

Use of a reporting agent or other third-party payroll service provider does not relieve an employer of the responsibility to ensure that tax returns are filed and all taxes are paid or deposited correctly and on time.

Do not file more than one Form 941 per quarter or more than one Form 944 per year. Employers with multiple locations or divisions must file only one Form 941 per quarter or one Form 944 per year. Filing more than one return may result in processing delays and may require correspondence between you and the IRS. For information on making adjustments to previously filed returns, see section 13.

Reminders about filing.

- Do not report more than 1 calendar quarter on a Form 941.
- Use the preaddressed form mailed to you. If you do not have the form, get one from the IRS in time to file the return when due.
- If you use a form that is not preaddressed, show your name and EIN on it. Be sure that they are exactly as they appeared on earlier returns.
- See the Instructions for Form 941 or the Instructions for Form 944 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 944) in which wages 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 or the Instructions for Form 944 for details on how to file a final return.

If you are required to file a final return, you are also required to furnish Forms W-2 to your employees by the due date of your final return. File Forms W-2 and W-3 with the SSA by the last day of the month that follows the due date of your final return. Do not send an original or copy of your Form 941 or Form 944 to the SSA. See the Instructions for Forms W-2 and W-3 for more information.

Filing late returns for previous years. If possible, get a copy of Form 941 or Form 944 (and separate instructions) with a revision date showing the year for which your delinquent return is being filed. See *Quick and Easy Access to IRS Tax Help and Tax Products* on page 69 for various ways to secure any necessary forms and instructions. Contact the IRS at 1-800-829-4933 if you have any questions.

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
2007–Social Security	$97,500	12.4%
2007–Medicare	All Wages	2.9%
2006–Social Security	$94,200	12.4%
2006–Medicare	All Wages	2.9%
2005–Social Security	$90,000	12.4%
2005–Medicare	All Wages	2.9%

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

To help reduce discrepancies:

1. Report bonuses as wages and as social security and Medicare wages on Forms W-2 and on Form 941 or Form 944,
2. Report both social security and Medicare wages and taxes separately on Forms W-2, W-3, 941, and 944,
3. Report 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,
4. Report employee share of Medicare taxes on Form W-2 in the box for Medicare tax withheld (box 6), not as Medicare wages,
5. Make sure the social security wage amount for each employee does not exceed the annual social security wage base limit (for example, $97,500 for 2007),
6. Do not report noncash wages that are not subject to social security or Medicare taxes as social security or Medicare wages,
7. If you used an EIN on any Form 941 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,”
8. Be sure that the amounts on Form W-3 are the total of amounts from Forms W-2, and
9. Reconcile Form W-3 with your four quarterly Forms 941 or annual Form 944 by comparing amounts reported for:
   a. Income tax withholding;
   b. Social security wages, social security tips, and Medicare wages and tips. Form W-3 should include Form 941 or Form 944 adjustments only for the current year (that is, if the Form 941 or Form 944 adjustments include amounts for a prior year, do not report those prior year adjustments on the current-year Forms W-2 and W-3);
   c. Social security and Medicare taxes. The amounts shown on the four quarterly Forms 941 or the annual Form 944 , including current-year adjustments, should be approximately twice the amounts shown on Form W-3. This is because Form 941 and Form 944 include both the employer and employee shares of social security and Medicare taxes; and
   d. Advance earned income credit (EIC).

Do not report on Form 941 or Form 944 backup withholding or income tax withholding on nonpayroll payments such as pensions, annuities, and gambling winnings. Nonpayroll withholding must be reported on Form 945, Annual Return of Withheld Federal Income Tax. See the Instructions for Form 945 for details. Income tax withholding required to be reported on Forms 1099 or W-2G must be reported on Form 945. Only taxes and withholding properly reported on Form W-2 should be reported on Form 941 or Form 944.

Amounts reported on Forms W-2, W-3, and Forms 941 or Form 944 may not match for valid reasons. If they do not match, you should determine that the reasons are valid. Keep your reconciliation so that you will have a record of why amounts did not 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 on Form 941 and Form 944

There are two types of adjustments reported on Form 941 and Form 944: current period adjustments and prior period adjustments to correct errors. See the Instructions for Form 941 (or the Instructions for Form 944) and the Instructions for Form 941c, Supporting Statement to Correct Information, for more information on how to report these adjustments.

Current Period Adjustments

In certain cases, amounts reported as social security and Medicare taxes in column 2 of lines 5a, 5b, and 5c of Form 941 (column 2 of lines 4a, 4b, and 4c for Form 944) must be adjusted to arrive at your correct tax liability (for example, excluding amounts withheld by a third-party payor or amounts you were not required to withhold). Current period adjustments are reported on lines 7a, 7b, and 7c of Form 941 (line 6a of Form 944) and include the following:

Adjustment of tax on tips. If, by the 10th of the month after the month you received an employee’s report on tips, you do not have enough employee funds available to withhold the employee’s share of social security and Medicare taxes, you no longer have to collect it. However, report the entire amount of these tips on lines 5b (social security tips) and 5c (Medicare wages and tips) (lines 4b and 4c of Form 944). Include as a negative adjustment on line 7c (line 6a of Form 944) 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 on group-term life insurance over $50,000 for a former employee is paid by the former employee with his or her tax return and is not collected by the employer. However, include all social security and Medicare taxes for such coverage on lines 5a and 5c (social security and Medicare taxes) (lines 4a and 4c of Form 944), and back out the amount of the employee share of these taxes as a negative adjustment on line 7c (line 6a of Form 944). See Publication 15-B for more information on group-term life insurance.

Adjustment of tax on third-party sick pay. Report both the employer and employee shares of social security and Medicare taxes for sick pay on lines 5a and 5c of Form 941 (lines 4a and 4c of Form 944). Show as a negative adjustment on line 7b (line 6a of Form 944) the social security and Medicare taxes withheld on sick pay by a third-party payor. See section 6 of Publication 15-A for more information.

Fractions-of-cents adjustment. If there is a small difference between total taxes after adjustment for advance EIC (line 10) (line 9 of Form 944) and total deposits (line 11) (line 10 of Form 944), it may have been caused, all or in part, by rounding to the nearest cent each time you computed payroll. This rounding occurs when you figure the amount of social security and Medicare tax 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 944) instead of making deposits because your total taxes for the quarter (year for Form 944) are less than $2,500, you also may report a fractions-of-cents adjustment.

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

- Social security tax (reported on lines 5a, column 1, and 5b, column 1) (or lines 4a and 4b of column 1 on Form 944) by 6.2% (.062) and
- Medicare tax (reported on line 5c, column 1) (line 4c of column 1 on Form 944) by 1.45% (.0145).

Compare these amounts (the employee share of social security and Medicare taxes) with the total social security and Medicare taxes actually withheld from employees for the quarter (from your payroll records). The difference, positive or negative, is your fractions-of-cents adjustment to be reported on line 7a (line 6a of Form 944). If the actual amount withheld is less, report a negative adjustment using a minus sign (if possible) in the entry space. If the actual amount is more, report a positive adjustment.

TIP *For the above adjustments, prepare and retain a brief supporting statement explaining the nature and amount of each. Do not attach the statement to Form 941 or Form 944.*

Example. Cedar, Inc. was entitled to the following current period adjustments.

- **Third-party sick pay.** Cedar, Inc. included taxes of $2,000 for sick pay on lines 5a, column 2 and 5c, column 2 for social security and Medicare taxes. However, the third-party payor 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 line 7b.
- **Fractions of cents.** Cedar, Inc. determined that 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 on lines 5a, column 2, 5b, column 2, and 5c, column 2 (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 line 7a.
- **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 share of these taxes with the social security and Medicare taxes reported on lines 5a, column 2 and 5c, column 2 of Form 941. Therefore, Cedar, Inc. is entitled to a negative $200 adjustment on line 7c.

Current Period Adjustment Example (Form 941)

7 TAX ADJUSTMENTS (Read the instructions for line 7 before completing lines 7a through 7h.):

7a Current quarter's fractions of cents	1.44	
7b Current quarter's sick pay	-1000.00	
7c Current quarter's adjustments for tips and group-term life insurance	-200.00	
7d Current year's income tax withholding (Attach Form 941c) . . .	.	
7e Prior quarter's social security and Medicare taxes (Attach Form 941c)	.	
7f Special additions to federal income tax (Attach Form 941c) . . .	.	
7g Special additions to social security and Medicare (Attach Form 941c)	.	
7h TOTAL ADJUSTMENTS (Combine all amounts: lines 7a through 7g.) **7h**		-1198.56

Cedar, Inc. reported these adjustments on line 7 of Form 941 as shown in the *Current Period Adjustment Example* on page 27.

No change to record of federal tax liability. Do not make any changes to your record of federal tax liability reported on line 15 or Schedule B (Form 941) (line 13 or Form 945-A for Form 944 filers) 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 lines 5a, column 2, 5b, column 2, and 5c, column 2 of Form 941 (lines 4a, 4b, and 4c of column 2 for Form 944) 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

Generally, you can correct errors on prior period Forms 941 by making an adjustment on your Form 941 (or Form 944) for the quarter (year for Form 944) during which the error was discovered. For example, if you made an error in reporting social security tax on your second quarter 2007 Form 941 and discovered the error during March 2008, correct the error by making an adjustment on your first quarter 2008 Form 941.

The adjustment increases or decreases your tax liability for the quarter in which it is reported (that is, the quarter the error is discovered) and is interest-free. The net adjustments reported on Form 941 or Form 944 may include any number of corrections for one or more previous return periods, including both overpayments and underpayments.

You are required to provide background information and certifications supporting prior quarter adjustments. File Form 941c with Form 941 or Form 944, or attach a statement that shows:

- What the error was,
- Period in which the error was made,
- The amount of the error for each period,
- Date on which you found the error,
- That you repaid the employee tax or reimbursed the employee, if the entry corrects an overcollection, and
- If the entry corrects social security and Medicare taxes overcollected in an earlier year, that you received from the employee a written statement that he or she will not claim a refund or credit for the amount.

Do not file Form 941c separately. The IRS will not be able to process your adjustments on Form 941 or Form 944 without this supporting information. See the instructions for Form 941c for more information.

Income tax withholding adjustments. Correct prior quarter income tax withholding errors by making an adjustment on line 7d of Form 941 for the quarter during which you discovered the error.

You may make an adjustment to correct income tax withholding errors only for quarters during the same calendar year. This is because the employee uses the amount shown on Form W-2 as a credit when filing his or her income tax return (Form 1040, etc.).

You cannot adjust amounts reported as income tax withheld in a prior calendar year unless it is to correct an administrative error. An administrative error occurs if the amount you entered on Form 941 or Form 944 is not the amount you actually withheld. For example, if the total income tax actually withheld was incorrectly reported on Form 941 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 or Form 944 to agree with the amount actually withheld from employees.

Social security and Medicare tax adjustments. Correct prior quarter social security and Medicare tax errors by making an adjustment on line 7e of Form 941 (line 6c of Form 944) for the quarter during which you discovered the error. You may report adjustments on the current quarter Form 941 for previous quarters in the current and prior years; the current year Form 944 for previous years.

Reporting prior quarter adjustments on the record of federal tax liability. Adjustments to correct errors in prior quarters or years must be taken into account on either Form 941, line 15, or on Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors (or Form 944, line 13 or on Form 945-A).

If the adjustment corrects an underreported liability in a prior period, report the adjustment on the entry space corresponding to the date the error was discovered. If the adjustment corrects an overreported liability, use the adjustment amount as a credit to offset subsequent liabilities until it is used up.

Example of reporting prior period adjustments. Elm Co., a monthly schedule depositor, discovered on January

Prior Period Adjustment Example

15 Check one: ☐ **Line 10 is less than $2,500, go to Part 3.**

☑ **You were a monthly schedule depositor for the entire quarter. Fill out your tax liability for each month.** Then go to Part 3.

Tax liability:	**Month 1**	-0- .
	Month 2	4000.00
	Month 3	4500.00
	Total	8500.00 **Total must equal line 10.**

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

8, 2008, that it overreported social security tax on a prior quarter return by $5,000. Its total tax liabilities for the first quarter of 2007 were: January—$4,500, February—$4,500, and March—$4,500. Elm Co. completed line 15 of Form 941 as shown in the *Prior Period Adjustment Example* on page 28.

The adjustment for the $5,000 overreported liability offset the January liability, so the $4,500 liability was not deposited and a "-0-" liability was reported on line 15, Month 1. The remaining $500 of the $5,000 adjustment credit was used to partially offset the liability for February, so only $4,000 of the $4,500 liability was deposited and reported on line 15, Month 2.

Filing a claim for overreported prior period liabilities. If you discover an error on a prior quarter return resulting in a tax overpayment, you may file Form 843, Claim for Refund and Request for Abatement, for a refund. This form also can be used to request an abatement of an overassessment of employment taxes, interest, and/or penalties. You must file Form 941c, or an equivalent statement, with Form 843. See the Instructions for Form 843.

Collecting underwithheld taxes from employees. If you withheld no income, social security, or Medicare taxes or less than the correct amount from an employee's wages, you can make it up from later pay to that employee. But you are the one who owes the underpayment. Reimbursement is a matter for settlement between you and the employee. Underwithheld income 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 taxes from wages paid, repay or reimburse the employee the excess. Any excess income 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 did not repay or reimburse the employee, you must report and pay each excess amount when you file Form 941 for the quarter (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 social security and Medicare taxes because of a change in the wage totals reported for a previous year, you also may need to file Form W-2c, Corrected Wage and Tax Statement, and Form W-3c, Transmittal of Corrected Wage and Tax Statements, with the SSA. Up to five Forms W-2c per Form W-3c may now be filed per session over the Internet, with no limit on the number of sessions. For more information, visit the Social Security Administration's Employer W-2 Filing Instructions & Information webpage at *www.socialsecurity.gov/employer*.

Special additions to tax liability. Form 941 includes lines (lines 7f and 7g) (lines 6d and 6e on Form 944) to report special additions to federal income tax and social security and Medicare tax. However, these lines are specifically reserved for special circumstances and are to be used only if the IRS sends the employer a notice instructing the employer to use them.

Wage Repayments

If an employee repays you for wages received in error, do not 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 to recover income tax withholding and social security and Medicare taxes for the repaid wages (as discussed earlier). Report the adjustments on Form 941 for the quarter during which the repayment occurred.

Repayment of prior year wages. If you receive repayments for wages paid during a prior year, report an adjustment on the Form 941 or Form 944 for the period during which the repayment was made to recover the social security and Medicare taxes. Instead of making an adjustment on Form 941 or Form 944, you may file a claim for these taxes using Form 843. You may not make an adjustment for income tax withholding because the wages were paid during a prior year.

You also must file Forms W-2c and W-3c with the SSA to correct social security and Medicare wages and taxes. Do not 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 is not entitled to file an amended return (Form 1040X) to recover the income tax on these wages. Instead, the employee is entitled to a deduction (or credit in some cases) for the repaid wages on his or her income tax return for the year of repayment.

14. Federal Unemployment (FUTA) Tax

The Federal Unemployment Tax Act (FUTA), with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. A list of state unemployment agencies, including addresses and phone numbers, is available in the Instructions for Form 940. Only the employer pays FUTA tax; it is not withheld from the employee's wages. For more information, see the Instructions for Form 940.

TIP *Services rendered after December 20, 2000, 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 Internal Revenue Code section 3309(d).*

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 are subject to FUTA tax on the wages that you pay to employees in that category during the current calendar year.

1. **General test.**

   You are subject to FUTA tax in 2008 on the wages that you pay employees who are not farmworkers or household workers if in the current or preceding calendar year:

   a. You paid wages of $1,500 or more in any calendar quarter in 2007 or 2008, or

   b. You had one or more employees for at least some part of a day in any 20 or more different weeks in 2007 or 20 or more different weeks in 2008.

2. **Household employees test.**
   You are subject to FUTA tax if you paid total cash wages of $1,000 or more to household employees in any calendar quarter in 2007 or 2008. 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 are subject to FUTA tax on the wages that you pay to farmworkers if:
   a. You paid cash wages of $20,000 or more to farmworkers during any calendar quarter in 2007 or 2008, 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 2007 or 20 or more different weeks in 2008.

Computing FUTA tax. For 2007 and 2008, the FUTA tax rate is 6.2%. The tax applies to the first $7,000 that 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 that you paid into state unemployment funds. This credit cannot be more than 5.4% of taxable wages. If you are entitled to the maximum 5.4% credit, the FUTA tax rate after the credit is 0.8%.

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 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 .008 (0.8%). Stop depositing FUTA tax on an employee's wages when he or she reaches $7,000 in taxable wages for the calendar year. If any part of the wages subject to FUTA is exempt from state unemployment tax, you may have to deposit more than the tax using the 0.8% rate. For example, in certain states, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits are exempt from state unemployment tax.

If your FUTA tax liability for a quarter is $500 or less, you do not 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 in 2008 is over $500 (including any FUTA tax carried forward from an earlier quarter), you must deposit the tax using EFTPS or at an authorized financial institution using Form 8109. See section 11 for information on these two deposit methods.

Household employees. You are not required to deposit FUTA taxes for household employees unless you report their wages on Form 941, Form 944, or Form 943. See Publication 926, Household Employer's Tax Guide, 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 (below) for making your deposit falls on a Saturday, Sunday, or legal holiday, you may make your deposit on the next business day.

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 make a deposit, pay the tax with a major credit card, or pay the tax with your Form 940 by January 31.

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, Employer's Annual Federal Unemployment (FUTA) Tax Return, to report FUTA tax. File Form 940 by January 31, 2008. However, if you deposited all FUTA tax when due, you may file on or before February 11, 2008. The IRS will mail a preaddressed Form 940 to you if you filed a return for the year before. If you do not receive Form 940, you can get a form by calling 1-800-TAX-FORM (1-800-829-3676).

Household employees. If you did not report employment taxes for household employees on Form 941, Form 944, or Form 943, report FUTA tax for these employees on Schedule H (Form 1040), Household Employment Taxes. See Publication 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 the *Reporting Agent* discussion in section 7 of Publication 15-A.

15. Special Rules for Various Types of Services and Payments

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

Special Classes of Employment and Special Types of Payments	Treatment Under Employment Taxes		
	Income Tax Withholding	**Social Security and Medicare**	**Federal Unemployment**
Aliens, nonresident.	See pages 14 and 16 and Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Publication 519, U.S. Tax Guide for Aliens.		
Aliens, resident			
1. Service performed in the U.S.	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 U.S.)	Same as U.S. citizen.
2. Service performed outside U.S.	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.	Exempt unless on or in connection with an American vessel or aircraft and either performed under contract made in U.S., or alien is employed on such vessel or aircraft when it touches U.S. port.
Cafeteria plan benefits under section 125.	If employee chooses cash, subject to all employment taxes. If employee chooses another benefit, the treatment is the same as if the benefit was provided outside the plan. See Publication 15-B for more information.		
Deceased worker:			
1. Wages paid to beneficiary or estate in same calendar year as worker's death. See the 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 (limited to $5,000; $2,500 if married filing separately).	Exempt to the extent that it is reasonable to believe that amounts are excludable from gross income under section 129.		
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 did not perform any service for employer during 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 page 10 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 son's or daughter'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.	See Publication 334, Tax Guide for Small Business.		
Foreign governments and international organizations.	Exempt	Exempt	Exempt

Special Classes of Employment and Special Types of Payments	Treatment Under Employment Taxes		
	Income Tax Withholding	**Social Security and Medicare**	**Federal Unemployment**
Foreign service by U.S. citizens:			
1. As U.S. government employees.	Withhold	Same as within U.S.	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 U.S. 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 U.S. has an agreement for unemployment compensation) or in the U.S. Virgin Islands.
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 Publication 15-B for details.		
Government employment:			
State/local governments and political subdivisions, employees of:			
1. Salaries and wages (includes payments to most elected and appointed officials.) See Chapter 3 of Publication 963, Federal-State Reference Guide.	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 3/31/86 who are not covered under a section 218 agreement or the mandatory social security provisions, unless specifically excluded by law. See Publication 963.	Exempt
2. 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 $600 or more even if no social security, or Medicare taxes were withheld.	Exempt	Taxable if paid $1,400 or more in 2008 (lesser amount if specified by a section 218 social security agreement). See Rev. Rul. 2000-6.	Exempt
3. Emergency workers. Emergency workers who were hired on a temporary basis in response to a specific unforeseen emergency and are not 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
U.S. federal government employees	Withhold	Taxable for Medicare. Taxable for social security unless hired before 1984. See IRC 3121(b)(5).	Exempt

Special Classes of Employment and Special Types of Payments	Treatment Under Employment Taxes		
	Income Tax Withholding	**Social Security and Medicare**	**Federal Unemployment**
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
Household employees:			
1. Domestic service in private homes. Farmers, see Publication 51 (Circular A).	Exempt (withhold if both employer and employee agree).	Taxable if paid $1,600 or more in cash in 2008. Exempt if performed by an individual under age 18 during any portion of the calendar year and is not 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 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 Publication 15-B for details	Exempt	Exempt, except for the cost of group-term life insurance that is 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 Publication 15-A.		
Leave-sharing plans: Amounts paid to an employee under a leave-sharing plan.	Withhold	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 Publication 15-A for information on statutory nonemployee status.	Exempt (withhold if both employer and employee voluntarily agree).	Exempt	Exempt

Special Classes of Employment and Special Types of Payments	Treatment Under Employment Taxes		
	Income Tax Withholding	**Social Security and Medicare**	**Federal Unemployment**
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 $1,000,000.	Taxable	Taxable
Nonprofit organizations.	See Publication 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 1120S.	Withhold	Taxable	Taxable
Partners: Payments to general or limited partners of a partnership. See Publication 541, Partnerships, for partner reporting rules.	Exempt	Exempt	Exempt
Railroads: Payments subject to the Railroad Retirement Act.	Withhold	Exempt	Exempt
Religious exemptions.	See Publication 15-A and Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers.		
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 (for example, 401(k)).	Generally exempt, but see section 402(g) for limitation.	Taxable	Taxable
3. Employer contributions to individual retirement accounts under simplified employee pension plan (SEP).	Generally exempt, but see section 402(g) for salary reduction SEP limitation.	Exempt, except for amounts contributed under a salary reduction SEP agreement.	
4. Employer contributions to section 403(b) annuities.	Generally exempt, but see section 402(g) for limitation.	Taxable if paid through a salary reduction agreement (written or otherwise).	
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 Publication 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 is not a direct rollover; exempt for direct rollover. See Publication 15-A.	Exempt	Exempt
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 Publication 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* on next page.	
Severance or dismissal pay.	Withhold	Taxable	Taxable

Special Classes of Employment and Special Types of Payments	Treatment Under Employment Taxes		
	Income Tax Withholding	**Social Security and Medicare**	**Federal Unemployment**
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 Publication 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:			
a. Private school, college, or university	Withhold	Exempt	Exempt
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 Publication 519.	
Supplemental unemployment compensation plan benefits.	Withhold	Exempt under certain conditions. See Publication 15-A.	
Tips:			
1. If $20 or more in a month.	Withhold	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
Worker's compensation.	Exempt	Exempt	Exempt

16. How To Use the Income Tax Withholding and Advance Earned Income Credit (EIC) Payment Tables

Income Tax Withholding

There are several ways to figure income tax withholding. The following methods of withholding are based on the information that you get from your employees on Form W-4. See section 9 for more information on Form W-4.

Wage Bracket Method

Under the wage bracket method, find the proper table (on pages 40-59) for your payroll period and the employee's marital status as shown on his or her Form W-4. Then, based on the number of withholding allowances claimed on the Form W-4 and the amount of wages, find the amount of federal tax to withhold. If your employee is claiming more than 10 withholding allowances, see below.

If you cannot use the wage bracket tables because wages exceed the amount shown in the last bracket of the table, use the percentage method of withholding described below. Be sure to reduce wages by the amount of total withholding allowances in Table 5 on this page before using the percentage method tables (pages 38-39).

Adjusting wage bracket withholding for employees claiming more than 10 withholding allowances. The wage bracket tables can be used if an employee claims up to 10 allowances. More than 10 allowances may be claimed because of the special withholding allowance, additional allowances for deductions and credits, and the system itself.

Adapt the tables to more than 10 allowances as follows:

1. Multiply the number of withholding allowances over 10 by the allowance value for the payroll period. The allowance values are in *Table 5, Percentage Method—2008 Amount for One Withholding Allowance* later.
2. Subtract the result from the employee's wages.
3. On this amount, find and withhold the tax in the column for 10 allowances.

This is a voluntary method. If you use the wage bracket tables, you may continue to withhold the amount in the "10" column when your employee has more than 10 allowances, using the method above. You can also use any other method described below.

Percentage Method

If you do not want to use the wage bracket tables on pages 40-59 to figure how much income tax to withhold, you can use a percentage computation based on Table 5 below and the appropriate rate table. This method works for any number of withholding allowances the employee claims and any amount of wages.

Use these steps to figure the income tax to withhold under the percentage method.

1. Multiply one withholding allowance for your payroll period (see Table 5 below) by the number of allowances that the employee claims.
2. Subtract that amount from the employee's wages.
3. Determine the amount to withhold from the appropriate table on page 38 or 39.

Table 5. **Percentage Method—2008 Amount for One Withholding Allowance**

Payroll Period	One Withholding Allowance
Weekly	$ 67.31
Biweekly	134.62
Semimonthly	145.83
Monthly	291.67
Quarterly	875.00
Semiannually	1,750.00
Annually	3,500.00
Daily or miscellaneous (each day of the payroll period)	13.46

Example. An unmarried employee is paid $600 weekly. This employee has in effect a Form W-4 claiming two withholding allowances. Using the percentage method, figure the income tax to withhold as follows:

1.	Total wage payment		$600.00
2.	One allowance	$67.31	
3.	Allowances claimed on Form W-4	2	
4.	Multiply line 2 by line 3		$134.62
5	Amount subject to withholding (subtract line 4 from line 1)		$465.38
6.	Tax to be withheld on $465.38 from Table 1—single person, page 38		$ 54.81

To figure the income tax to withhold, you may reduce the last digit of the wages to zero, or figure the wages to the nearest dollar.

Annual income tax withholding. Figure the income tax to withhold on annual wages under the *Percentage Method* for an annual payroll period. Then prorate the tax back to the payroll period.

Example. A married person claims four withholding allowances. She is paid $1,000 a week. Multiply the weekly wages by 52 weeks to figure the annual wage of $52,000. Subtract $14,000 (the value of four withholding allowances for 2008) for a balance of $38,000. Using the table for the annual payroll period on page 39, $3,722.50 is withheld. Divide the annual tax by 52. The weekly income tax to withhold is $71.59.

Alternative Methods of Income Tax Withholding

Rather than the *Wage Bracket Method* or *Percentage Method* described above, you can use an alternative method to withhold income tax. Publication 15-A describes these alternative methods and contains:

- Formula tables for percentage method withholding (for automated payroll systems),
- Wage bracket percentage method tables (for automated payroll systems), and
- Combined income, social security, and Medicare tax withholding tables.

Some of the alternative methods explained in Publication 15-A are annualized wages, average estimated wages, cumulative wages, and part-year employment.

Advance Payment Methods for the Earned Income Credit (EIC)

To figure the advance EIC payment, you may use either the *Wage Bracket Method* or the *Percentage Method* as explained below. You may use other methods for figuring advance EIC payments if the amount of the payment is about the same as it would be using tables in this booklet. See the tolerances allowed in the chart in section 9 of Publication 15-A. See also section 10 in this booklet for an explanation of the advance payment of the EIC.

The number of withholding allowances that an employee claims on Form W-4 is not used in figuring the advance EIC payment. Nor does it matter that the employee has claimed exemption from income tax withholding on Form W-4.

Wage Bracket Method

If you use the wage bracket tables on pages 62-67, figure the advance EIC payment as follows.

Find the employee's gross wages before any deductions using the appropriate table. There are different tables for (a) single or head of household, (b) married without spouse filing certificate, and (c) married with both spouses filing certificates. Determine the amount of the advance EIC payment shown in the appropriate table for the amount of wages paid.

Percentage Method

If you do not want to use the wage bracket tables to figure how much to include in an employee's wages for the advance EIC payment, you can use the percentage method based on the appropriate rate table on pages 60 and 61.

Find the employee's gross wages before any deductions in the appropriate table on pages 60 and 61. There are different tables for (a) single or head of household, (b) married without spouse filing certificate, and (c) married with both spouses filing certificates. Find the advance EIC payment shown in the appropriate table for the amount of wages paid.

Whole-Dollar Withholding and Paying Advance EIC (Rounding)

The income tax withholding amounts in the Wage Bracket Tables (pages 40-59) have been rounded to whole-dollar amounts.

When employers use the Percentage Method (pages 38-39) or an alternative method of income tax withholding, the tax for the pay period may be rounded to the nearest dollar.

The Wage Bracket Tables for advance EIC payments (pages 62-67) have also been rounded to whole-dollar amounts. If you use the Tables for Percentage Method of Advance EIC Payments (pages 60-61), the payments may be rounded to the nearest dollar.

Tables for Percentage Method of Withholding

(For Wages Paid in 2008)

TABLE 1—WEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $51 . . . . $0

Over—	But not over—		of excess over—
$51	—$198	10%	—$51
$198	—$653	$14.70 plus 15%	—$198
$653	—$1,533	$82.95 plus 25%	—$653
$1,533	—$3,202	$302.95 plus 28%	—$1,533
$3,202	—$6,916	$770.27 plus 33%	—$3,202
$6,916	. . . .	$1,995.89 plus 35%	—$6,916

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $154 . . . . $0

Over—	But not over—		of excess over—
$154	—$453	10%	—$154
$453	—$1,388	$29.90 plus 15%	—$453
$1,388	—$2,651	$170.15 plus 25%	—$1,388
$2,651	—$3,994	$485.90 plus 28%	—$2,651
$3,994	—$7,021	$861.94 plus 33%	—$3,994
$7,021	. . . .	$1,860.85 plus 35%	—$7,021

TABLE 2—BIWEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $102 . . . . $0

Over—	But not over—		of excess over—
$102	—$396	10%	—$102
$396	—$1,306	$29.40 plus 15%	—$396
$1,306	—$3,066	$165.90 plus 25%	—$1,306
$3,066	—$6,404	$605.90 plus 28%	—$3,066
$6,404	—$13,833	$1,540.54 plus 33%	—$6,404
$13,833	. . . .	$3,992.11 plus 35%	—$13,833

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $308 . . . . $0

Over—	But not over—		of excess over—
$308	—$906	10%	—$308
$906	—$2,775	$59.80 plus 15%	—$906
$2,775	—$5,302	$340.15 plus 25%	—$2,775
$5,302	—$7,988	$971.90 plus 28%	—$5,302
$7,988	—$14,042	$1,723.98 plus 33%	—$7,988
$14,042	. . . .	$3,721.80 plus 35%	—$14,042

TABLE 3—SEMIMONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $110 . . . . $0

Over—	But not over—		of excess over—
$110	—$429	10%	—$110
$429	—$1,415	$31.90 plus 15%	—$429
$1,415	—$3,322	$179.80 plus 25%	—$1,415
$3,322	—$6,938	$656.55 plus 28%	—$3,322
$6,938	—$14,985	$1,669.03 plus 33%	—$6,938
$14,985	. . . .	$4,324.54 plus 35%	—$14,985

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $333 . . . . $0

Over—	But not over—		of excess over—
$333	—$981	10%	—$333
$981	—$3,006	$64.80 plus 15%	—$981
$3,006	—$5,744	$368.55 plus 25%	—$3,006
$5,744	—$8,654	$1,053.05 plus 28%	—$5,744
$8,654	—$15,213	$1,867.85 plus 33%	—$8,654
$15,213	. . . .	$4,032.32 plus 35%	—$15,213

TABLE 4—MONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $221 . . . . $0

Over—	But not over—		of excess over—
$221	—$858	10%	—$221
$858	—$2,830	$63.70 plus 15%	—$858
$2,830	—$6,644	$359.50 plus 25%	—$2,830
$6,644	—$13,875	$1,313.00 plus 28%	—$6,644
$13,875	—$29,971	$3,337.68 plus 33%	—$13,875
$29,971	. . . .	$8,649.36 plus 35%	—$29,971

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $667 . . . . $0

Over—	But not over—		of excess over—
$667	—$1,963	10%	—$667
$1,963	—$6,013	$129.60 plus 15%	—$1,963
$6,013	—$11,488	$737.10 plus 25%	—$6,013
$11,488	—$17,308	$2,105.85 plus 28%	—$11,488
$17,308	—$30,425	$3,735.45 plus 33%	—$17,308
$30,425	. . . .	$8,064.06 plus 35%	—$30,425

Tables for Percentage Method of Withholding (continued)

(For Wages Paid in 2008)

TABLE 5—QUARTERLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $663 . . . . $0

Over—	But not over—		of excess over—
$663	—$2,575	10%	—$663
$2,575	—$8,490	$191.20 plus 15%	—$2,575
$8,490	—$19,931	$1,078.45 plus 25%	—$8,490
$19,931	—$41,625	$3,938.70 plus 28%	—$19,931
$41,625	—$89,913	$10,013.02 plus 33%	—$41,625
$89,913		$25,948.06 plus 35%	—$89,913

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $2,000 . . . . $0

Over—	But not over—		of excess over—
$2,000	—$5,888	10%	—$2,000
$5,888	—$18,038	$388.80 plus 15%	—$5,888
$18,038	—$34,463	$2,211.30 plus 25%	—$18,038
$34,463	—$51,925	$6,317.55 plus 28%	—$34,463
$51,925	—$91,275	$11,206.91 plus 33%	—$51,925
$91,275		$24,192.41 plus 35%	—$91,275

TABLE 6—SEMIANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $1,325 . . . . $0

Over—	But not over—		of excess over—
$1,325	—$5,150	10%	—$1,325
$5,150	—$16,980	$382.50 plus 15%	—$5,150
$16,980	—$39,863	$2,157.00 plus 25%	—$16,980
$39,863	—$83,250	$7,877.75 plus 28%	—$39,863
$83,250	—$179,825	$20,026.11 plus 33%	—$83,250
$179,825		$51,895.86 plus 35%	—$179,825

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $4,000 . . . . $0

Over—	But not over—		of excess over—
$4,000	—$11,775	10%	—$4,000
$11,775	—$36,075	$777.50 plus 15%	—$11,775
$36,075	—$68,925	$4,422.50 plus 25%	—$36,075
$68,925	—$103,850	$12,635.00 plus 28%	—$68,925
$103,850	—$182,550	$22,414.00 plus 33%	—$103,850
$182,550		$48,385.00 plus 35%	—$182,550

TABLE 7—ANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $2,650 . . . . $0

Over—	But not over—		of excess over—
$2,650	—$10,300	10%	—$2,650
$10,300	—$33,960	$765.00 plus 15%	—$10,300
$33,960	—$79,725	$4,314.00 plus 25%	—$33,960
$79,725	—$166,500	$15,755.25 plus 28%	—$79,725
$166,500	—$359,650	$40,052.25 plus 33%	—$166,500
$359,650		$103,791.75 plus 35%	—$359,650

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over $8,000 . . . . $0

Over—	But not over—		of excess over—
$8,000	—$23,550	10%	—$8,000
$23,550	—$72,150	$1,555.00 plus 15%	—$23,550
$72,150	—$137,850	$8,845.00 plus 25%	—$72,150
$137,850	—$207,700	$25,270.00 plus 28%	—$137,850
$207,700	—$365,100	$44,828.00 plus 33%	—$207,700
$365,100		$96,770.00 plus 35%	—$365,100

TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is: The amount of income tax to withhold per day is:

Not over $10.20 . . . . $0

Over—	But not over—		of excess over—
$10.20	—$39.60	10%	—$10.20
$39.60	—$130.60	$2.94 plus 15%	—$39.60
$130.60	—$306.60	$16.59 plus 25%	—$130.60
$306.60	—$640.40	$60.59 plus 28%	—$306.60
$640.40	—$1,383.30	$154.05 plus 33%	—$640.40
$1,383.30		$399.21 plus 35%	—$1,383.30

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is: The amount of income tax to withhold per day is:

Not over $30.80 . . . . $0

Over—	But not over—		of excess over—
$30.80	—$90.60	10%	—$30.80
$90.60	—$277.50	$5.98 plus 15%	—$90.60
$277.50	—$530.20	$34.02 plus 25%	—$277.50
$530.20	—$798.80	$97.20 plus 28%	—$530.20
$798.80	—$1,404.20	$172.41 plus 33%	—$798.80
$1,404.20		$372.19 plus 35%	—$1,404.20

SINGLE Persons—**WEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$55**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
55	**60**	1	0	0	0	0	0	0	0	0	0	0
60	**65**	1	0	0	0	0	0	0	0	0	0	0
65	**70**	2	0	0	0	0	0	0	0	0	0	0
70	**75**	2	0	0	0	0	0	0	0	0	0	0
75	**80**	3	0	0	0	0	0	0	0	0	0	0
80	**85**	3	0	0	0	0	0	0	0	0	0	0
85	**90**	4	0	0	0	0	0	0	0	0	0	0
90	**95**	4	0	0	0	0	0	0	0	0	0	0
95	**100**	5	0	0	0	0	0	0	0	0	0	0
100	**105**	5	0	0	0	0	0	0	0	0	0	0
105	**110**	6	0	0	0	0	0	0	0	0	0	0
110	**115**	6	0	0	0	0	0	0	0	0	0	0
115	**120**	7	0	0	0	0	0	0	0	0	0	0
120	**125**	7	0	0	0	0	0	0	0	0	0	0
125	**130**	8	1	0	0	0	0	0	0	0	0	0
130	**135**	8	1	0	0	0	0	0	0	0	0	0
135	**140**	9	2	0	0	0	0	0	0	0	0	0
140	**145**	9	2	0	0	0	0	0	0	0	0	0
145	**150**	10	3	0	0	0	0	0	0	0	0	0
150	**155**	10	3	0	0	0	0	0	0	0	0	0
155	**160**	11	4	0	0	0	0	0	0	0	0	0
160	**165**	11	4	0	0	0	0	0	0	0	0	0
165	**170**	12	5	0	0	0	0	0	0	0	0	0
170	**175**	12	5	0	0	0	0	0	0	0	0	0
175	**180**	13	6	0	0	0	0	0	0	0	0	0
180	**185**	13	6	0	0	0	0	0	0	0	0	0
185	**190**	14	7	0	0	0	0	0	0	0	0	0
190	**195**	14	7	1	0	0	0	0	0	0	0	0
195	**200**	15	8	1	0	0	0	0	0	0	0	0
200	**210**	16	9	2	0	0	0	0	0	0	0	0
210	**220**	17	10	3	0	0	0	0	0	0	0	0
220	**230**	19	11	4	0	0	0	0	0	0	0	0
230	**240**	20	12	5	0	0	0	0	0	0	0	0
240	**250**	22	13	6	0	0	0	0	0	0	0	0
250	**260**	23	14	7	0	0	0	0	0	0	0	0
260	**270**	25	15	8	1	0	0	0	0	0	0	0
270	**280**	26	16	9	2	0	0	0	0	0	0	0
280	**290**	28	18	10	3	0	0	0	0	0	0	0
290	**300**	29	19	11	4	0	0	0	0	0	0	0
300	**310**	31	21	12	5	0	0	0	0	0	0	0
310	**320**	32	22	13	6	0	0	0	0	0	0	0
320	**330**	34	24	14	7	0	0	0	0	0	0	0
330	**340**	35	25	15	8	1	0	0	0	0	0	0
340	**350**	37	27	17	9	2	0	0	0	0	0	0
350	**360**	38	28	18	10	3	0	0	0	0	0	0
360	**370**	40	30	20	11	4	0	0	0	0	0	0
370	**380**	41	31	21	12	5	0	0	0	0	0	0
380	**390**	43	33	23	13	6	0	0	0	0	0	0
390	**400**	44	34	24	14	7	1	0	0	0	0	0
400	**410**	46	36	26	15	8	2	0	0	0	0	0
410	**420**	47	37	27	17	9	3	0	0	0	0	0
420	**430**	49	39	29	18	10	4	0	0	0	0	0
430	**440**	50	40	30	20	11	5	0	0	0	0	0
440	**450**	52	42	32	21	12	6	0	0	0	0	0
450	**460**	53	43	33	23	13	7	0	0	0	0	0
460	**470**	55	45	35	24	14	8	1	0	0	0	0
470	**480**	56	46	36	26	16	9	2	0	0	0	0
480	**490**	58	48	38	27	17	10	3	0	0	0	0
490	**500**	59	49	39	29	19	11	4	0	0	0	0
500	**510**	61	51	41	30	20	12	5	0	0	0	0
510	**520**	62	52	42	32	22	13	6	0	0	0	0
520	**530**	64	54	44	33	23	14	7	0	0	0	0
530	**540**	65	55	45	35	25	15	8	1	0	0	0
540	**550**	67	57	47	36	26	16	9	2	0	0	0
550	**560**	68	58	48	38	28	18	10	3	0	0	0
560	**570**	70	60	50	39	29	19	11	4	0	0	0
570	**580**	71	61	51	41	31	21	12	5	0	0	0
580	**590**	73	63	53	42	32	22	13	6	0	0	0
590	**600**	74	64	54	44	34	24	14	7	1	0	0

SINGLE Persons—**WEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$600	**$610**	$76	$66	$56	$45	$35	$25	$15	$8	$2	$0	$0
610	**620**	77	67	57	47	37	27	17	9	3	0	0
620	**630**	79	69	59	48	38	28	18	10	4	0	0
630	**640**	80	70	60	50	40	30	20	11	5	0	0
640	**650**	82	72	62	51	41	31	21	12	6	0	0
650	**660**	83	73	63	53	43	33	23	13	7	0	0
660	**670**	86	75	65	54	44	34	24	14	8	1	0
670	**680**	88	76	66	56	46	36	26	16	9	2	0
680	**690**	91	78	68	57	47	37	27	17	10	3	0
690	**700**	93	79	69	59	49	39	29	19	11	4	0
700	**710**	96	81	71	60	50	40	30	20	12	5	0
710	**720**	98	82	72	62	52	42	32	22	13	6	0
720	**730**	101	84	74	63	53	43	33	23	14	7	0
730	**740**	103	87	75	65	55	45	35	25	15	8	1
740	**750**	106	89	77	66	56	46	36	26	16	9	2
750	**760**	108	92	78	68	58	48	38	28	17	10	3
760	**770**	111	94	80	69	59	49	39	29	19	11	4
770	**780**	113	97	81	71	61	51	41	31	20	12	5
780	**790**	116	99	83	72	62	52	42	32	22	13	6
790	**800**	118	102	85	74	64	54	44	34	23	14	7
800	**810**	121	104	87	75	65	55	45	35	25	15	8
810	**820**	123	107	90	77	67	57	47	37	26	16	9
820	**830**	126	109	92	78	68	58	48	38	28	18	10
830	**840**	128	112	95	80	70	60	50	40	29	19	11
840	**850**	131	114	97	81	71	61	51	41	31	21	12
850	**860**	133	117	100	83	73	63	53	43	32	22	13
860	**870**	136	119	102	85	74	64	54	44	34	24	14
870	**880**	138	122	105	88	76	66	56	46	35	25	15
880	**890**	141	124	107	90	77	67	57	47	37	27	17
890	**900**	143	127	110	93	79	69	59	49	38	28	18
900	**910**	146	129	112	95	80	70	60	50	40	30	20
910	**920**	148	132	115	98	82	72	62	52	41	31	21
920	**930**	151	134	117	100	84	73	63	53	43	33	23
930	**940**	153	137	120	103	86	75	65	55	44	34	24
940	**950**	156	139	122	105	89	76	66	56	46	36	26
950	**960**	158	142	125	108	91	78	68	58	47	37	27
960	**970**	161	144	127	110	94	79	69	59	49	39	29
970	**980**	163	147	130	113	96	81	71	61	50	40	30
980	**990**	166	149	132	115	99	82	72	62	52	42	32
990	**1,000**	168	152	135	118	101	84	74	64	53	43	33
1,000	**1,010**	171	154	137	120	104	87	75	65	55	45	35
1,010	**1,020**	173	157	140	123	106	89	77	67	56	46	36
1,020	**1,030**	176	159	142	125	109	92	78	68	58	48	38
1,030	**1,040**	178	162	145	128	111	94	80	70	59	49	39
1,040	**1,050**	181	164	147	130	114	97	81	71	61	51	41
1,050	**1,060**	183	167	150	133	116	99	83	73	62	52	42
1,060	**1,070**	186	169	152	135	119	102	85	74	64	54	44
1,070	**1,080**	188	172	155	138	121	104	87	76	65	55	45
1,080	**1,090**	191	174	157	140	124	107	90	77	67	57	47
1,090	**1,100**	193	177	160	143	126	109	92	79	68	58	48
1,100	**1,110**	196	179	162	145	129	112	95	80	70	60	50
1,110	**1,120**	198	182	165	148	131	114	97	82	71	61	51
1,120	**1,130**	201	184	167	150	134	117	100	83	73	63	53
1,130	**1,140**	203	187	170	153	136	119	102	86	74	64	54
1,140	**1,150**	206	189	172	155	139	122	105	88	76	66	56
1,150	**1,160**	208	192	175	158	141	124	107	91	77	67	57
1,160	**1,170**	211	194	177	160	144	127	110	93	79	69	59
1,170	**1,180**	213	197	180	163	146	129	112	96	80	70	60
1,180	**1,190**	216	199	182	165	149	132	115	98	82	72	62
1,190	**1,200**	218	202	185	168	151	134	117	101	84	73	63
1,200	**1,210**	221	204	187	170	154	137	120	103	86	75	65
1,210	**1,220**	223	207	190	173	156	139	122	106	89	76	66
1,220	**1,230**	226	209	192	175	159	142	125	108	91	78	68
1,230	**1,240**	228	212	195	178	161	144	127	111	94	79	69
1,240	**1,250**	231	214	197	180	164	147	130	113	96	81	71

$1,250 and over Use Table 1(a) for a **SINGLE person** on page 38. Also see the instructions on page 36.

MARRIED Persons—**WEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$125**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
125	**130**	0	0	0	0	0	0	0	0	0	0	0
130	**135**	0	0	0	0	0	0	0	0	0	0	0
135	**140**	0	0	0	0	0	0	0	0	0	0	0
140	**145**	0	0	0	0	0	0	0	0	0	0	0
145	**150**	0	0	0	0	0	0	0	0	0	0	0
150	**155**	0	0	0	0	0	0	0	0	0	0	0
155	**160**	0	0	0	0	0	0	0	0	0	0	0
160	**165**	1	0	0	0	0	0	0	0	0	0	0
165	**170**	1	0	0	0	0	0	0	0	0	0	0
170	**175**	2	0	0	0	0	0	0	0	0	0	0
175	**180**	2	0	0	0	0	0	0	0	0	0	0
180	**185**	3	0	0	0	0	0	0	0	0	0	0
185	**190**	3	0	0	0	0	0	0	0	0	0	0
190	**195**	4	0	0	0	0	0	0	0	0	0	0
195	**200**	4	0	0	0	0	0	0	0	0	0	0
200	**210**	5	0	0	0	0	0	0	0	0	0	0
210	**220**	6	0	0	0	0	0	0	0	0	0	0
220	**230**	7	0	0	0	0	0	0	0	0	0	0
230	**240**	8	1	0	0	0	0	0	0	0	0	0
240	**250**	9	2	0	0	0	0	0	0	0	0	0
250	**260**	10	3	0	0	0	0	0	0	0	0	0
260	**270**	11	4	0	0	0	0	0	0	0	0	0
270	**280**	12	5	0	0	0	0	0	0	0	0	0
280	**290**	13	6	0	0	0	0	0	0	0	0	0
290	**300**	14	7	1	0	0	0	0	0	0	0	0
300	**310**	15	8	2	0	0	0	0	0	0	0	0
310	**320**	16	9	3	0	0	0	0	0	0	0	0
320	**330**	17	10	4	0	0	0	0	0	0	0	0
330	**340**	18	11	5	0	0	0	0	0	0	0	0
340	**350**	19	12	6	0	0	0	0	0	0	0	0
350	**360**	20	13	7	0	0	0	0	0	0	0	0
360	**370**	21	14	8	1	0	0	0	0	0	0	0
370	**380**	22	15	9	2	0	0	0	0	0	0	0
380	**390**	23	16	10	3	0	0	0	0	0	0	0
390	**400**	24	17	11	4	0	0	0	0	0	0	0
400	**410**	25	18	12	5	0	0	0	0	0	0	0
410	**420**	26	19	13	6	0	0	0	0	0	0	0
420	**430**	27	20	14	7	0	0	0	0	0	0	0
430	**440**	28	21	15	8	1	0	0	0	0	0	0
440	**450**	29	22	16	9	2	0	0	0	0	0	0
450	**460**	30	23	17	10	3	0	0	0	0	0	0
460	**470**	32	24	18	11	4	0	0	0	0	0	0
470	**480**	33	25	19	12	5	0	0	0	0	0	0
480	**490**	35	26	20	13	6	0	0	0	0	0	0
490	**500**	36	27	21	14	7	0	0	0	0	0	0
500	**510**	38	28	22	15	8	1	0	0	0	0	0
510	**520**	39	29	23	16	9	2	0	0	0	0	0
520	**530**	41	31	24	17	10	3	0	0	0	0	0
530	**540**	42	32	25	18	11	4	0	0	0	0	0
540	**550**	44	34	26	19	12	5	0	0	0	0	0
550	**560**	45	35	27	20	13	6	0	0	0	0	0
560	**570**	47	37	28	21	14	7	1	0	0	0	0
570	**580**	48	38	29	22	15	8	2	0	0	0	0
580	**590**	50	40	30	23	16	9	3	0	0	0	0
590	**600**	51	41	31	24	17	10	4	0	0	0	0
600	**610**	53	43	33	25	18	11	5	0	0	0	0
610	**620**	54	44	34	26	19	12	6	0	0	0	0
620	**630**	56	46	36	27	20	13	7	0	0	0	0
630	**640**	57	47	37	28	21	14	8	1	0	0	0
640	**650**	59	49	39	29	22	15	9	2	0	0	0
650	**660**	60	50	40	30	23	16	10	3	0	0	0
660	**670**	62	52	42	31	24	17	11	4	0	0	0
670	**680**	63	53	43	33	25	18	12	5	0	0	0
680	**690**	65	55	45	34	26	19	13	6	0	0	0
690	**700**	66	56	46	36	27	20	14	7	0	0	0
700	**710**	68	58	48	37	28	21	15	8	1	0	0
710	**720**	69	59	49	39	29	22	16	9	2	0	0
720	**730**	71	61	51	40	30	23	17	10	3	0	0
730	**740**	72	62	52	42	32	24	18	11	4	0	0

MARRIED Persons—**WEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$740	**$750**	$74	$64	$54	$43	$33	$25	$19	$12	$5	$0	$0
750	**760**	75	65	55	45	35	26	20	13	6	0	0
760	**770**	77	67	57	46	36	27	21	14	7	1	0
770	**780**	78	68	58	48	38	28	22	15	8	2	0
780	**790**	80	70	60	49	39	29	23	16	9	3	0
790	**800**	81	71	61	51	41	31	24	17	10	4	0
800	**810**	83	73	63	52	42	32	25	18	11	5	0
810	**820**	84	74	64	54	44	34	26	19	12	6	0
820	**830**	86	76	66	55	45	35	27	20	13	7	0
830	**840**	87	77	67	57	47	37	28	21	14	8	1
840	**850**	89	79	69	58	48	38	29	22	15	9	2
850	**860**	90	80	70	60	50	40	30	23	16	10	3
860	**870**	92	82	72	61	51	41	31	24	17	11	4
870	**880**	93	83	73	63	53	43	33	25	18	12	5
880	**890**	95	85	75	64	54	44	34	26	19	13	6
890	**900**	96	86	76	66	56	46	36	27	20	14	7
900	**910**	98	88	78	67	57	47	37	28	21	15	8
910	**920**	99	89	79	69	59	49	39	29	22	16	9
920	**930**	101	91	81	70	60	50	40	30	23	17	10
930	**940**	102	92	82	72	62	52	42	32	24	18	11
940	**950**	104	94	84	73	63	53	43	33	25	19	12
950	**960**	105	95	85	75	65	55	45	35	26	20	13
960	**970**	107	97	87	76	66	56	46	36	27	21	14
970	**980**	108	98	88	78	68	58	48	38	28	22	15
980	**990**	110	100	90	79	69	59	49	39	29	23	16
990	**1,000**	111	101	91	81	71	61	51	41	30	24	17
1,000	**1,010**	113	103	93	82	72	62	52	42	32	25	18
1,010	**1,020**	114	104	94	84	74	64	54	44	33	26	19
1,020	**1,030**	116	106	96	85	75	65	55	45	35	27	20
1,030	**1,040**	117	107	97	87	77	67	57	47	36	28	21
1,040	**1,050**	119	109	99	88	78	68	58	48	38	29	22
1,050	**1,060**	120	110	100	90	80	70	60	50	39	30	23
1,060	**1,070**	122	112	102	91	81	71	61	51	41	31	24
1,070	**1,080**	123	113	103	93	83	73	63	53	42	32	25
1,080	**1,090**	125	115	105	94	84	74	64	54	44	34	26
1,090	**1,100**	126	116	106	96	86	76	66	56	45	35	27
1,100	**1,110**	128	118	108	97	87	77	67	57	47	37	28
1,110	**1,120**	129	119	109	99	89	79	69	59	48	38	29
1,120	**1,130**	131	121	111	100	90	80	70	60	50	40	30
1,130	**1,140**	132	122	112	102	92	82	72	62	51	41	31
1,140	**1,150**	134	124	114	103	93	83	73	63	53	43	33
1,150	**1,160**	135	125	115	105	95	85	75	65	54	44	34
1,160	**1,170**	137	127	117	106	96	86	76	66	56	46	36
1,170	**1,180**	138	128	118	108	98	88	78	68	57	47	37
1,180	**1,190**	140	130	120	109	99	89	79	69	59	49	39
1,190	**1,200**	141	131	121	111	101	91	81	71	60	50	40
1,200	**1,210**	143	133	123	112	102	92	82	72	62	52	42
1,210	**1,220**	144	134	124	114	104	94	84	74	63	53	43
1,220	**1,230**	146	136	126	115	105	95	85	75	65	55	45
1,230	**1,240**	147	137	127	117	107	97	87	77	66	56	46
1,240	**1,250**	149	139	129	118	108	98	88	78	68	58	48
1,250	**1,260**	150	140	130	120	110	100	90	80	69	59	49
1,260	**1,270**	152	142	132	121	111	101	91	81	71	61	51
1,270	**1,280**	153	143	133	123	113	103	93	83	72	62	52
1,280	**1,290**	155	145	135	124	114	104	94	84	74	64	54
1,290	**1,300**	156	146	136	126	116	106	96	86	75	65	55
1,300	**1,310**	158	148	138	127	117	107	97	87	77	67	57
1,310	**1,320**	159	149	139	129	119	109	99	89	78	68	58
1,320	**1,330**	161	151	141	130	120	110	100	90	80	70	60
1,330	**1,340**	162	152	142	132	122	112	102	92	81	71	61
1,340	**1,350**	164	154	144	133	123	113	103	93	83	73	63
1,350	**1,360**	165	155	145	135	125	115	105	95	84	74	64
1,360	**1,370**	167	157	147	136	126	116	106	96	86	76	66
1,370	**1,380**	168	158	148	138	128	118	108	98	87	77	67
1,380	**1,390**	170	160	150	139	129	119	109	99	89	79	69
1,390	**1,400**	172	161	151	141	131	121	111	101	90	80	70

$1,400 and over Use Table 1(b) for a **MARRIED person** on page 38. Also see the instructions on page 36.

SINGLE Persons—**BIWEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$105**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
105	**110**	1	0	0	0	0	0	0	0	0	0	0
110	**115**	1	0	0	0	0	0	0	0	0	0	0
115	**120**	2	0	0	0	0	0	0	0	0	0	0
120	**125**	2	0	0	0	0	0	0	0	0	0	0
125	**130**	3	0	0	0	0	0	0	0	0	0	0
130	**135**	3	0	0	0	0	0	0	0	0	0	0
135	**140**	4	0	0	0	0	0	0	0	0	0	0
140	**145**	4	0	0	0	0	0	0	0	0	0	0
145	**150**	5	0	0	0	0	0	0	0	0	0	0
150	**155**	5	0	0	0	0	0	0	0	0	0	0
155	**160**	6	0	0	0	0	0	0	0	0	0	0
160	**165**	6	0	0	0	0	0	0	0	0	0	0
165	**170**	7	0	0	0	0	0	0	0	0	0	0
170	**175**	7	0	0	0	0	0	0	0	0	0	0
175	**180**	8	0	0	0	0	0	0	0	0	0	0
180	**185**	8	0	0	0	0	0	0	0	0	0	0
185	**190**	9	0	0	0	0	0	0	0	0	0	0
190	**195**	9	0	0	0	0	0	0	0	0	0	0
195	**200**	10	0	0	0	0	0	0	0	0	0	0
200	**205**	10	0	0	0	0	0	0	0	0	0	0
205	**210**	11	0	0	0	0	0	0	0	0	0	0
210	**215**	11	0	0	0	0	0	0	0	0	0	0
215	**220**	12	0	0	0	0	0	0	0	0	0	0
220	**225**	12	0	0	0	0	0	0	0	0	0	0
225	**230**	13	0	0	0	0	0	0	0	0	0	0
230	**235**	13	0	0	0	0	0	0	0	0	0	0
235	**240**	14	0	0	0	0	0	0	0	0	0	0
240	**245**	14	1	0	0	0	0	0	0	0	0	0
245	**250**	15	1	0	0	0	0	0	0	0	0	0
250	**260**	15	2	0	0	0	0	0	0	0	0	0
260	**270**	16	3	0	0	0	0	0	0	0	0	0
270	**280**	17	4	0	0	0	0	0	0	0	0	0
280	**290**	18	5	0	0	0	0	0	0	0	0	0
290	**300**	19	6	0	0	0	0	0	0	0	0	0
300	**310**	20	7	0	0	0	0	0	0	0	0	0
310	**320**	21	8	0	0	0	0	0	0	0	0	0
320	**330**	22	9	0	0	0	0	0	0	0	0	0
330	**340**	23	10	0	0	0	0	0	0	0	0	0
340	**350**	24	11	0	0	0	0	0	0	0	0	0
350	**360**	25	12	0	0	0	0	0	0	0	0	0
360	**370**	26	13	0	0	0	0	0	0	0	0	0
370	**380**	27	14	0	0	0	0	0	0	0	0	0
380	**390**	28	15	1	0	0	0	0	0	0	0	0
390	**400**	29	16	2	0	0	0	0	0	0	0	0
400	**410**	31	17	3	0	0	0	0	0	0	0	0
410	**420**	32	18	4	0	0	0	0	0	0	0	0
420	**430**	34	19	5	0	0	0	0	0	0	0	0
430	**440**	35	20	6	0	0	0	0	0	0	0	0
440	**450**	37	21	7	0	0	0	0	0	0	0	0
450	**460**	38	22	8	0	0	0	0	0	0	0	0
460	**470**	40	23	9	0	0	0	0	0	0	0	0
470	**480**	41	24	10	0	0	0	0	0	0	0	0
480	**490**	43	25	11	0	0	0	0	0	0	0	0
490	**500**	44	26	12	0	0	0	0	0	0	0	0
500	**520**	47	27	14	0	0	0	0	0	0	0	0
520	**540**	50	29	16	2	0	0	0	0	0	0	0
540	**560**	53	32	18	4	0	0	0	0	0	0	0
560	**580**	56	35	20	6	0	0	0	0	0	0	0
580	**600**	59	38	22	8	0	0	0	0	0	0	0
600	**620**	62	41	24	10	0	0	0	0	0	0	0
620	**640**	65	44	26	12	0	0	0	0	0	0	0
640	**660**	68	47	28	14	1	0	0	0	0	0	0
660	**680**	71	50	30	16	3	0	0	0	0	0	0
680	**700**	74	53	33	18	5	0	0	0	0	0	0
700	**720**	77	56	36	20	7	0	0	0	0	0	0
720	**740**	80	59	39	22	9	0	0	0	0	0	0
740	**760**	83	62	42	24	11	0	0	0	0	0	0
760	**780**	86	65	45	26	13	0	0	0	0	0	0
780	**800**	89	68	48	28	15	2	0	0	0	0	0

SINGLE Persons—**BIWEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$800	**$820**	$92	$71	$51	$31	$17	$4	$0	$0	$0	$0	$0
820	**840**	95	74	54	34	19	6	0	0	0	0	0
840	**860**	98	77	57	37	21	8	0	0	0	0	0
860	**880**	101	80	60	40	23	10	0	0	0	0	0
880	**900**	104	83	63	43	25	12	0	0	0	0	0
900	**920**	107	86	66	46	27	14	0	0	0	0	0
920	**940**	110	89	69	49	29	16	2	0	0	0	0
940	**960**	113	92	72	52	32	18	4	0	0	0	0
960	**980**	116	95	75	55	35	20	6	0	0	0	0
980	**1,000**	119	98	78	58	38	22	8	0	0	0	0
1,000	**1,020**	122	101	81	61	41	24	10	0	0	0	0
1,020	**1,040**	125	104	84	64	44	26	12	0	0	0	0
1,040	**1,060**	128	107	87	67	47	28	14	1	0	0	0
1,060	**1,080**	131	110	90	70	50	30	16	3	0	0	0
1,080	**1,100**	134	113	93	73	53	33	18	5	0	0	0
1,100	**1,120**	137	116	96	76	56	36	20	7	0	0	0
1,120	**1,140**	140	119	99	79	59	39	22	9	0	0	0
1,140	**1,160**	143	122	102	82	62	42	24	11	0	0	0
1,160	**1,180**	146	125	105	85	65	45	26	13	0	0	0
1,180	**1,200**	149	128	108	88	68	48	28	15	1	0	0
1,200	**1,220**	152	131	111	91	71	51	30	17	3	0	0
1,220	**1,240**	155	134	114	94	74	54	33	19	5	0	0
1,240	**1,260**	158	137	117	97	77	57	36	21	7	0	0
1,260	**1,280**	161	140	120	100	80	60	39	23	9	0	0
1,280	**1,300**	164	143	123	103	83	63	42	25	11	0	0
1,300	**1,320**	167	146	126	106	86	66	45	27	13	0	0
1,320	**1,340**	172	149	129	109	89	69	48	29	15	2	0
1,340	**1,360**	177	152	132	112	92	72	51	31	17	4	0
1,360	**1,380**	182	155	135	115	95	75	54	34	19	6	0
1,380	**1,400**	187	158	138	118	98	78	57	37	21	8	0
1,400	**1,420**	192	161	141	121	101	81	60	40	23	10	0
1,420	**1,440**	197	164	144	124	104	84	63	43	25	12	0
1,440	**1,460**	202	168	147	127	107	87	66	46	27	14	0
1,460	**1,480**	207	173	150	130	110	90	69	49	29	16	2
1,480	**1,500**	212	178	153	133	113	93	72	52	32	18	4
1,500	**1,520**	217	183	156	136	116	96	75	55	35	20	6
1,520	**1,540**	222	188	159	139	119	99	78	58	38	22	8
1,540	**1,560**	227	193	162	142	122	102	81	61	41	24	10
1,560	**1,580**	232	198	165	145	125	105	84	64	44	26	12
1,580	**1,600**	237	203	170	148	128	108	87	67	47	28	14
1,600	**1,620**	242	208	175	151	131	111	90	70	50	30	16
1,620	**1,640**	247	213	180	154	134	114	93	73	53	33	18
1,640	**1,660**	252	218	185	157	137	117	96	76	56	36	20
1,660	**1,680**	257	223	190	160	140	120	99	79	59	39	22
1,680	**1,700**	262	228	195	163	143	123	102	82	62	42	24
1,700	**1,720**	267	233	200	166	146	126	105	85	65	45	26
1,720	**1,740**	272	238	205	171	149	129	108	88	68	48	28
1,740	**1,760**	277	243	210	176	152	132	111	91	71	51	31
1,760	**1,780**	282	248	215	181	155	135	114	94	74	54	34
1,780	**1,800**	287	253	220	186	158	138	117	97	77	57	37
1,800	**1,820**	292	258	225	191	161	141	120	100	80	60	40
1,820	**1,840**	297	263	230	196	164	144	123	103	83	63	43
1,840	**1,860**	302	268	235	201	167	147	126	106	86	66	46
1,860	**1,880**	307	273	240	206	172	150	129	109	89	69	49
1,880	**1,900**	312	278	245	211	177	153	132	112	92	72	52
1,900	**1,920**	317	283	250	216	182	156	135	115	95	75	55
1,920	**1,940**	322	288	255	221	187	159	138	118	98	78	58
1,940	**1,960**	327	293	260	226	192	162	141	121	101	81	61
1,960	**1,980**	332	298	265	231	197	165	144	124	104	84	64
1,980	**2,000**	337	303	270	236	202	169	147	127	107	87	67
2,000	**2,020**	342	308	275	241	207	174	150	130	110	90	70
2,020	**2,040**	347	313	280	246	212	179	153	133	113	93	73
2,040	**2,060**	352	318	285	251	217	184	156	136	116	96	76
2,060	**2,080**	357	323	290	256	222	189	159	139	119	99	79
2,080	**2,100**	362	328	295	261	227	194	162	142	122	102	82

$2,100 and over Use Table 2(a) for a **SINGLE person** on page 38. Also see the instructions on page 36.

MARRIED Persons—**BIWEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$250**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
250	**260**	0	0	0	0	0	0	0	0	0	0	0
260	**270**	0	0	0	0	0	0	0	0	0	0	0
270	**280**	0	0	0	0	0	0	0	0	0	0	0
280	**290**	0	0	0	0	0	0	0	0	0	0	0
290	**300**	0	0	0	0	0	0	0	0	0	0	0
300	**310**	0	0	0	0	0	0	0	0	0	0	0
310	**320**	1	0	0	0	0	0	0	0	0	0	0
320	**330**	2	0	0	0	0	0	0	0	0	0	0
330	**340**	3	0	0	0	0	0	0	0	0	0	0
340	**350**	4	0	0	0	0	0	0	0	0	0	0
350	**360**	5	0	0	0	0	0	0	0	0	0	0
360	**370**	6	0	0	0	0	0	0	0	0	0	0
370	**380**	7	0	0	0	0	0	0	0	0	0	0
380	**390**	8	0	0	0	0	0	0	0	0	0	0
390	**400**	9	0	0	0	0	0	0	0	0	0	0
400	**410**	10	0	0	0	0	0	0	0	0	0	0
410	**420**	11	0	0	0	0	0	0	0	0	0	0
420	**430**	12	0	0	0	0	0	0	0	0	0	0
430	**440**	13	0	0	0	0	0	0	0	0	0	0
440	**450**	14	0	0	0	0	0	0	0	0	0	0
450	**460**	15	1	0	0	0	0	0	0	0	0	0
460	**470**	16	2	0	0	0	0	0	0	0	0	0
470	**480**	17	3	0	0	0	0	0	0	0	0	0
480	**490**	18	4	0	0	0	0	0	0	0	0	0
490	**500**	19	5	0	0	0	0	0	0	0	0	0
500	**520**	20	7	0	0	0	0	0	0	0	0	0
520	**540**	22	9	0	0	0	0	0	0	0	0	0
540	**560**	24	11	0	0	0	0	0	0	0	0	0
560	**580**	26	13	0	0	0	0	0	0	0	0	0
580	**600**	28	15	1	0	0	0	0	0	0	0	0
600	**620**	30	17	3	0	0	0	0	0	0	0	0
620	**640**	32	19	5	0	0	0	0	0	0	0	0
640	**660**	34	21	7	0	0	0	0	0	0	0	0
660	**680**	36	23	9	0	0	0	0	0	0	0	0
680	**700**	38	25	11	0	0	0	0	0	0	0	0
700	**720**	40	27	13	0	0	0	0	0	0	0	0
720	**740**	42	29	15	2	0	0	0	0	0	0	0
740	**760**	44	31	17	4	0	0	0	0	0	0	0
760	**780**	46	33	19	6	0	0	0	0	0	0	0
780	**800**	48	35	21	8	0	0	0	0	0	0	0
800	**820**	50	37	23	10	0	0	0	0	0	0	0
820	**840**	52	39	25	12	0	0	0	0	0	0	0
840	**860**	54	41	27	14	0	0	0	0	0	0	0
860	**880**	56	43	29	16	2	0	0	0	0	0	0
880	**900**	58	45	31	18	4	0	0	0	0	0	0
900	**920**	60	47	33	20	6	0	0	0	0	0	0
920	**940**	63	49	35	22	8	0	0	0	0	0	0
940	**960**	66	51	37	24	10	0	0	0	0	0	0
960	**980**	69	53	39	26	12	0	0	0	0	0	0
980	**1,000**	72	55	41	28	14	1	0	0	0	0	0
1,000	**1,020**	75	57	43	30	16	3	0	0	0	0	0
1,020	**1,040**	78	59	45	32	18	5	0	0	0	0	0
1,040	**1,060**	81	61	47	34	20	7	0	0	0	0	0
1,060	**1,080**	84	64	49	36	22	9	0	0	0	0	0
1,080	**1,100**	87	67	51	38	24	11	0	0	0	0	0
1,100	**1,120**	90	70	53	40	26	13	0	0	0	0	0
1,120	**1,140**	93	73	55	42	28	15	1	0	0	0	0
1,140	**1,160**	96	76	57	44	30	17	3	0	0	0	0
1,160	**1,180**	99	79	59	46	32	19	5	0	0	0	0
1,180	**1,200**	102	82	62	48	34	21	7	0	0	0	0
1,200	**1,220**	105	85	65	50	36	23	9	0	0	0	0
1,220	**1,240**	108	88	68	52	38	25	11	0	0	0	0
1,240	**1,260**	111	91	71	54	40	27	13	0	0	0	0
1,260	**1,280**	114	94	74	56	42	29	15	2	0	0	0
1,280	**1,300**	117	97	77	58	44	31	17	4	0	0	0
1,300	**1,320**	120	100	80	60	46	33	19	6	0	0	0
1,320	**1,340**	123	103	83	63	48	35	21	8	0	0	0
1,340	**1,360**	126	106	86	66	50	37	23	10	0	0	0
1,360	**1,380**	129	109	89	69	52	39	25	12	0	0	0

MARRIED Persons—**BIWEEKLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$1,380	**$1,400**	$132	$112	$92	$72	$54	$41	$27	$14	$1	$0	$0
1,400	**1,420**	135	115	95	75	56	43	29	16	3	0	0
1,420	**1,440**	138	118	98	78	58	45	31	18	5	0	0
1,440	**1,460**	141	121	101	81	61	47	33	20	7	0	0
1,460	**1,480**	144	124	104	84	64	49	35	22	9	0	0
1,480	**1,500**	147	127	107	87	67	51	37	24	11	0	0
1,500	**1,520**	150	130	110	90	70	53	39	26	13	0	0
1,520	**1,540**	153	133	113	93	73	55	41	28	15	1	0
1,540	**1,560**	156	136	116	96	76	57	43	30	17	3	0
1,560	**1,580**	159	139	119	99	79	59	45	32	19	5	0
1,580	**1,600**	162	142	122	102	82	61	47	34	21	7	0
1,600	**1,620**	165	145	125	105	85	64	49	36	23	9	0
1,620	**1,640**	168	148	128	108	88	67	51	38	25	11	0
1,640	**1,660**	171	151	131	111	91	70	53	40	27	13	0
1,660	**1,680**	174	154	134	114	94	73	55	42	29	15	2
1,680	**1,700**	177	157	137	117	97	76	57	44	31	17	4
1,700	**1,720**	180	160	140	120	100	79	59	46	33	19	6
1,720	**1,740**	183	163	143	123	103	82	62	48	35	21	8
1,740	**1,760**	186	166	146	126	106	85	65	50	37	23	10
1,760	**1,780**	189	169	149	129	109	88	68	52	39	25	12
1,780	**1,800**	192	172	152	132	112	91	71	54	41	27	14
1,800	**1,820**	195	175	155	135	115	94	74	56	43	29	16
1,820	**1,840**	198	178	158	138	118	97	77	58	45	31	18
1,840	**1,860**	201	181	161	141	121	100	80	60	47	33	20
1,860	**1,880**	204	184	164	144	124	103	83	63	49	35	22
1,880	**1,900**	207	187	167	147	127	106	86	66	51	37	24
1,900	**1,920**	210	190	170	150	130	109	89	69	53	39	26
1,920	**1,940**	213	193	173	153	133	112	92	72	55	41	28
1,940	**1,960**	216	196	176	156	136	115	95	75	57	43	30
1,960	**1,980**	219	199	179	159	139	118	98	78	59	45	32
1,980	**2,000**	222	202	182	162	142	121	101	81	61	47	34
2,000	**2,020**	225	205	185	165	145	124	104	84	64	49	36
2,020	**2,040**	228	208	188	168	148	127	107	87	67	51	38
2,040	**2,060**	231	211	191	171	151	130	110	90	70	53	40
2,060	**2,080**	234	214	194	174	154	133	113	93	73	55	42
2,080	**2,100**	237	217	197	177	157	136	116	96	76	57	44
2,100	**2,120**	240	220	200	180	160	139	119	99	79	59	46
2,120	**2,140**	243	223	203	183	163	142	122	102	82	62	48
2,140	**2,160**	246	226	206	186	166	145	125	105	85	65	50
2,160	**2,180**	249	229	209	189	169	148	128	108	88	68	52
2,180	**2,200**	252	232	212	192	172	151	131	111	91	71	54
2,200	**2,220**	255	235	215	195	175	154	134	114	94	74	56
2,220	**2,240**	258	238	218	198	178	157	137	117	97	77	58
2,240	**2,260**	261	241	221	201	181	160	140	120	100	80	60
2,260	**2,280**	264	244	224	204	184	163	143	123	103	83	63
2,280	**2,300**	267	247	227	207	187	166	146	126	106	86	66
2,300	**2,320**	270	250	230	210	190	169	149	129	109	89	69
2,320	**2,340**	273	253	233	213	193	172	152	132	112	92	72
2,340	**2,360**	276	256	236	216	196	175	155	135	115	95	75
2,360	**2,380**	279	259	239	219	199	178	158	138	118	98	78
2,380	**2,400**	282	262	242	222	202	181	161	141	121	101	81
2,400	**2,420**	285	265	245	225	205	184	164	144	124	104	84
2,420	**2,440**	288	268	248	228	208	187	167	147	127	107	87
2,440	**2,460**	291	271	251	231	211	190	170	150	130	110	90
2,460	**2,480**	294	274	254	234	214	193	173	153	133	113	93
2,480	**2,500**	297	277	257	237	217	196	176	156	136	116	96
2,500	**2,520**	300	280	260	240	220	199	179	159	139	119	99
2,520	**2,540**	303	283	263	243	223	202	182	162	142	122	102
2,540	**2,560**	306	286	266	246	226	205	185	165	145	125	105
2,560	**2,580**	309	289	269	249	229	208	188	168	148	128	108
2,580	**2,600**	312	292	272	252	232	211	191	171	151	131	111
2,600	**2,620**	315	295	275	255	235	214	194	174	154	134	114
2,620	**2,640**	318	298	278	258	238	217	197	177	157	137	117
2,640	**2,660**	321	301	281	261	241	220	200	180	160	140	120
2,660	**2,680**	324	304	284	264	244	223	203	183	163	143	123
2,680	**2,700**	327	307	287	267	247	226	206	186	166	146	126

$2,700 and over — Use Table 2(b) for a **MARRIED person** on page 38. Also see the instructions on page 36.

SINGLE Persons—**SEMIMONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$115**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
115	**120**	1	0	0	0	0	0	0	0	0	0	0
120	**125**	1	0	0	0	0	0	0	0	0	0	0
125	**130**	2	0	0	0	0	0	0	0	0	0	0
130	**135**	2	0	0	0	0	0	0	0	0	0	0
135	**140**	3	0	0	0	0	0	0	0	0	0	0
140	**145**	3	0	0	0	0	0	0	0	0	0	0
145	**150**	4	0	0	0	0	0	0	0	0	0	0
150	**155**	4	0	0	0	0	0	0	0	0	0	0
155	**160**	5	0	0	0	0	0	0	0	0	0	0
160	**165**	5	0	0	0	0	0	0	0	0	0	0
165	**170**	6	0	0	0	0	0	0	0	0	0	0
170	**175**	6	0	0	0	0	0	0	0	0	0	0
175	**180**	7	0	0	0	0	0	0	0	0	0	0
180	**185**	7	0	0	0	0	0	0	0	0	0	0
185	**190**	8	0	0	0	0	0	0	0	0	0	0
190	**195**	8	0	0	0	0	0	0	0	0	0	0
195	**200**	9	0	0	0	0	0	0	0	0	0	0
200	**205**	9	0	0	0	0	0	0	0	0	0	0
205	**210**	10	0	0	0	0	0	0	0	0	0	0
210	**215**	10	0	0	0	0	0	0	0	0	0	0
215	**220**	11	0	0	0	0	0	0	0	0	0	0
220	**225**	11	0	0	0	0	0	0	0	0	0	0
225	**230**	12	0	0	0	0	0	0	0	0	0	0
230	**235**	12	0	0	0	0	0	0	0	0	0	0
235	**240**	13	0	0	0	0	0	0	0	0	0	0
240	**245**	13	0	0	0	0	0	0	0	0	0	0
245	**250**	14	0	0	0	0	0	0	0	0	0	0
250	**260**	14	0	0	0	0	0	0	0	0	0	0
260	**270**	15	1	0	0	0	0	0	0	0	0	0
270	**280**	16	2	0	0	0	0	0	0	0	0	0
280	**290**	17	3	0	0	0	0	0	0	0	0	0
290	**300**	18	4	0	0	0	0	0	0	0	0	0
300	**310**	19	5	0	0	0	0	0	0	0	0	0
310	**320**	20	6	0	0	0	0	0	0	0	0	0
320	**330**	21	7	0	0	0	0	0	0	0	0	0
330	**340**	22	8	0	0	0	0	0	0	0	0	0
340	**350**	23	9	0	0	0	0	0	0	0	0	0
350	**360**	24	10	0	0	0	0	0	0	0	0	0
360	**370**	25	11	0	0	0	0	0	0	0	0	0
370	**380**	26	12	0	0	0	0	0	0	0	0	0
380	**390**	27	13	0	0	0	0	0	0	0	0	0
390	**400**	28	14	0	0	0	0	0	0	0	0	0
400	**410**	29	15	0	0	0	0	0	0	0	0	0
410	**420**	30	16	1	0	0	0	0	0	0	0	0
420	**430**	31	17	2	0	0	0	0	0	0	0	0
430	**440**	33	18	3	0	0	0	0	0	0	0	0
440	**450**	34	19	4	0	0	0	0	0	0	0	0
450	**460**	36	20	5	0	0	0	0	0	0	0	0
460	**470**	37	21	6	0	0	0	0	0	0	0	0
470	**480**	39	22	7	0	0	0	0	0	0	0	0
480	**490**	40	23	8	0	0	0	0	0	0	0	0
490	**500**	42	24	9	0	0	0	0	0	0	0	0
500	**520**	44	25	11	0	0	0	0	0	0	0	0
520	**540**	47	27	13	0	0	0	0	0	0	0	0
540	**560**	50	29	15	0	0	0	0	0	0	0	0
560	**580**	53	31	17	2	0	0	0	0	0	0	0
580	**600**	56	34	19	4	0	0	0	0	0	0	0
600	**620**	59	37	21	6	0	0	0	0	0	0	0
620	**640**	62	40	23	8	0	0	0	0	0	0	0
640	**660**	65	43	25	10	0	0	0	0	0	0	0
660	**680**	68	46	27	12	0	0	0	0	0	0	0
680	**700**	71	49	29	14	0	0	0	0	0	0	0
700	**720**	74	52	31	16	2	0	0	0	0	0	0
720	**740**	77	55	33	18	4	0	0	0	0	0	0
740	**760**	80	58	36	20	6	0	0	0	0	0	0
760	**780**	83	61	39	22	8	0	0	0	0	0	0
780	**800**	86	64	42	24	10	0	0	0	0	0	0
800	**820**	89	67	45	26	12	0	0	0	0	0	0
820	**840**	92	70	48	28	14	0	0	0	0	0	0

SINGLE Persons—**SEMIMONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$840	**$860**	$95	$73	$51	$30	$16	$1	$0	$0	$0	$0	$0
860	**880**	98	76	54	32	18	3	0	0	0	0	0
880	**900**	101	79	57	35	20	5	0	0	0	0	0
900	**920**	104	82	60	38	22	7	0	0	0	0	0
920	**940**	107	85	63	41	24	9	0	0	0	0	0
940	**960**	110	88	66	44	26	11	0	0	0	0	0
960	**980**	113	91	69	47	28	13	0	0	0	0	0
980	**1,000**	116	94	72	50	30	15	0	0	0	0	0
1,000	**1,020**	119	97	75	53	32	17	2	0	0	0	0
1,020	**1,040**	122	100	78	56	35	19	4	0	0	0	0
1,040	**1,060**	125	103	81	59	38	21	6	0	0	0	0
1,060	**1,080**	128	106	84	62	41	23	8	0	0	0	0
1,080	**1,100**	131	109	87	65	44	25	10	0	0	0	0
1,100	**1,120**	134	112	90	68	47	27	12	0	0	0	0
1,120	**1,140**	137	115	93	71	50	29	14	0	0	0	0
1,140	**1,160**	140	118	96	74	53	31	16	2	0	0	0
1,160	**1,180**	143	121	99	77	56	34	18	4	0	0	0
1,180	**1,200**	146	124	102	80	59	37	20	6	0	0	0
1,200	**1,220**	149	127	105	83	62	40	22	8	0	0	0
1,220	**1,240**	152	130	108	86	65	43	24	10	0	0	0
1,240	**1,260**	155	133	111	89	68	46	26	12	0	0	0
1,260	**1,280**	158	136	114	92	71	49	28	14	0	0	0
1,280	**1,300**	161	139	117	95	74	52	30	16	1	0	0
1,300	**1,320**	164	142	120	98	77	55	33	18	3	0	0
1,320	**1,340**	167	145	123	101	80	58	36	20	5	0	0
1,340	**1,360**	170	148	126	104	83	61	39	22	7	0	0
1,360	**1,380**	173	151	129	107	86	64	42	24	9	0	0
1,380	**1,400**	176	154	132	110	89	67	45	26	11	0	0
1,400	**1,420**	179	157	135	113	92	70	48	28	13	0	0
1,420	**1,440**	184	160	138	116	95	73	51	30	15	1	0
1,440	**1,460**	189	163	141	119	98	76	54	32	17	3	0
1,460	**1,480**	194	166	144	122	101	79	57	35	19	5	0
1,480	**1,500**	199	169	147	125	104	82	60	38	21	7	0
1,500	**1,520**	204	172	150	128	107	85	63	41	23	9	0
1,520	**1,540**	209	175	153	131	110	88	66	44	25	11	0
1,540	**1,560**	214	178	156	134	113	91	69	47	27	13	0
1,560	**1,580**	219	182	159	137	116	94	72	50	29	15	0
1,580	**1,600**	224	187	162	140	119	97	75	53	31	17	2
1,600	**1,620**	229	192	165	143	122	100	78	56	34	19	4
1,620	**1,640**	234	197	168	146	125	103	81	59	37	21	6
1,640	**1,660**	239	202	171	149	128	106	84	62	40	23	8
1,660	**1,680**	244	207	174	152	131	109	87	65	43	25	10
1,680	**1,700**	249	212	177	155	134	112	90	68	46	27	12
1,700	**1,720**	254	217	181	158	137	115	93	71	49	29	14
1,720	**1,740**	259	222	186	161	140	118	96	74	52	31	16
1,740	**1,760**	264	227	191	164	143	121	99	77	55	33	18
1,760	**1,780**	269	232	196	167	146	124	102	80	58	36	20
1,780	**1,800**	274	237	201	170	149	127	105	83	61	39	22
1,800	**1,820**	279	242	206	173	152	130	108	86	64	42	24
1,820	**1,840**	284	247	211	176	155	133	111	89	67	45	26
1,840	**1,860**	289	252	216	179	158	136	114	92	70	48	28
1,860	**1,880**	294	257	221	184	161	139	117	95	73	51	30
1,880	**1,900**	299	262	226	189	164	142	120	98	76	54	32
1,900	**1,920**	304	267	231	194	167	145	123	101	79	57	35
1,920	**1,940**	309	272	236	199	170	148	126	104	82	60	38
1,940	**1,960**	314	277	241	204	173	151	129	107	85	63	41
1,960	**1,980**	319	282	246	209	176	154	132	110	88	66	44
1,980	**2,000**	324	287	251	214	179	157	135	113	91	69	47
2,000	**2,020**	329	292	256	219	183	160	138	116	94	72	50
2,020	**2,040**	334	297	261	224	188	163	141	119	97	75	53
2,040	**2,060**	339	302	266	229	193	166	144	122	100	78	56
2,060	**2,080**	344	307	271	234	198	169	147	125	103	81	59
2,080	**2,100**	349	312	276	239	203	172	150	128	106	84	62
2,100	**2,120**	354	317	281	244	208	175	153	131	109	87	65
2,120	**2,140**	359	322	286	249	213	178	156	134	112	90	68

$2,140 and over — Use Table 3(a) for a **SINGLE person** on page 38. Also see the instructions on page 36.

MARRIED Persons—**SEMIMONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$270**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
270	**280**	0	0	0	0	0	0	0	0	0	0	0
280	**290**	0	0	0	0	0	0	0	0	0	0	0
290	**300**	0	0	0	0	0	0	0	0	0	0	0
300	**310**	0	0	0	0	0	0	0	0	0	0	0
310	**320**	0	0	0	0	0	0	0	0	0	0	0
320	**330**	0	0	0	0	0	0	0	0	0	0	0
330	**340**	0	0	0	0	0	0	0	0	0	0	0
340	**350**	1	0	0	0	0	0	0	0	0	0	0
350	**360**	2	0	0	0	0	0	0	0	0	0	0
360	**370**	3	0	0	0	0	0	0	0	0	0	0
370	**380**	4	0	0	0	0	0	0	0	0	0	0
380	**390**	5	0	0	0	0	0	0	0	0	0	0
390	**400**	6	0	0	0	0	0	0	0	0	0	0
400	**410**	7	0	0	0	0	0	0	0	0	0	0
410	**420**	8	0	0	0	0	0	0	0	0	0	0
420	**430**	9	0	0	0	0	0	0	0	0	0	0
430	**440**	10	0	0	0	0	0	0	0	0	0	0
440	**450**	11	0	0	0	0	0	0	0	0	0	0
450	**460**	12	0	0	0	0	0	0	0	0	0	0
460	**470**	13	0	0	0	0	0	0	0	0	0	0
470	**480**	14	0	0	0	0	0	0	0	0	0	0
480	**490**	15	1	0	0	0	0	0	0	0	0	0
490	**500**	16	2	0	0	0	0	0	0	0	0	0
500	**520**	18	3	0	0	0	0	0	0	0	0	0
520	**540**	20	5	0	0	0	0	0	0	0	0	0
540	**560**	22	7	0	0	0	0	0	0	0	0	0
560	**580**	24	9	0	0	0	0	0	0	0	0	0
580	**600**	26	11	0	0	0	0	0	0	0	0	0
600	**620**	28	13	0	0	0	0	0	0	0	0	0
620	**640**	30	15	1	0	0	0	0	0	0	0	0
640	**660**	32	17	3	0	0	0	0	0	0	0	0
660	**680**	34	19	5	0	0	0	0	0	0	0	0
680	**700**	36	21	7	0	0	0	0	0	0	0	0
700	**720**	38	23	9	0	0	0	0	0	0	0	0
720	**740**	40	25	11	0	0	0	0	0	0	0	0
740	**760**	42	27	13	0	0	0	0	0	0	0	0
760	**780**	44	29	15	0	0	0	0	0	0	0	0
780	**800**	46	31	17	2	0	0	0	0	0	0	0
800	**820**	48	33	19	4	0	0	0	0	0	0	0
820	**840**	50	35	21	6	0	0	0	0	0	0	0
840	**860**	52	37	23	8	0	0	0	0	0	0	0
860	**880**	54	39	25	10	0	0	0	0	0	0	0
880	**900**	56	41	27	12	0	0	0	0	0	0	0
900	**920**	58	43	29	14	0	0	0	0	0	0	0
920	**940**	60	45	31	16	1	0	0	0	0	0	0
940	**960**	62	47	33	18	3	0	0	0	0	0	0
960	**980**	64	49	35	20	5	0	0	0	0	0	0
980	**1,000**	66	51	37	22	7	0	0	0	0	0	0
1,000	**1,020**	69	53	39	24	9	0	0	0	0	0	0
1,020	**1,040**	72	55	41	26	11	0	0	0	0	0	0
1,040	**1,060**	75	57	43	28	13	0	0	0	0	0	0
1,060	**1,080**	78	59	45	30	15	1	0	0	0	0	0
1,080	**1,100**	81	61	47	32	17	3	0	0	0	0	0
1,100	**1,120**	84	63	49	34	19	5	0	0	0	0	0
1,120	**1,140**	87	65	51	36	21	7	0	0	0	0	0
1,140	**1,160**	90	68	53	38	23	9	0	0	0	0	0
1,160	**1,180**	93	71	55	40	25	11	0	0	0	0	0
1,180	**1,200**	96	74	57	42	27	13	0	0	0	0	0
1,200	**1,220**	99	77	59	44	29	15	0	0	0	0	0
1,220	**1,240**	102	80	61	46	31	17	2	0	0	0	0
1,240	**1,260**	105	83	63	48	33	19	4	0	0	0	0
1,260	**1,280**	108	86	65	50	35	21	6	0	0	0	0
1,280	**1,300**	111	89	67	52	37	23	8	0	0	0	0
1,300	**1,320**	114	92	70	54	39	25	10	0	0	0	0
1,320	**1,340**	117	95	73	56	41	27	12	0	0	0	0
1,340	**1,360**	120	98	76	58	43	29	14	0	0	0	0
1,360	**1,380**	123	101	79	60	45	31	16	2	0	0	0
1,380	**1,400**	126	104	82	62	47	33	18	4	0	0	0
1,400	**1,420**	129	107	85	64	49	35	20	6	0	0	0

MARRIED Persons—**SEMIMONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$1,420	**$1,440**	$132	$110	$88	$66	$51	$37	$22	$8	$0	$0	$0
1,440	**1,460**	135	113	91	69	53	39	24	10	0	0	0
1,460	**1,480**	138	116	94	72	55	41	26	12	0	0	0
1,480	**1,500**	141	119	97	75	57	43	28	14	0	0	0
1,500	**1,520**	144	122	100	78	59	45	30	16	1	0	0
1,520	**1,540**	147	125	103	81	61	47	32	18	3	0	0
1,540	**1,560**	150	128	106	84	63	49	34	20	5	0	0
1,560	**1,580**	153	131	109	87	66	51	36	22	7	0	0
1,580	**1,600**	156	134	112	90	69	53	38	24	9	0	0
1,600	**1,620**	159	137	115	93	72	55	40	26	11	0	0
1,620	**1,640**	162	140	118	96	75	57	42	28	13	0	0
1,640	**1,660**	165	143	121	99	78	59	44	30	15	0	0
1,660	**1,680**	168	146	124	102	81	61	46	32	17	2	0
1,680	**1,700**	171	149	127	105	84	63	48	34	19	4	0
1,700	**1,720**	174	152	130	108	87	65	50	36	21	6	0
1,720	**1,740**	177	155	133	111	90	68	52	38	23	8	0
1,740	**1,760**	180	158	136	114	93	71	54	40	25	10	0
1,760	**1,780**	183	161	139	117	96	74	56	42	27	12	0
1,780	**1,800**	186	164	142	120	99	77	58	44	29	14	0
1,800	**1,820**	189	167	145	123	102	80	60	46	31	16	2
1,820	**1,840**	192	170	148	126	105	83	62	48	33	18	4
1,840	**1,860**	195	173	151	129	108	86	64	50	35	20	6
1,860	**1,880**	198	176	154	132	111	89	67	52	37	22	8
1,880	**1,900**	201	179	157	135	114	92	70	54	39	24	10
1,900	**1,920**	204	182	160	138	117	95	73	56	41	26	12
1,920	**1,940**	207	185	163	141	120	98	76	58	43	28	14
1,940	**1,960**	210	188	166	144	123	101	79	60	45	30	16
1,960	**1,980**	213	191	169	147	126	104	82	62	47	32	18
1,980	**2,000**	216	194	172	150	129	107	85	64	49	34	20
2,000	**2,020**	219	197	175	153	132	110	88	66	51	36	22
2,020	**2,040**	222	200	178	156	135	113	91	69	53	38	24
2,040	**2,060**	225	203	181	159	138	116	94	72	55	40	26
2,060	**2,080**	228	206	184	162	141	119	97	75	57	42	28
2,080	**2,100**	231	209	187	165	144	122	100	78	59	44	30
2,100	**2,120**	234	212	190	168	147	125	103	81	61	46	32
2,120	**2,140**	237	215	193	171	150	128	106	84	63	48	34
2,140	**2,160**	240	218	196	174	153	131	109	87	65	50	36
2,160	**2,180**	243	221	199	177	156	134	112	90	68	52	38
2,180	**2,200**	246	224	202	180	159	137	115	93	71	54	40
2,200	**2,220**	249	227	205	183	162	140	118	96	74	56	42
2,220	**2,240**	252	230	208	186	165	143	121	99	77	58	44
2,240	**2,260**	255	233	211	189	168	146	124	102	80	60	46
2,260	**2,280**	258	236	214	192	171	149	127	105	83	62	48
2,280	**2,300**	261	239	217	195	174	152	130	108	86	64	50
2,300	**2,320**	264	242	220	198	177	155	133	111	89	67	52
2,320	**2,340**	267	245	223	201	180	158	136	114	92	70	54
2,340	**2,360**	270	248	226	204	183	161	139	117	95	73	56
2,360	**2,380**	273	251	229	207	186	164	142	120	98	76	58
2,380	**2,400**	276	254	232	210	189	167	145	123	101	79	60
2,400	**2,420**	279	257	235	213	192	170	148	126	104	82	62
2,420	**2,440**	282	260	238	216	195	173	151	129	107	85	64
2,440	**2,460**	285	263	241	219	198	176	154	132	110	88	66
2,460	**2,480**	288	266	244	222	201	179	157	135	113	91	69
2,480	**2,500**	291	269	247	225	204	182	160	138	116	94	72
2,500	**2,520**	294	272	250	228	207	185	163	141	119	97	75
2,520	**2,540**	297	275	253	231	210	188	166	144	122	100	78
2,540	**2,560**	300	278	256	234	213	191	169	147	125	103	81
2,560	**2,580**	303	281	259	237	216	194	172	150	128	106	84
2,580	**2,600**	306	284	262	240	219	197	175	153	131	109	87
2,600	**2,620**	309	287	265	243	222	200	178	156	134	112	90
2,620	**2,640**	312	290	268	246	225	203	181	159	137	115	93
2,640	**2,660**	315	293	271	249	228	206	184	162	140	118	96
2,660	**2,680**	318	296	274	252	231	209	187	165	143	121	99
2,680	**2,700**	321	299	277	255	234	212	190	168	146	124	102
2,700	**2,720**	324	302	280	258	237	215	193	171	149	127	105
2,720	**2,740**	327	305	283	261	240	218	196	174	152	130	108

$2,740 and over — Use Table 3(b) for a **MARRIED person** on page 38. Also see the instructions on page 36.

SINGLE Persons—**MONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$220**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
220	**230**	0	0	0	0	0	0	0	0	0	0	0
230	**240**	1	0	0	0	0	0	0	0	0	0	0
240	**250**	2	0	0	0	0	0	0	0	0	0	0
250	**260**	3	0	0	0	0	0	0	0	0	0	0
260	**270**	4	0	0	0	0	0	0	0	0	0	0
270	**280**	5	0	0	0	0	0	0	0	0	0	0
280	**290**	6	0	0	0	0	0	0	0	0	0	0
290	**300**	7	0	0	0	0	0	0	0	0	0	0
300	**320**	9	0	0	0	0	0	0	0	0	0	0
320	**340**	11	0	0	0	0	0	0	0	0	0	0
340	**360**	13	0	0	0	0	0	0	0	0	0	0
360	**380**	15	0	0	0	0	0	0	0	0	0	0
380	**400**	17	0	0	0	0	0	0	0	0	0	0
400	**420**	19	0	0	0	0	0	0	0	0	0	0
420	**440**	21	0	0	0	0	0	0	0	0	0	0
440	**460**	23	0	0	0	0	0	0	0	0	0	0
460	**480**	25	0	0	0	0	0	0	0	0	0	0
480	**500**	27	0	0	0	0	0	0	0	0	0	0
500	**520**	29	0	0	0	0	0	0	0	0	0	0
520	**540**	31	2	0	0	0	0	0	0	0	0	0
540	**560**	33	4	0	0	0	0	0	0	0	0	0
560	**580**	35	6	0	0	0	0	0	0	0	0	0
580	**600**	37	8	0	0	0	0	0	0	0	0	0
600	**640**	40	11	0	0	0	0	0	0	0	0	0
640	**680**	44	15	0	0	0	0	0	0	0	0	0
680	**720**	48	19	0	0	0	0	0	0	0	0	0
720	**760**	52	23	0	0	0	0	0	0	0	0	0
760	**800**	56	27	0	0	0	0	0	0	0	0	0
800	**840**	60	31	2	0	0	0	0	0	0	0	0
840	**880**	64	35	6	0	0	0	0	0	0	0	0
880	**920**	70	39	10	0	0	0	0	0	0	0	0
920	**960**	76	43	14	0	0	0	0	0	0	0	0
960	**1,000**	82	47	18	0	0	0	0	0	0	0	0
1,000	**1,040**	88	51	22	0	0	0	0	0	0	0	0
1,040	**1,080**	94	55	26	0	0	0	0	0	0	0	0
1,080	**1,120**	100	59	30	0	0	0	0	0	0	0	0
1,120	**1,160**	106	63	34	4	0	0	0	0	0	0	0
1,160	**1,200**	112	68	38	8	0	0	0	0	0	0	0
1,200	**1,240**	118	74	42	12	0	0	0	0	0	0	0
1,240	**1,280**	124	80	46	16	0	0	0	0	0	0	0
1,280	**1,320**	130	86	50	20	0	0	0	0	0	0	0
1,320	**1,360**	136	92	54	24	0	0	0	0	0	0	0
1,360	**1,400**	142	98	58	28	0	0	0	0	0	0	0
1,400	**1,440**	148	104	62	32	3	0	0	0	0	0	0
1,440	**1,480**	154	110	67	36	7	0	0	0	0	0	0
1,480	**1,520**	160	116	73	40	11	0	0	0	0	0	0
1,520	**1,560**	166	122	79	44	15	0	0	0	0	0	0
1,560	**1,600**	172	128	85	48	19	0	0	0	0	0	0
1,600	**1,640**	178	134	91	52	23	0	0	0	0	0	0
1,640	**1,680**	184	140	97	56	27	0	0	0	0	0	0
1,680	**1,720**	190	146	103	60	31	2	0	0	0	0	0
1,720	**1,760**	196	152	109	65	35	6	0	0	0	0	0
1,760	**1,800**	202	158	115	71	39	10	0	0	0	0	0
1,800	**1,840**	208	164	121	77	43	14	0	0	0	0	0
1,840	**1,880**	214	170	127	83	47	18	0	0	0	0	0
1,880	**1,920**	220	176	133	89	51	22	0	0	0	0	0
1,920	**1,960**	226	182	139	95	55	26	0	0	0	0	0
1,960	**2,000**	232	188	145	101	59	30	1	0	0	0	0
2,000	**2,040**	238	194	151	107	63	34	5	0	0	0	0
2,040	**2,080**	244	200	157	113	69	38	9	0	0	0	0
2,080	**2,120**	250	206	163	119	75	42	13	0	0	0	0
2,120	**2,160**	256	212	169	125	81	46	17	0	0	0	0
2,160	**2,200**	262	218	175	131	87	50	21	0	0	0	0
2,200	**2,240**	268	224	181	137	93	54	25	0	0	0	0
2,240	**2,280**	274	230	187	143	99	58	29	0	0	0	0
2,280	**2,320**	280	236	193	149	105	62	33	4	0	0	0
2,320	**2,360**	286	242	199	155	111	67	37	8	0	0	0
2,360	**2,400**	292	248	205	161	117	73	41	12	0	0	0
2,400	**2,440**	298	254	211	167	123	79	45	16	0	0	0

SINGLE Persons—**MONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$2,440	**$2,480**	$304	$260	$217	$173	$129	$85	$49	$20	$0	$0	$0
2,480	**2,520**	310	266	223	179	135	91	53	24	0	0	0
2,520	**2,560**	316	272	229	185	141	97	57	28	0	0	0
2,560	**2,600**	322	278	235	191	147	103	61	32	3	0	0
2,600	**2,640**	328	284	241	197	153	109	66	36	7	0	0
2,640	**2,680**	334	290	247	203	159	115	72	40	11	0	0
2,680	**2,720**	340	296	253	209	165	121	78	44	15	0	0
2,720	**2,760**	346	302	259	215	171	127	84	48	19	0	0
2,760	**2,800**	352	308	265	221	177	133	90	52	23	0	0
2,800	**2,840**	358	314	271	227	183	139	96	56	27	0	0
2,840	**2,880**	367	320	277	233	189	145	102	60	31	1	0
2,880	**2,920**	377	326	283	239	195	151	108	64	35	5	0
2,920	**2,960**	387	332	289	245	201	157	114	70	39	9	0
2,960	**3,000**	397	338	295	251	207	163	120	76	43	13	0
3,000	**3,040**	407	344	301	257	213	169	126	82	47	17	0
3,040	**3,080**	417	350	307	263	219	175	132	88	51	21	0
3,080	**3,120**	427	356	313	269	225	181	138	94	55	25	0
3,120	**3,160**	437	364	319	275	231	187	144	100	59	29	0
3,160	**3,200**	447	374	325	281	237	193	150	106	63	33	4
3,200	**3,240**	457	384	331	287	243	199	156	112	68	37	8
3,240	**3,280**	467	394	337	293	249	205	162	118	74	41	12
3,280	**3,320**	477	404	343	299	255	211	168	124	80	45	16
3,320	**3,360**	487	414	349	305	261	217	174	130	86	49	20
3,360	**3,400**	497	424	355	311	267	223	180	136	92	53	24
3,400	**3,440**	507	434	361	317	273	229	186	142	98	57	28
3,440	**3,480**	517	444	371	323	279	235	192	148	104	61	32
3,480	**3,520**	527	454	381	329	285	241	198	154	110	66	36
3,520	**3,560**	537	464	391	335	291	247	204	160	116	72	40
3,560	**3,600**	547	474	401	341	297	253	210	166	122	78	44
3,600	**3,640**	557	484	411	347	303	259	216	172	128	84	48
3,640	**3,680**	567	494	421	353	309	265	222	178	134	90	52
3,680	**3,720**	577	504	431	359	315	271	228	184	140	96	56
3,720	**3,760**	587	514	441	368	321	277	234	190	146	102	60
3,760	**3,800**	597	524	451	378	327	283	240	196	152	108	65
3,800	**3,840**	607	534	461	388	333	289	246	202	158	114	71
3,840	**3,880**	617	544	471	398	339	295	252	208	164	120	77
3,880	**3,920**	627	554	481	408	345	301	258	214	170	126	83
3,920	**3,960**	637	564	491	418	351	307	264	220	176	132	89
3,960	**4,000**	647	574	501	428	357	313	270	226	182	138	95
4,000	**4,040**	657	584	511	438	365	319	276	232	188	144	101
4,040	**4,080**	667	594	521	448	375	325	282	238	194	150	107
4,080	**4,120**	677	604	531	458	385	331	288	244	200	156	113
4,120	**4,160**	687	614	541	468	395	337	294	250	206	162	119
4,160	**4,200**	697	624	551	478	405	343	300	256	212	168	125
4,200	**4,240**	707	634	561	488	415	349	306	262	218	174	131
4,240	**4,280**	717	644	571	498	425	355	312	268	224	180	137
4,280	**4,320**	727	654	581	508	435	362	318	274	230	186	143
4,320	**4,360**	737	664	591	518	445	372	324	280	236	192	149
4,360	**4,400**	747	674	601	528	455	382	330	286	242	198	155
4,400	**4,440**	757	684	611	538	465	392	336	292	248	204	161
4,440	**4,480**	767	694	621	548	475	402	342	298	254	210	167
4,480	**4,520**	777	704	631	558	485	412	348	304	260	216	173
4,520	**4,560**	787	714	641	568	495	422	354	310	266	222	179
4,560	**4,600**	797	724	651	578	505	432	360	316	272	228	185
4,600	**4,640**	807	734	661	588	515	442	370	322	278	234	191
4,640	**4,680**	817	744	671	598	525	452	380	328	284	240	197
4,680	**4,720**	827	754	681	608	535	462	390	334	290	246	203
4,720	**4,760**	837	764	691	618	545	472	400	340	296	252	209
4,760	**4,800**	847	774	701	628	555	482	410	346	302	258	215
4,800	**4,840**	857	784	711	638	565	492	420	352	308	264	221
4,840	**4,880**	867	794	721	648	575	502	430	358	314	270	227
4,880	**4,920**	877	804	731	658	585	512	440	367	320	276	233
4,920	**4,960**	887	814	741	668	595	522	450	377	326	282	239
4,960	**5,000**	897	824	751	678	605	532	460	387	332	288	245
5,000	**5,040**	907	834	761	688	615	542	470	397	338	294	251
5,040	**5,080**	917	844	771	698	625	552	480	407	344	300	257

$5,080 and over — Use Table 4(a) for a **SINGLE person** on page 38. Also see the instructions on page 36.

MARRIED Persons—**MONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$540**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
540	**560**	0	0	0	0	0	0	0	0	0	0	0
560	**580**	0	0	0	0	0	0	0	0	0	0	0
580	**600**	0	0	0	0	0	0	0	0	0	0	0
600	**640**	0	0	0	0	0	0	0	0	0	0	0
640	**680**	0	0	0	0	0	0	0	0	0	0	0
680	**720**	3	0	0	0	0	0	0	0	0	0	0
720	**760**	7	0	0	0	0	0	0	0	0	0	0
760	**800**	11	0	0	0	0	0	0	0	0	0	0
800	**840**	15	0	0	0	0	0	0	0	0	0	0
840	**880**	19	0	0	0	0	0	0	0	0	0	0
880	**920**	23	0	0	0	0	0	0	0	0	0	0
920	**960**	27	0	0	0	0	0	0	0	0	0	0
960	**1,000**	31	2	0	0	0	0	0	0	0	0	0
1,000	**1,040**	35	6	0	0	0	0	0	0	0	0	0
1,040	**1,080**	39	10	0	0	0	0	0	0	0	0	0
1,080	**1,120**	43	14	0	0	0	0	0	0	0	0	0
1,120	**1,160**	47	18	0	0	0	0	0	0	0	0	0
1,160	**1,200**	51	22	0	0	0	0	0	0	0	0	0
1,200	**1,240**	55	26	0	0	0	0	0	0	0	0	0
1,240	**1,280**	59	30	1	0	0	0	0	0	0	0	0
1,280	**1,320**	63	34	5	0	0	0	0	0	0	0	0
1,320	**1,360**	67	38	9	0	0	0	0	0	0	0	0
1,360	**1,400**	71	42	13	0	0	0	0	0	0	0	0
1,400	**1,440**	75	46	17	0	0	0	0	0	0	0	0
1,440	**1,480**	79	50	21	0	0	0	0	0	0	0	0
1,480	**1,520**	83	54	25	0	0	0	0	0	0	0	0
1,520	**1,560**	87	58	29	0	0	0	0	0	0	0	0
1,560	**1,600**	91	62	33	4	0	0	0	0	0	0	0
1,600	**1,640**	95	66	37	8	0	0	0	0	0	0	0
1,640	**1,680**	99	70	41	12	0	0	0	0	0	0	0
1,680	**1,720**	103	74	45	16	0	0	0	0	0	0	0
1,720	**1,760**	107	78	49	20	0	0	0	0	0	0	0
1,760	**1,800**	111	82	53	24	0	0	0	0	0	0	0
1,800	**1,840**	115	86	57	28	0	0	0	0	0	0	0
1,840	**1,880**	119	90	61	32	3	0	0	0	0	0	0
1,880	**1,920**	123	94	65	36	7	0	0	0	0	0	0
1,920	**1,960**	127	98	69	40	11	0	0	0	0	0	0
1,960	**2,000**	132	102	73	44	15	0	0	0	0	0	0
2,000	**2,040**	138	106	77	48	19	0	0	0	0	0	0
2,040	**2,080**	144	110	81	52	23	0	0	0	0	0	0
2,080	**2,120**	150	114	85	56	27	0	0	0	0	0	0
2,120	**2,160**	156	118	89	60	31	2	0	0	0	0	0
2,160	**2,200**	162	122	93	64	35	6	0	0	0	0	0
2,200	**2,240**	168	126	97	68	39	10	0	0	0	0	0
2,240	**2,280**	174	130	101	72	43	14	0	0	0	0	0
2,280	**2,320**	180	136	105	76	47	18	0	0	0	0	0
2,320	**2,360**	186	142	109	80	51	22	0	0	0	0	0
2,360	**2,400**	192	148	113	84	55	26	0	0	0	0	0
2,400	**2,440**	198	154	117	88	59	30	0	0	0	0	0
2,440	**2,480**	204	160	121	92	63	34	4	0	0	0	0
2,480	**2,520**	210	166	125	96	67	38	8	0	0	0	0
2,520	**2,560**	216	172	129	100	71	42	12	0	0	0	0
2,560	**2,600**	222	178	135	104	75	46	16	0	0	0	0
2,600	**2,640**	228	184	141	108	79	50	20	0	0	0	0
2,640	**2,680**	234	190	147	112	83	54	24	0	0	0	0
2,680	**2,720**	240	196	153	116	87	58	28	0	0	0	0
2,720	**2,760**	246	202	159	120	91	62	32	3	0	0	0
2,760	**2,800**	252	208	165	124	95	66	36	7	0	0	0
2,800	**2,840**	258	214	171	128	99	70	40	11	0	0	0
2,840	**2,880**	264	220	177	133	103	74	44	15	0	0	0
2,880	**2,920**	270	226	183	139	107	78	48	19	0	0	0
2,920	**2,960**	276	232	189	145	111	82	52	23	0	0	0
2,960	**3,000**	282	238	195	151	115	86	56	27	0	0	0
3,000	**3,040**	288	244	201	157	119	90	60	31	2	0	0
3,040	**3,080**	294	250	207	163	123	94	64	35	6	0	0
3,080	**3,120**	300	256	213	169	127	98	68	39	10	0	0
3,120	**3,160**	306	262	219	175	131	102	72	43	14	0	0
3,160	**3,200**	312	268	225	181	137	106	76	47	18	0	0
3,200	**3,240**	318	274	231	187	143	110	80	51	22	0	0

MARRIED Persons—**MONTHLY** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$3,240	**$3,280**	$324	$280	$237	$193	$149	$114	$84	$55	$26	$0	$0
3,280	**3,320**	330	286	243	199	155	118	88	59	30	1	0
3,320	**3,360**	336	292	249	205	161	122	92	63	34	5	0
3,360	**3,400**	342	298	255	211	167	126	96	67	38	9	0
3,400	**3,440**	348	304	261	217	173	130	100	71	42	13	0
3,440	**3,480**	354	310	267	223	179	135	104	75	46	17	0
3,480	**3,520**	360	316	273	229	185	141	108	79	50	21	0
3,520	**3,560**	366	322	279	235	191	147	112	83	54	25	0
3,560	**3,600**	372	328	285	241	197	153	116	87	58	29	0
3,600	**3,640**	378	334	291	247	203	159	120	91	62	33	4
3,640	**3,680**	384	340	297	253	209	165	124	95	66	37	8
3,680	**3,720**	390	346	303	259	215	171	128	99	70	41	12
3,720	**3,760**	396	352	309	265	221	177	134	103	74	45	16
3,760	**3,800**	402	358	315	271	227	183	140	107	78	49	20
3,800	**3,840**	408	364	321	277	233	189	146	111	82	53	24
3,840	**3,880**	414	370	327	283	239	195	152	115	86	57	28
3,880	**3,920**	420	376	333	289	245	201	158	119	90	61	32
3,920	**3,960**	426	382	339	295	251	207	164	123	94	65	36
3,960	**4,000**	432	388	345	301	257	213	170	127	98	69	40
4,000	**4,040**	438	394	351	307	263	219	176	132	102	73	44
4,040	**4,080**	444	400	357	313	269	225	182	138	106	77	48
4,080	**4,120**	450	406	363	319	275	231	188	144	110	81	52
4,120	**4,160**	456	412	369	325	281	237	194	150	114	85	56
4,160	**4,200**	462	418	375	331	287	243	200	156	118	89	60
4,200	**4,240**	468	424	381	337	293	249	206	162	122	93	64
4,240	**4,280**	474	430	387	343	299	255	212	168	126	97	68
4,280	**4,320**	480	436	393	349	305	261	218	174	130	101	72
4,320	**4,360**	486	442	399	355	311	267	224	180	136	105	76
4,360	**4,400**	492	448	405	361	317	273	230	186	142	109	80
4,400	**4,440**	498	454	411	367	323	279	236	192	148	113	84
4,440	**4,480**	504	460	417	373	329	285	242	198	154	117	88
4,480	**4,520**	510	466	423	379	335	291	248	204	160	121	92
4,520	**4,560**	516	472	429	385	341	297	254	210	166	125	96
4,560	**4,600**	522	478	435	391	347	303	260	216	172	129	100
4,600	**4,640**	528	484	441	397	353	309	266	222	178	134	104
4,640	**4,680**	534	490	447	403	359	315	272	228	184	140	108
4,680	**4,720**	540	496	453	409	365	321	278	234	190	146	112
4,720	**4,760**	546	502	459	415	371	327	284	240	196	152	116
4,760	**4,800**	552	508	465	421	377	333	290	246	202	158	120
4,800	**4,840**	558	514	471	427	383	339	296	252	208	164	124
4,840	**4,880**	564	520	477	433	389	345	302	258	214	170	128
4,880	**4,920**	570	526	483	439	395	351	308	264	220	176	133
4,920	**4,960**	576	532	489	445	401	357	314	270	226	182	139
4,960	**5,000**	582	538	495	451	407	363	320	276	232	188	145
5,000	**5,040**	588	544	501	457	413	369	326	282	238	194	151
5,040	**5,080**	594	550	507	463	419	375	332	288	244	200	157
5,080	**5,120**	600	556	513	469	425	381	338	294	250	206	163
5,120	**5,160**	606	562	519	475	431	387	344	300	256	212	169
5,160	**5,200**	612	568	525	481	437	393	350	306	262	218	175
5,200	**5,240**	618	574	531	487	443	399	356	312	268	224	181
5,240	**5,280**	624	580	537	493	449	405	362	318	274	230	187
5,280	**5,320**	630	586	543	499	455	411	368	324	280	236	193
5,320	**5,360**	636	592	549	505	461	417	374	330	286	242	199
5,360	**5,400**	642	598	555	511	467	423	380	336	292	248	205
5,400	**5,440**	648	604	561	517	473	429	386	342	298	254	211
5,440	**5,480**	654	610	567	523	479	435	392	348	304	260	217
5,480	**5,520**	660	616	573	529	485	441	398	354	310	266	223
5,520	**5,560**	666	622	579	535	491	447	404	360	316	272	229
5,560	**5,600**	672	628	585	541	497	453	410	366	322	278	235
5,600	**5,640**	678	634	591	547	503	459	416	372	328	284	241
5,640	**5,680**	684	640	597	553	509	465	422	378	334	290	247
5,680	**5,720**	690	646	603	559	515	471	428	384	340	296	253
5,720	**5,760**	696	652	609	565	521	477	434	390	346	302	259
5,760	**5,800**	702	658	615	571	527	483	440	396	352	308	265
5,800	**5,840**	708	664	621	577	533	489	446	402	358	314	271
5,840	**5,880**	714	670	627	583	539	495	452	408	364	320	277

$5,880 and over — Use Table 4(b) for a **MARRIED person** on page 38. Also see the instructions on page 36.

SINGLE Persons—**DAILY OR MISCELLANEOUS** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$12**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
12	**15**	0	0	0	0	0	0	0	0	0	0	0
15	**18**	1	0	0	0	0	0	0	0	0	0	0
18	**21**	1	0	0	0	0	0	0	0	0	0	0
21	**24**	1	0	0	0	0	0	0	0	0	0	0
24	**27**	2	0	0	0	0	0	0	0	0	0	0
27	**30**	2	0	0	0	0	0	0	0	0	0	0
30	**33**	2	1	0	0	0	0	0	0	0	0	0
33	**36**	2	1	0	0	0	0	0	0	0	0	0
36	**39**	3	1	0	0	0	0	0	0	0	0	0
39	**42**	3	2	0	0	0	0	0	0	0	0	0
42	**45**	4	2	1	0	0	0	0	0	0	0	0
45	**48**	4	2	1	0	0	0	0	0	0	0	0
48	**51**	4	3	1	0	0	0	0	0	0	0	0
51	**54**	5	3	2	0	0	0	0	0	0	0	0
54	**57**	5	3	2	0	0	0	0	0	0	0	0
57	**60**	6	4	2	1	0	0	0	0	0	0	0
60	**63**	6	4	2	1	0	0	0	0	0	0	0
63	**66**	7	5	3	1	0	0	0	0	0	0	0
66	**69**	7	5	3	2	0	0	0	0	0	0	0
69	**72**	8	6	4	2	1	0	0	0	0	0	0
72	**75**	8	6	4	2	1	0	0	0	0	0	0
75	**78**	8	6	4	3	1	0	0	0	0	0	0
78	**81**	9	7	5	3	2	0	0	0	0	0	0
81	**84**	9	7	5	3	2	1	0	0	0	0	0
84	**87**	10	8	6	4	2	1	0	0	0	0	0
87	**90**	10	8	6	4	2	1	0	0	0	0	0
90	**93**	11	9	7	5	3	1	0	0	0	0	0
93	**96**	11	9	7	5	3	2	0	0	0	0	0
96	**99**	12	10	8	6	4	2	1	0	0	0	0
99	**102**	12	10	8	6	4	2	1	0	0	0	0
102	**105**	13	11	8	6	4	3	1	0	0	0	0
105	**108**	13	11	9	7	5	3	2	0	0	0	0
108	**111**	13	11	9	7	5	3	2	1	0	0	0
111	**114**	14	12	10	8	6	4	2	1	0	0	0
114	**117**	14	12	10	8	6	4	2	1	0	0	0
117	**120**	15	13	11	9	7	5	3	1	0	0	0
120	**123**	15	13	11	9	7	5	3	2	0	0	0
123	**126**	16	14	12	10	8	6	4	2	1	0	0
126	**129**	16	14	12	10	8	6	4	2	1	0	0
129	**132**	17	15	13	11	8	6	4	3	1	0	0
132	**135**	17	15	13	11	9	7	5	3	2	0	0
135	**138**	18	15	13	11	9	7	5	3	2	1	0
138	**141**	19	16	14	12	10	8	6	4	2	1	0
141	**144**	20	16	14	12	10	8	6	4	2	1	0
144	**147**	20	17	15	13	11	9	7	5	3	1	0
147	**150**	21	18	15	13	11	9	7	5	3	2	0
150	**153**	22	18	16	14	12	10	8	6	4	2	1
153	**156**	23	19	16	14	12	10	8	6	4	2	1
156	**159**	23	20	17	15	13	11	9	6	4	3	1
159	**162**	24	21	17	15	13	11	9	7	5	3	2
162	**165**	25	21	18	15	13	11	9	7	5	3	2
165	**168**	26	22	19	16	14	12	10	8	6	4	2
168	**171**	26	23	20	16	14	12	10	8	6	4	2
171	**174**	27	24	20	17	15	13	11	9	7	5	3
174	**177**	28	24	21	18	15	13	11	9	7	5	3
177	**180**	29	25	22	18	16	14	12	10	8	6	4
180	**183**	29	26	23	19	16	14	12	10	8	6	4
183	**186**	30	27	23	20	17	15	13	11	9	7	4
186	**189**	31	27	24	21	17	15	13	11	9	7	5
189	**192**	32	28	25	21	18	15	13	11	9	7	5
192	**195**	32	29	26	22	19	16	14	12	10	8	6
195	**198**	33	30	26	23	20	16	14	12	10	8	6
198	**201**	34	30	27	24	20	17	15	13	11	9	7
201	**204**	35	31	28	24	21	18	15	13	11	9	7
204	**207**	35	32	29	25	22	18	16	14	12	10	8
207	**210**	36	33	29	26	23	19	16	14	12	10	8
210	**213**	37	33	30	27	23	20	17	15	13	11	9
213	**216**	38	34	31	27	24	21	17	15	13	11	9
216	**219**	38	35	32	28	25	21	18	15	13	11	9

SINGLE Persons—**DAILY OR MISCELLANEOUS** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$219	**$222**	$39	$36	$32	$29	$26	$22	$19	$16	$14	$12	$10
222	**225**	40	36	33	30	26	23	20	16	14	12	10
225	**228**	41	37	34	30	27	24	20	17	15	13	11
228	**231**	41	38	35	31	28	24	21	18	15	13	11
231	**234**	42	39	35	32	29	25	22	19	16	14	12
234	**237**	43	39	36	33	29	26	23	19	16	14	12
237	**240**	44	40	37	33	30	27	23	20	17	15	13
240	**243**	44	41	38	34	31	27	24	21	17	15	13
243	**246**	45	42	38	35	32	28	25	22	18	16	13
246	**249**	46	42	39	36	32	29	26	22	19	16	14
249	**252**	47	43	40	36	33	30	26	23	20	16	14
252	**255**	47	44	41	37	34	30	27	24	20	17	15
255	**258**	48	45	41	38	35	31	28	25	21	18	15
258	**261**	49	45	42	39	35	32	29	25	22	19	16
261	**264**	50	46	43	39	36	33	29	26	23	19	16
264	**267**	50	47	44	40	37	33	30	27	23	20	17
267	**270**	51	48	44	41	38	34	31	28	24	21	17
270	**273**	52	48	45	42	38	35	32	28	25	22	18
273	**276**	53	49	46	42	39	36	32	29	26	22	19
276	**279**	53	50	47	43	40	36	33	30	26	23	20
279	**282**	54	51	47	44	41	37	34	31	27	24	20
282	**285**	55	51	48	45	41	38	35	31	28	25	21
285	**288**	56	52	49	45	42	39	35	32	29	25	22
288	**291**	56	53	50	46	43	39	36	33	29	26	23
291	**294**	57	54	50	47	44	40	37	34	30	27	23
294	**297**	58	54	51	48	44	41	38	34	31	28	24
297	**300**	59	55	52	48	45	42	38	35	32	28	25
300	**303**	59	56	53	49	46	42	39	36	32	29	26
303	**306**	60	57	53	50	47	43	40	37	33	30	26
306	**309**	61	57	54	51	47	44	41	37	34	31	27
309	**312**	62	58	55	51	48	45	41	38	35	31	28
312	**315**	62	59	56	52	49	45	42	39	35	32	29
315	**318**	63	60	56	53	50	46	43	40	36	33	29
318	**321**	64	60	57	54	50	47	44	40	37	34	30
321	**324**	65	61	58	54	51	48	44	41	38	34	31
324	**327**	66	62	59	55	52	48	45	42	38	35	32
327	**330**	67	63	59	56	53	49	46	43	39	36	32
330	**333**	68	64	60	57	53	50	47	43	40	37	33
333	**336**	68	65	61	57	54	51	47	44	41	37	34
336	**339**	69	65	62	58	55	51	48	45	41	38	35
339	**341**	70	66	62	59	55	52	49	45	42	39	35
341	**343**	70	67	63	59	56	53	49	46	43	39	36
343	**345**	71	67	63	60	56	53	50	46	43	40	36
345	**347**	72	68	64	60	57	54	50	47	44	40	37
347	**349**	72	68	65	61	57	54	51	47	44	41	37
349	**351**	73	69	65	61	58	55	51	48	45	41	38
351	**353**	73	69	66	62	58	55	52	48	45	42	38
353	**355**	74	70	66	62	59	56	52	49	46	42	39
355	**357**	74	71	67	63	59	56	53	49	46	43	39
357	**359**	75	71	67	64	60	57	53	50	47	43	40
359	**361**	76	72	68	64	60	57	54	50	47	44	40
361	**363**	76	72	69	65	61	58	54	51	48	44	41
363	**365**	77	73	69	65	62	58	55	51	48	45	41
365	**367**	77	73	70	66	62	59	55	52	49	45	42
367	**369**	78	74	70	66	63	59	56	52	49	46	42
369	**371**	78	75	71	67	63	60	56	53	50	46	43
371	**373**	79	75	71	68	64	60	57	53	50	47	43
373	**375**	79	76	72	68	64	61	57	54	51	47	44
375	**377**	80	76	72	69	65	61	58	54	51	48	44
377	**379**	81	77	73	69	65	62	58	55	52	48	45
379	**381**	81	77	74	70	66	62	59	55	52	49	45
381	**383**	82	78	74	70	67	63	59	56	53	49	46
383	**385**	82	78	75	71	67	63	60	56	53	50	46
385	**387**	83	79	75	71	68	64	60	57	54	50	47
387	**389**	83	80	76	72	68	65	61	57	54	51	47
389	**391**	84	80	76	73	69	65	61	58	55	51	48

$391 and over Use Table 8(a) for a **SINGLE person** on page 39. Also see the instructions on page 36.

MARRIED Persons—**DAILY OR MISCELLANEOUS** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$0	**$27**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27	**30**	0	0	0	0	0	0	0	0	0	0	0
30	**33**	0	0	0	0	0	0	0	0	0	0	0
33	**36**	0	0	0	0	0	0	0	0	0	0	0
36	**39**	1	0	0	0	0	0	0	0	0	0	0
39	**42**	1	0	0	0	0	0	0	0	0	0	0
42	**45**	1	0	0	0	0	0	0	0	0	0	0
45	**48**	2	0	0	0	0	0	0	0	0	0	0
48	**51**	2	1	0	0	0	0	0	0	0	0	0
51	**54**	2	1	0	0	0	0	0	0	0	0	0
54	**57**	2	1	0	0	0	0	0	0	0	0	0
57	**60**	3	1	0	0	0	0	0	0	0	0	0
60	**63**	3	2	0	0	0	0	0	0	0	0	0
63	**66**	3	2	1	0	0	0	0	0	0	0	0
66	**69**	4	2	1	0	0	0	0	0	0	0	0
69	**72**	4	3	1	0	0	0	0	0	0	0	0
72	**75**	4	3	2	0	0	0	0	0	0	0	0
75	**78**	5	3	2	1	0	0	0	0	0	0	0
78	**81**	5	4	2	1	0	0	0	0	0	0	0
81	**84**	5	4	2	1	0	0	0	0	0	0	0
84	**87**	5	4	3	1	0	0	0	0	0	0	0
87	**90**	6	4	3	2	0	0	0	0	0	0	0
90	**93**	6	5	3	2	1	0	0	0	0	0	0
93	**96**	7	5	4	2	1	0	0	0	0	0	0
96	**99**	7	5	4	3	1	0	0	0	0	0	0
99	**102**	7	6	4	3	2	0	0	0	0	0	0
102	**105**	8	6	5	3	2	1	0	0	0	0	0
105	**108**	8	6	5	4	2	1	0	0	0	0	0
108	**111**	9	7	5	4	2	1	0	0	0	0	0
111	**114**	9	7	5	4	3	1	0	0	0	0	0
114	**117**	10	8	6	4	3	2	0	0	0	0	0
117	**120**	10	8	6	5	3	2	1	0	0	0	0
120	**123**	11	9	7	5	4	2	1	0	0	0	0
123	**126**	11	9	7	5	4	3	1	0	0	0	0
126	**129**	12	10	7	6	4	3	2	0	0	0	0
129	**132**	12	10	8	6	5	3	2	1	0	0	0
132	**135**	12	10	8	6	5	4	2	1	0	0	0
135	**138**	13	11	9	7	5	4	2	1	0	0	0
138	**141**	13	11	9	7	5	4	3	1	0	0	0
141	**144**	14	12	10	8	6	4	3	2	0	0	0
144	**147**	14	12	10	8	6	5	3	2	1	0	0
147	**150**	15	13	11	9	7	5	4	2	1	0	0
150	**153**	15	13	11	9	7	5	4	3	1	0	0
153	**156**	16	14	12	10	7	6	4	3	2	0	0
156	**159**	16	14	12	10	8	6	5	3	2	1	0
159	**162**	16	14	12	10	8	6	5	4	2	1	0
162	**165**	17	15	13	11	9	7	5	4	3	1	0
165	**168**	17	15	13	11	9	7	5	4	3	1	0
168	**171**	18	16	14	12	10	8	6	4	3	2	0
171	**174**	18	16	14	12	10	8	6	5	3	2	1
174	**177**	19	17	15	13	11	9	7	5	4	2	1
177	**180**	19	17	15	13	11	9	7	5	4	3	1
180	**183**	20	18	16	14	12	10	8	6	4	3	2
183	**186**	20	18	16	14	12	10	8	6	5	3	2
186	**189**	21	19	16	14	12	10	8	6	5	4	2
189	**192**	21	19	17	15	13	11	9	7	5	4	3
192	**195**	21	19	17	15	13	11	9	7	6	4	3
195	**198**	22	20	18	16	14	12	10	8	6	4	3
198	**201**	22	20	18	16	14	12	10	8	6	5	3
201	**204**	23	21	19	17	15	13	11	9	7	5	4
204	**207**	23	21	19	17	15	13	11	9	7	5	4
207	**210**	24	22	20	18	16	14	12	10	8	6	4
210	**213**	24	22	20	18	16	14	12	10	8	6	5
213	**216**	25	23	21	19	16	14	12	10	8	6	5
216	**219**	25	23	21	19	17	15	13	11	9	7	5
219	**222**	25	23	21	19	17	15	13	11	9	7	6
222	**225**	26	24	22	20	18	16	14	12	10	8	6
225	**228**	26	24	22	20	18	16	14	12	10	8	6
228	**231**	27	25	23	21	19	17	15	13	11	9	7
231	**234**	27	25	23	21	19	17	15	13	11	9	7

MARRIED Persons—**DAILY OR MISCELLANEOUS** Payroll Period

(For Wages Paid in 2008)

If the wages are–		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
		The amount of income tax to be withheld is—										
$234	**$237**	$28	$26	$24	$22	$20	$18	$16	$14	$12	$10	$8
237	**240**	28	26	24	22	20	18	16	14	12	10	8
240	**243**	29	27	25	23	21	19	17	14	12	10	8
243	**246**	29	27	25	23	21	19	17	15	13	11	9
246	**249**	30	28	25	23	21	19	17	15	13	11	9
249	**252**	30	28	26	24	22	20	18	16	14	12	10
252	**255**	30	28	26	24	22	20	18	16	14	12	10
255	**258**	31	29	27	25	23	21	19	17	15	13	11
258	**261**	31	29	27	25	23	21	19	17	15	13	11
261	**264**	32	30	28	26	24	22	20	18	16	14	12
264	**267**	32	30	28	26	24	22	20	18	16	14	12
267	**270**	33	31	29	27	25	23	21	19	17	14	12
270	**273**	33	31	29	27	25	23	21	19	17	15	13
273	**276**	34	32	30	28	25	23	21	19	17	15	13
276	**279**	34	32	30	28	26	24	22	20	18	16	14
279	**282**	35	32	30	28	26	24	22	20	18	16	14
282	**285**	36	33	31	29	27	25	23	21	19	17	15
285	**288**	36	33	31	29	27	25	23	21	19	17	15
288	**291**	37	34	32	30	28	26	24	22	20	18	16
291	**294**	38	34	32	30	28	26	24	22	20	18	16
294	**297**	39	35	33	31	29	27	25	23	21	19	17
297	**300**	39	36	33	31	29	27	25	23	21	19	17
300	**303**	40	37	34	32	30	28	26	23	21	19	17
303	**306**	41	37	34	32	30	28	26	24	22	20	18
306	**309**	42	38	35	32	30	28	26	24	22	20	18
309	**312**	42	39	36	33	31	29	27	25	23	21	19
312	**315**	43	40	36	33	31	29	27	25	23	21	19
315	**318**	44	40	37	34	32	30	28	26	24	22	20
318	**321**	45	41	38	34	32	30	28	26	24	22	20
321	**324**	45	42	39	35	33	31	29	27	25	23	21
324	**327**	46	43	39	36	33	31	29	27	25	23	21
327	**330**	47	43	40	37	34	32	30	28	26	23	21
330	**333**	48	44	41	37	34	32	30	28	26	24	22
333	**336**	48	45	42	38	35	32	30	28	26	24	22
336	**339**	49	46	42	39	36	33	31	29	27	25	23
339	**341**	50	46	43	40	36	33	31	29	27	25	23
341	**343**	50	47	43	40	37	34	32	30	28	26	24
343	**345**	51	47	44	41	37	34	32	30	28	26	24
345	**347**	51	48	44	41	38	34	32	30	28	26	24
347	**349**	52	48	45	42	38	35	32	30	28	26	24
349	**351**	52	49	45	42	39	35	33	31	29	27	25
351	**353**	53	49	46	43	39	36	33	31	29	27	25
353	**355**	53	50	46	43	40	36	33	31	29	27	25
355	**357**	54	50	47	44	40	37	34	32	30	28	26
357	**359**	54	51	47	44	41	37	34	32	30	28	26
359	**361**	55	51	48	45	41	38	34	32	30	28	26
361	**363**	55	52	48	45	42	38	35	33	31	29	27
363	**365**	56	52	49	46	42	39	35	33	31	29	27
365	**367**	56	53	49	46	43	39	36	33	31	29	27
367	**369**	57	53	50	47	43	40	36	33	31	29	27
369	**371**	57	54	50	47	44	40	37	34	32	30	28
371	**373**	58	54	51	48	44	41	37	34	32	30	28
373	**375**	58	55	51	48	45	41	38	35	32	30	28
375	**377**	59	55	52	49	45	42	38	35	33	31	29
377	**379**	59	56	52	49	46	42	39	36	33	31	29
379	**381**	60	56	53	50	46	43	39	36	33	31	29
381	**383**	60	57	53	50	47	43	40	37	34	32	30
383	**385**	61	57	54	51	47	44	40	37	34	32	30
385	**387**	61	58	54	51	48	44	41	38	34	32	30
387	**389**	62	58	55	52	48	45	41	38	35	32	30
389	**391**	62	59	55	52	49	45	42	39	35	33	31
391	**393**	63	59	56	53	49	46	42	39	36	33	31
393	**395**	63	60	56	53	50	46	43	40	36	33	31
395	**397**	64	60	57	54	50	47	43	40	37	34	32
397	**399**	64	61	57	54	51	47	44	41	37	34	32
399	**401**	65	61	58	55	51	48	44	41	38	34	32
$401 and over		Use Table 8(b) for a **MARRIED person** on page 39. Also see the instructions on page 36.										

Tables for Percentage Method of Advance EIC Payments

(For Wages Paid in 2008)

TABLE 1—WEEKLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$165	20.40% of wages
$165	$302	$34
$302		$34 less 9.588% of wages in excess of $302

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$165	20.40% of wages
$165	$360	$34
$360		$34 less 9.588% of wages in excess of $360

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$82	20.40% of wages
$82	$180	$17
$180		$17 less 9.588% of wages in excess of $180

TABLE 2—BIWEEKLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$330	20.40% of wages
$330	$605	$67
$605		$67 less 9.588% of wages in excess of $605

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$330	20.40% of wages
$330	$720	$67
$720		$67 less 9.588% of wages in excess of $720

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$165	20.40% of wages
$165	$360	$34
$360		$34 less 9.588% of wages in excess of $360

TABLE 3—SEMIMONTHLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$357	20.40% of wages
$357	$655	$73
$655		$73 less 9.588% of wages in excess of $655

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$357	20.40% of wages
$357	$780	$73
$780		$73 less 9.588% of wages in excess of $780

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$178	20.40% of wages
$178	$390	$36
$390		$36 less 9.588% of wages in excess of $390

TABLE 4—MONTHLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$715	20.40% of wages
$715	$1,311	$146
$1,311		$146 less 9.588% of wages in excess of $1,311

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$715	20.40% of wages
$715	$1,561	$146
$1,561		$146 less 9.588% of wages in excess of $1,561

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	The amount of payment to be made is:
$0	$357	20.40% of wages
$357	$780	$73
$780		$73 less 9.588% of wages in excess of $780

Tables for Percentage Method of Advance EIC Payments (continued)

(For Wages Paid in 2008)

TABLE 5—QUARTERLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$2,145	20.40% of wages
$2,145	$3,935	$438
$3,935		$438 less 9.588% of wages in excess of $3,935

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$2,145	20.40% of wages
$2,145	$4,685	$438
$4,685		$438 less 9.588% of wages in excess of $4,685

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$1,072	20.40% of wages
$1,072	$2,342	$219
$2,342		$219 less 9.588% of wages in excess of $2,342

TABLE 6—SEMIANNUAL Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$4,290	20.40% of wages
$4,290	$7,870	$875
$7,870		$875 less 9.588% of wages in excess of $7,870

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$4,290	20.40% of wages
$4,290	$9,370	$875
$9,370		$875 less 9.588% of wages in excess of $9,370

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$2,145	20.40% of wages
$2,145	$4,685	$438
$4,685		$438 less 9.588% of wages in excess of $4,685

TABLE 7—ANNUAL Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$8,580	20.40% of wages
$8,580	$15,740	$1,750
$15,740		$1,750 less 9.588% of wages in excess of $15,740

(b) MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$8,580	20.40% of wages
$8,580	$18,740	$1,750
$18,740		$1,750 less 9.588% of wages in excess of $18,740

(c) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: / The amount of payment to be made is:

Over—	But not over—	
$0	$4,290	20.40% of wages
$4,290	$9,370	$875
$9,370		$875 less 9.588% of wages in excess of $9,370

TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD

If the wages divided by the number of days in such period (before deducting withholding allowances) are: / The amount of payment to be made is the following amount multiplied by the number of days in such period:

Over—	But not over—	
$0	$33	20.40% of wages
$33	$60	$7
$60		$7 less 9.588% of wages in excess of $60

(b) MARRIED Without Spouse Filing Certificate

If the wages divided by the number of days in such period (before deducting withholding allowances) are: / The amount of payment to be made is the following amount multiplied by the number of days in such period:

Over—	But not over—	
$0	$33	20.40% of wages
$33	$72	$7
$72		$7 less 9.588% of wages in excess of $72

(c) MARRIED With Both Spouses Filing Certificate

If the wages divided by the number of days in such period (before deducting withholding allowances) are: / The amount of payment to be made is the following amount multiplied by the number of days in such period:

Over—	But not over—	
$0	$16	20.40% of wages
$16	$36	$3
$36		$3 less 9.588% of wages in excess of $36

Tables for Wage Bracket Method of Advance EIC Payments (For Wages Paid in 2008)

WEEKLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$70**	**$75**	$14	**$140**	**$145**	$29	**$390**	**$400**	$24	**$530**	**$540**	$11
5	**10**	1	**75**	**80**	15	**145**	**150**	30	**400**	**410**	23	**540**	**550**	10
10	**15**	2	**80**	**85**	16	**150**	**155**	31	**410**	**420**	22	**550**	**560**	9
15	**20**	3	**85**	**90**	17	**155**	**160**	32	**420**	**430**	21	**560**	**570**	8
20	**25**	4	**90**	**95**	18	**160**	**300**	33	**430**	**440**	20	**570**	**580**	7
25	**30**	5	**95**	**100**	19	**300**	**310**	33	**440**	**450**	20	**580**	**590**	6
30	**35**	6	**100**	**105**	20	**310**	**320**	32	**450**	**460**	19	**590**	**600**	5
35	**40**	7	**105**	**110**	21	**320**	**330**	31	**460**	**470**	18	**600**	**610**	4
40	**45**	8	**110**	**115**	22	**330**	**340**	30	**470**	**480**	17	**610**	**620**	3
45	**50**	9	**115**	**120**	23	**340**	**350**	29	**480**	**490**	16	**620**	**630**	2
50	**55**	10	**120**	**125**	24	**350**	**360**	28	**490**	**500**	15	**630**	**640**	1
55	**60**	11	**125**	**130**	26	**360**	**370**	27	**500**	**510**	14	**640**	**- - -**	0
60	**65**	12	**130**	**135**	27	**370**	**380**	26	**510**	**520**	13			
65	**70**	13	**135**	**140**	28	**380**	**390**	25	**520**	**530**	12			

MARRIED Without Spouse Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$70**	**$75**	$14	**$140**	**$145**	$29	**$450**	**460**	$24	**$590**	**$600**	$11
5	**10**	1	**75**	**80**	15	**145**	**150**	30	**460**	**470**	23	**600**	**610**	10
10	**15**	2	**80**	**85**	16	**150**	**155**	31	**470**	**480**	22	**610**	**620**	9
15	**20**	3	**85**	**90**	17	**155**	**160**	32	**480**	**490**	21	**620**	**630**	8
20	**25**	4	**90**	**95**	18	**160**	**360**	33	**490**	**500**	20	**630**	**640**	7
25	**30**	5	**95**	**100**	19	**360**	**370**	33	**500**	**510**	19	**640**	**650**	6
30	**35**	6	**100**	**105**	20	**370**	**380**	32	**510**	**520**	18	**650**	**660**	5
35	**40**	7	**105**	**110**	21	**380**	**390**	31	**520**	**530**	17	**660**	**670**	4
40	**45**	8	**110**	**115**	22	**390**	**400**	30	**530**	**540**	16	**670**	**680**	3
45	**50**	9	**115**	**120**	23	**400**	**410**	29	**540**	**550**	15	**680**	**690**	2
50	**55**	10	**120**	**125**	24	**410**	**420**	28	**550**	**560**	15	**690**	**700**	1
55	**60**	11	**125**	**130**	26	**420**	**430**	27	**560**	**570**	14	**700**	**- - -**	0
60	**65**	12	**130**	**135**	27	**430**	**440**	26	**570**	**580**	13			
65	**70**	13	**135**	**140**	28	**440**	**450**	25	**580**	**590**	12			

MARRIED With Both Spouses Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$35**	**$40**	$7	**$70**	**$75**	$14	**$220**	**$230**	$12	**$290**	**$300**	$5
5	**10**	1	**40**	**45**	8	**75**	**80**	15	**230**	**240**	11	**300**	**310**	4
10	**15**	2	**45**	**50**	9	**80**	**180**	16	**240**	**250**	10	**310**	**320**	3
15	**20**	3	**50**	**55**	10	**180**	**190**	16	**250**	**260**	9	**320**	**330**	2
20	**25**	4	**55**	**60**	11	**190**	**200**	15	**260**	**270**	8	**330**	**340**	2
25	**30**	5	**60**	**65**	12	**200**	**210**	14	**270**	**280**	7	**340**	**350**	1
30	**35**	6	**65**	**70**	13	**210**	**220**	13	**280**	**290**	6	**350**	**- - -**	0

BIWEEKLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$60**	**$65**	$12	**$120**	**$125**	$24	**$180**	**$185**	$37	**$240**	**$245**	$49
5	**10**	1	**65**	**70**	13	**125**	**130**	26	**185**	**190**	38	**245**	**250**	50
10	**15**	2	**70**	**75**	14	**130**	**135**	27	**190**	**195**	39	**250**	**255**	51
15	**20**	3	**75**	**80**	15	**135**	**140**	28	**195**	**200**	40	**255**	**260**	52
20	**25**	4	**80**	**85**	16	**140**	**145**	29	**200**	**205**	41	**260**	**265**	53
25	**30**	5	**85**	**90**	17	**145**	**150**	30	**205**	**210**	42	**265**	**270**	54
30	**35**	6	**90**	**95**	18	**150**	**155**	31	**210**	**215**	43	**270**	**275**	55
35	**40**	7	**95**	**100**	19	**155**	**160**	32	**215**	**220**	44	**275**	**280**	56
40	**45**	8	**100**	**105**	20	**160**	**165**	33	**220**	**225**	45	**280**	**285**	57
45	**50**	9	**105**	**110**	21	**165**	**170**	34	**225**	**230**	46	**285**	**290**	58
50	**55**	10	**110**	**115**	22	**170**	**175**	35	**230**	**235**	47	**290**	**295**	59
55	**60**	11	**115**	**120**	23	**175**	**180**	36	**235**	**240**	48			

(continued on next page)

BIWEEKLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD (continued)

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$295	$300	$60	$695	$705	$58	$855	$865	$42	$1,015	$1,025	$27	$1,175	$1,185	$12
300	305	61	705	715	57	865	875	41	1,025	1,035	26	1,185	1,195	11
305	310	62	715	725	56	875	885	40	1,035	1,045	25	1,195	1,205	10
310	315	63	725	735	55	885	895	40	1,045	1,055	24	1,205	1,215	9
315	320	64	735	745	54	895	905	39	1,055	1,065	23	1,215	1,225	8
320	325	65	745	755	53	905	915	38	1.065	1,075	22	1,225	1,235	7
325	605	66	755	765	52	915	925	37	1,075	1,085	21	1,235	1,245	6
605	615	66	765	775	51	925	935	36	1,085	1,095	20	1,245	1,255	5
615	625	65	775	785	50	935	945	35	1,095	1,105	19	1,255	1,265	4
625	635	64	785	795	49	945	955	34	1,105	1,115	18	1,265	1,275	3
635	645	64	795	805	48	955	965	33	1,115	1,125	17	1,275	1,285	2
645	655	63	805	815	47	965	975	32	1,125	1,135	17	1,285	1,295	1
655	665	62	815	825	46	975	985	31	1,135	1,145	16	1,295	- - -	0
655	675	61	825	835	45	985	995	30	1,145	1,155	15			
675	685	60	835	845	44	995	1,005	29	1,155	1,165	14			
685	695	59	845	855	43	1,005	1,015	28	1,165	1,175	13			

MARRIED Without Spouse Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$140	$145	$29	$280	$285	$57	$900	$910	$49	$1,180	$1,190	$22
5	10	1	145	150	30	285	290	58	910	920	48	1,190	1,200	21
10	15	2	150	155	31	290	295	59	920	930	47	1,200	1,210	20
15	20	3	155	160	32	295	300	60	930	940	46	1,210	1,220	19
20	25	4	160	165	33	300	305	61	940	950	45	1,220	1,230	18
25	30	5	165	170	34	305	310	62	950	960	44	1,230	1,240	18
30	35	6	170	175	35	310	315	63	960	970	43	1,240	1,250	17
35	40	7	175	180	36	315	320	64	970	980	42	1,250	1,260	16
40	45	8	180	185	37	320	325	65	980	990	41	1,260	1,270	15
45	50	9	185	190	38	325	720	66	990	1,000	41	1,270	1,280	14
50	55	10	190	195	39	720	730	66	1,000	1,010	40	1,280	1,290	13
55	60	11	195	200	40	730	740	65	1,010	1,020	39	1,290	1,300	12
60	65	12	200	205	41	740	750	65	1,020	1,030	38	1,300	1,310	11
65	70	13	205	210	42	750	760	64	1,030	1,040	37	1,310	1,320	10
70	75	14	210	215	43	760	770	63	1,040	1,050	36	1,320	1,330	9
75	80	15	215	220	44	770	780	62	1,050	1,060	35	1,330	1,340	8
80	85	16	220	225	45	780	790	61	1,060	1,070	34	1,340	1,350	7
85	90	17	225	230	46	790	800	60	1,070	1,080	33	1,350	1,360	6
90	95	18	230	235	47	800	810	59	1,080	1,090	32	1,360	1,370	5
95	100	19	235	240	48	810	820	58	1,090	1,100	31	1,370	1,380	4
100	105	20	240	245	49	820	830	57	1,100	1,110	30	1,380	1,390	3
105	110	21	245	250	50	830	840	56	1,110	1,120	29	1,390	1,400	2
110	115	22	250	255	51	840	850	55	1,120	1,130	28	1,400	1,410	1
115	120	23	255	260	52	850	860	54	1,130	1,140	27	1,410	- - -	0
120	125	24	260	265	53	860	870	53	1,140	1,150	26			
125	130	26	265	270	54	870	880	52	1,150	1,160	25			
130	135	27	270	275	55	880	890	51	1,160	1,170	24			
135	140	28	275	280	56	890	900	50	1,170	1,180	23			

MARRIED With Both Spouses Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$70	$75	$14	$140	$145	$29	$450	$460	$24	$590	$600	$11
5	10	1	75	80	15	145	150	30	460	470	23	600	610	10
10	15	2	80	85	16	150	155	31	470	480	22	610	620	9
15	20	3	85	90	17	155	160	32	480	490	21	620	630	8
20	25	4	90	95	18	160	360	33	490	500	20	630	640	7
25	30	5	95	100	19	360	370	33	500	510	19	640	650	6
30	35	6	100	105	20	370	380	32	510	520	18	650	660	5
35	40	7	105	110	21	380	390	31	520	530	17	660	670	4
40	45	8	110	115	22	390	400	30	530	540	16	670	680	3
45	50	9	115	120	23	400	410	29	540	550	15	680	690	2
50	55	10	120	125	24	410	420	28	550	560	15	690	700	1
55	60	11	125	130	26	420	430	27	560	570	14	700	- - -	0
60	65	12	130	135	27	430	440	26	570	580	13			
65	70	13	135	140	28	440	450	25	580	590	12			

SEMIMONTHLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$150	$155	$31	$300	$305	$61	$835	$845	$55	$1,135	$1,145	$26
5	10	1	155	160	32	305	310	62	845	855	54	1,145	1,155	25
10	15	2	160	165	33	310	315	63	855	865	53	1,155	1,165	24
15	20	3	165	170	34	315	320	64	865	875	52	1,165	1,175	23
20	25	4	170	175	35	320	325	65	875	885	51	1,175	1,185	22
25	30	5	175	180	36	325	330	66	885	895	50	1,185	1,195	21
30	35	6	180	185	37	330	335	67	895	905	49	1,195	1,205	20
35	40	7	185	190	38	335	340	68	905	915	48	1,205	1,215	19
40	45	8	190	195	39	340	345	69	915	925	47	1,215	1,225	18
45	50	9	195	200	40	345	350	70	925	935	46	1,225	1,235	17
50	55	10	200	205	41	350	355	71	935	945	45	1,235	1,245	16
55	60	11	205	210	42	355	655	72	945	955	44	1,245	1,255	15
60	65	12	210	215	43	655	665	72	955	965	43	1,255	1,265	15
65	70	13	215	220	44	665	675	71	965	975	42	1,265	1,275	14
70	75	14	220	225	45	675	685	70	975	985	41	1,275	1,285	13
75	80	15	225	230	46	685	695	69	985	995	40	1,285	1,295	12
80	85	16	230	235	47	695	705	68	995	1,005	39	1,295	1,305	11
85	90	17	235	240	48	705	715	67	1,005	1,015	38	1,305	1,315	10
90	95	18	240	245	49	715	725	66	1,015	1,025	38	1,315	1,325	9
95	100	19	245	250	50	725	735	65	1,025	1,035	37	1,325	1,335	8
100	105	20	250	255	51	735	745	64	1,035	1,045	36	1,335	1,345	7
105	110	21	255	260	52	745	755	63	1,045	1,055	35	1,345	1,355	6
110	115	22	260	265	53	755	765	62	1,055	1,065	34	1,355	1,365	5
115	120	23	265	270	54	765	775	61	1,065	1,075	33	1,365	1,375	4
120	125	24	270	275	55	775	785	61	1,075	1,085	32	1,375	1,385	3
125	130	26	275	280	56	785	795	60	1,085	1,095	31	1,385	1,395	2
130	135	27	280	285	57	795	805	59	1,095	1,105	30	1,395	1,405	1
135	140	28	285	290	58	805	815	58	1,105	1,115	29	1,405	- - -	0
140	145	29	290	295	59	815	825	57	1,115	1,125	28			
145	150	30	295	300	60	825	835	56	1,125	1,135	27			

MARRIED Without Spouse Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$150	$155	$31	$300	$305	$61	$960	$970	$55	$1,260	$1,270	$26
5	10	1	155	160	32	305	310	62	970	980	54	1,270	1,280	25
10	15	2	160	165	33	310	315	63	980	990	53	1,280	1,290	24
15	20	3	165	170	34	315	320	64	990	1,000	52	1,290	1,300	23
20	25	4	170	175	35	320	325	65	1,000	1,010	51	1,300	1,310	22
25	30	5	175	180	36	325	330	66	1,010	1,020	50	1,310	1,320	21
30	35	6	180	185	37	330	335	67	1,020	1,030	49	1,320	1,330	20
35	40	7	185	190	38	335	340	68	1,030	1,040	48	1,330	1,340	19
40	45	8	190	195	39	340	345	69	1,040	1,050	47	1,340	1,350	18
45	50	9	195	200	40	345	350	70	1,050	1,060	46	1,350	1,360	17
50	55	10	200	205	41	350	355	71	1,060	1,070	45	1,360	1,370	16
55	60	11	205	210	42	355	780	72	1,070	1,080	44	1,370	1,380	15
60	65	12	210	215	43	780	790	72	1,080	1,090	43	1,380	1,390	15
65	70	13	215	220	44	790	800	71	1,090	1,100	42	1,390	1,400	14
70	75	14	220	225	45	800	810	70	1,100	1,110	41	1,400	1,410	13
75	80	15	225	230	46	810	820	69	1,110	1,120	40	1,410	1,420	12
80	85	16	230	235	47	820	830	68	1,120	1,130	39	1,420	1,430	11
85	90	17	235	240	48	830	840	67	1,130	1,140	38	1,430	1,440	10
90	95	18	240	245	49	840	850	66	1,140	1,150	38	1,440	1,450	9
95	100	19	245	250	50	850	860	65	1,150	1,160	37	1,450	1,460	8
100	105	20	250	255	51	860	870	64	1,160	1,170	36	1,460	1,470	7
105	110	21	255	260	52	870	880	63	1,170	1,180	35	1,470	1,480	6
110	115	22	260	265	53	880	890	62	1,180	1,190	34	1,480	1,490	5
115	120	23	265	270	54	890	900	61	1,190	1,200	33	1,490	1,500	4
120	125	24	270	275	55	900	910	61	1,200	1,210	32	1,500	1,510	3
125	130	26	275	280	56	910	920	60	1,210	1,220	31	1,510	1,520	2
130	135	27	280	285	57	920	930	59	1,220	1,230	30	1,520	1,530	1
135	140	28	285	290	58	930	940	58	1,230	1,240	29	1,530	- - -	0
140	145	29	290	295	59	940	950	57	1,240	1,250	28			
145	150	30	295	300	60	950	960	56	1,250	1,260	27			

SEMIMONTHLY Payroll Period

MARRIED With Both Spouses Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$75	$80	$15	$150	$155	$31	$480	$490	$27	$630	$640	$13
5	10	1	80	85	16	155	160	32	490	500	26	640	650	12
10	15	2	85	90	17	160	165	33	500	510	25	650	660	11
15	20	3	90	95	18	165	170	34	510	520	24	660	670	10
20	25	4	95	100	19	170	175	35	520	530	23	670	680	9
25	30	5	100	105	20	175	390	36	530	540	22	680	690	8
30	35	6	105	110	21	390	400	36	540	550	21	690	700	7
35	40	7	110	115	22	400	410	35	550	560	20	700	710	6
40	45	8	115	120	23	410	420	34	560	570	19	710	720	5
45	50	9	120	125	24	420	430	33	570	580	18	720	730	4
50	55	10	125	130	26	430	440	32	580	590	17	730	740	3
55	60	11	130	135	27	440	450	31	590	600	16	740	750	2
60	65	12	135	140	28	450	460	30	600	610	15	750	760	1
65	70	13	140	145	29	460	470	29	610	620	14	760	- - -	0
70	75	14	145	150	30	470	480	28	620	630	13			

MONTHLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	$5	$0	$225	$230	$46	$450	$455	$92	$675	$680	$138	$1,680	$1,690	$110
5	10	1	230	235	47	455	460	93	680	685	139	1,690	1,700	109
10	15	2	235	240	48	460	465	94	685	690	140	1,700	1,710	108
15	20	3	240	245	49	465	470	95	690	695	141	1,710	1,720	107
20	25	4	245	250	50	470	475	96	695	700	142	1,720	1,730	106
25	30	5	250	255	51	475	480	97	700	705	143	1,730	1,740	105
30	35	6	255	260	52	480	485	98	705	710	144	1,740	1,750	104
35	40	7	260	265	53	485	490	99	710	1,310	145	1,750	1,760	103
40	45	8	265	270	54	490	495	100	1,310	1,320	145	1,760	1,770	102
45	50	9	270	275	55	495	500	101	1,320	1,330	144	1,770	1,780	101
50	55	10	275	280	56	500	505	102	1,330	1,340	143	1,780	1,790	100
55	60	11	280	285	57	505	510	103	1,340	1,350	142	1,790	1,800	99
60	65	12	285	290	58	510	515	104	1,350	1,360	141	1,800	1,810	98
65	70	13	290	295	59	515	520	105	1,360	1,370	140	1,810	1,820	97
70	75	14	295	300	60	520	525	106	1,370	1,380	139	1,820	1,830	96
75	80	15	300	305	61	525	530	107	1,380	1,390	138	1,830	1,840	95
80	85	16	305	310	62	530	535	108	1,390	1,400	137	1,840	1,850	94
85	90	17	310	315	63	535	540	109	1,400	1,410	136	1,850	1,860	93
90	95	18	315	320	64	540	545	110	1,410	1,420	135	1,860	1,870	92
95	100	19	320	325	65	545	550	111	1,420	1,430	134	1,870	1,880	91
100	105	20	325	330	66	550	555	112	1,430	1,440	134	1,880	1,890	90
105	110	21	330	335	67	555	560	113	1,440	1,450	133	1,890	1,900	89
110	115	22	335	340	68	560	565	114	1,450	1,460	132	1,900	1,910	88
115	120	23	340	345	69	565	570	115	1,460	1,470	131	1,910	1,920	88
120	125	24	345	350	70	570	575	116	1,470	1,480	130	1,920	1,930	87
125	130	26	350	355	71	575	580	117	1,480	1,490	129	1,930	1,940	86
130	135	27	355	360	72	580	585	118	1,490	1,500	128	1,940	1,950	85
135	140	28	360	365	73	585	590	119	1,500	1,510	127	1,950	1,960	84
140	145	29	365	370	74	590	595	120	1,510	1,520	126	1,960	1,970	83
145	150	30	370	375	75	595	600	121	1,520	1,530	125	1,970	1,980	82
150	155	31	375	380	77	600	605	122	1,530	1,540	124	1,980	1,990	81
155	160	32	380	385	78	605	610	123	1,540	1,550	123	1,990	2,000	80
160	165	33	385	390	79	610	615	124	1,550	1,560	122	2,000	2,010	79
165	170	34	390	395	80	615	620	125	1,560	1,570	121	2,010	2,020	78
170	175	35	395	400	81	620	625	126	1,570	1,580	120	2,020	2,030	77
175	180	36	400	405	82	625	630	128	1,580	1,590	119	2,030	2,040	76
180	185	37	405	410	83	630	635	129	1,590	1,600	118	2,040	2,050	75
185	190	38	410	415	84	635	640	130	1,600	1,610	117	2,050	2,060	74
190	195	39	415	420	85	640	645	131	1,610	1,620	116	2,060	2,070	73
195	200	40	420	425	86	645	650	132	1,620	1,630	115	2,070	2,080	72
200	205	41	425	430	87	650	655	133	1,630	1,640	114	2,080	2,090	71
205	210	42	430	435	88	655	660	134	1,640	1,650	113	2,090	2,100	70
210	215	43	435	440	89	660	665	135	1,650	1,660	112	2,100	2,110	69
215	220	44	440	445	90	665	670	136	1,660	1,670	111	2,110	2,120	68
220	225	45	445	450	91	670	675	137	1,670	1,680	111	2,120	2,130	67

(continued on next page)

MONTHLY Payroll Period

SINGLE or HEAD OF HOUSEHOLD (continued)

Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made
$2,130	$2,140	$66	$2,270	$2,280	53	$2,410	$2,420	$40	$2,550	$2,560	$26	$2,690	$2,700	$13
2,140	2,150	65	2,280	2,290	52	2,420	2,430	39	2,560	2,570	25	2,700	2,710	12
2,150	2,160	64	2,290	2,300	51	2,430	2,440	38	2,570	2,580	24	2,710	2,720	11
2,160	2,170	64	2,300	2,310	50	2,440	2,450	37	2,580	2,590	23	2,720	2,730	10
2,170	2,180	63	2,310	2,320	49	2,450	2,460	36	2,590	2,600	22	2,730	2,740	9
2,180	2,190	62	2,320	2,330	48	2,460	2,470	35	2,600	2,610	21	2,740	2,750	8
2,190	2,200	61	2,330	2,340	47	2,470	2,480	34	2,610	2,620	20	2,750	2,760	7
2,200	2,210	60	2,340	2,350	46	2,480	2,490	33	2,620	2,630	19	2,760	2,770	6
2,210	2,220	59	2,350	2,360	45	2,490	2,500	32	2,630	2,640	18	2,770	2,780	5
2,220	2,230	58	2,360	2,370	44	2,500	2,510	31	2,640	2,650	18	2,780	2,790	4
2,230	2,240	57	2,370	2,380	43	2,510	2,520	30	2,650	2,660	17	2,790	2,800	3
2,240	2,250	56	2,380	2,390	42	2,520	2,530	29	2,660	2,670	16	2,800	2,810	2
2,250	2,260	55	2,390	2,400	41	2,530	2,540	28	2,670	2,680	15	2,810	2,820	1
2,260	2,270	54	2,400	2,410	41	2,540	2,550	27	2,680	2,690	14	2,820	- - -	0

MARRIED Without Spouse Filing Certificate

Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made	Wages— At least	Wages— But less than	Payment to be made
$0	$5	$0	$225	$230	$46	$450	$455	$92	$675	$680	$138	$1,930	$1,940	$110
5	10	1	230	235	47	455	460	93	680	685	139	1,940	1,950	109
10	15	2	235	240	48	460	465	94	685	690	140	1,950	1,960	108
15	20	3	240	245	49	465	470	95	690	695	141	1,960	1,970	107
20	25	4	245	250	50	470	475	96	695	700	142	1,970	1,980	106
25	30	5	250	255	51	475	480	97	700	705	143	1,980	1,990	105
30	35	6	255	260	52	480	485	98	705	710	144	1,990	2,000	104
35	40	7	260	265	53	485	490	99	710	1,560	145	2,000	2,010	103
40	45	8	265	270	54	490	495	100	1,560	1,570	145	2,010	2,020	102
45	50	9	270	275	55	495	500	101	1,570	1,580	144	2,020	2,030	101
50	55	10	275	280	56	500	505	102	1,580	1,590	143	2,030	2,040	100
55	60	11	280	285	57	505	510	103	1,590	1,600	142	2,040	2,050	99
60	65	12	285	290	58	510	515	104	1,600	1,610	141	2,050	2,060	98
65	70	13	290	295	59	515	520	105	1,610	1,620	140	2,060	2,070	97
70	75	14	295	300	60	520	525	106	1,620	1,630	139	2,070	2,080	96
75	80	15	300	305	61	525	530	107	1,630	1,640	138	2,080	2,090	95
80	85	16	305	310	62	530	535	108	1,640	1,650	137	2,090	2,100	94
85	90	17	310	315	63	535	540	109	1,650	1,660	136	2,100	2,110	93
90	95	18	315	320	64	540	545	110	1,660	1,670	135	2,110	2,120	92
95	100	19	320	325	65	545	550	111	1,670	1,680	134	2,120	2,130	91
100	105	20	325	330	66	550	555	112	1,680	1,690	134	2,130	2,140	90
105	110	21	330	335	67	555	560	113	1,690	1,700	133	2,140	2,150	89
110	115	22	335	340	68	560	565	114	1,700	1,710	132	2,150	2,160	88
115	120	23	340	345	69	565	570	115	1,710	1,720	131	2,160	2,170	88
120	125	24	345	350	70	570	575	116	1,720	1,730	130	2,170	2,180	87
125	130	26	350	355	71	575	580	117	1,730	1,740	129	2,180	2,190	86
130	135	27	355	360	72	580	585	118	1,740	1,750	128	2,190	2,200	85
135	140	28	360	365	73	585	590	119	1,750	1,760	127	2,200	2,210	84
140	145	29	365	370	74	590	595	120	1,760	1,770	126	2,210	2,220	83
145	150	30	370	375	75	595	600	121	1,770	1,780	125	2,220	2,230	82
150	155	31	375	380	77	600	605	122	1,780	1,790	124	2,230	2,240	81
155	160	32	380	385	78	605	610	123	1,790	1,800	123	2,240	2,250	80
160	165	33	385	390	79	610	615	124	1,800	1,810	122	2,250	2,260	79
165	170	34	390	395	80	615	620	125	1,810	1,820	121	2,260	2,270	78
170	175	35	395	400	81	620	625	126	1,820	1,830	120	2,270	2,280	77
175	180	36	400	405	82	625	630	128	1,830	1,840	119	2,280	2,290	76
180	185	37	405	410	83	630	635	129	1,840	1,850	118	2,290	2,300	75
185	190	38	410	415	84	635	640	130	1,850	1,860	117	2,300	2,310	74
190	195	39	415	420	85	640	645	131	1,860	1,870	116	2,310	2,320	73
195	200	40	420	425	86	645	650	132	1,870	1,880	115	2,320	2,330	72
200	205	41	425	430	87	650	655	133	1,880	1,890	114	2,330	2,340	71
205	210	42	430	435	88	655	660	134	1,890	1,900	113	2,340	2,350	70
210	215	43	435	440	89	660	665	135	1,900	1,910	112	2,350	2,360	69
215	220	44	440	445	90	665	670	136	1,910	1,920	111	2,360	2,370	68
220	225	45	445	450	91	670	675	137	1,920	1,930	111	2,370	2,380	67

(continued on next page)

MONTHLY Payroll Period

Married Without Spouse Filing Certificate (continued)

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$2,380	**$2,390**	$66	**$2,520**	**$2,530**	$53	**$2,660**	**$2,670**	$40	**$2,800**	**$2,810**	$26	**$2,940**	**$2,950**	$13
2,390	**2,400**	65	**2,530**	**2,540**	52	**2,670**	**2,680**	39	**2,810**	**2,820**	25	**2,950**	**2,960**	12
2,400	**2,410**	64	**2,540**	**2,550**	51	**2,680**	**2,690**	38	**2,820**	**2,830**	24	**2,960**	**2,970**	11
2,410	**2,420**	64	**2,550**	**2,560**	50	**2,690**	**2,700**	37	**2,830**	**2,840**	23	**2,970**	**2,980**	10
2,420	**2,430**	63	**2,560**	**2,570**	49	**2,700**	**2,710**	36	**2,840**	**2,850**	22	**2,980**	**2,990**	9
2,430	**2,440**	62	**2,570**	**2,580**	48	**2,710**	**2,720**	35	**2,850**	**2,860**	21	**2,990**	**3,000**	8
2,440	**2,450**	61	**2,580**	**2,590**	47	**2,720**	**2,730**	34	**2,860**	**2,870**	20	**3,000**	**3,010**	7
2,450	**2,460**	60	**2,590**	**2,600**	46	**2,730**	**2,740**	33	**2,870**	**2,880**	19	**3,010**	**3,020**	6
2,460	**2,470**	59	**2,600**	**2,610**	45	**2,740**	**2,750**	32	**2,880**	**2,890**	18	**3,020**	**3,030**	5
2,470	**2,480**	58	**2,610**	**2,620**	44	**2,750**	**2,760**	31	**2,890**	**2,900**	18	**3,030**	**3,040**	4
2,480	**2,490**	57	**2,620**	**2,630**	43	**2,760**	**2,770**	30	**2,900**	**2,910**	17	**3,040**	**3,050**	3
2,490	**2,500**	56	**2,630**	**2,640**	42	**2,770**	**2,780**	29	**2,910**	**2,920**	16	**3,050**	**3,060**	2
2,500	**2,510**	55	**2,640**	**2,650**	41	**2,780**	**2,790**	28	**2,920**	**2,930**	15	**3,060**	**3,070**	1
2,510	**2,520**	54	**2,650**	**2,660**	41	**2,790**	**2,800**	27	**2,930**	**2,940**	14	**3,070**	**- - -**	0

MARRIED With Both Spouses Filing Certificate

Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$150**	**$155**	$31	**$300**	**$305**	$61	**$960**	**$970**	$55	**$1,260**	**$1,270**	$26
5	**10**	1	**155**	**160**	32	**305**	**310**	62	**970**	**980**	54	**1,270**	**1,280**	25
10	**15**	2	**160**	**165**	33	**310**	**315**	63	**980**	**990**	53	**1,280**	**1,290**	24
15	**20**	3	**165**	**170**	34	**315**	**320**	64	**990**	**1,000**	52	**1,290**	**1,300**	23
20	**25**	4	**170**	**175**	35	**320**	**325**	65	**1,000**	**1,010**	51	**1,300**	**1,310**	22
25	**30**	5	**175**	**180**	36	**325**	**330**	66	**1,010**	**1,020**	50	**1,310**	**1,320**	21
30	**35**	6	**180**	**185**	37	**330**	**335**	67	**1,020**	**1,030**	49	**1,320**	**1,330**	20
35	**40**	7	**185**	**190**	38	**335**	**340**	68	**1,030**	**1,040**	48	**1,330**	**1,340**	19
40	**45**	8	**190**	**195**	39	**340**	**345**	69	**1,040**	**1,050**	47	**1,340**	**1,350**	18
45	**50**	9	**195**	**200**	40	**345**	**350**	70	**1,050**	**1,060**	46	**1,350**	**1,360**	17
50	**55**	10	**200**	**205**	41	**350**	**355**	71	**1,060**	**1,070**	45	**1,360**	**1,370**	16
55	**60**	11	**205**	**210**	42	**355**	**780**	72	**1,070**	**1,080**	44	**1,370**	**1,380**	15
60	**65**	12	**210**	**215**	43	**780**	**790**	72	**1,080**	**1,090**	43	**1,380**	**1,390**	15
65	**70**	13	**215**	**220**	44	**790**	**800**	71	**1,090**	**1,100**	42	**1,390**	**1,400**	14
70	**75**	14	**220**	**225**	45	**800**	**810**	70	**1,100**	**1,110**	41	**1,400**	**1,410**	13
75	**80**	15	**225**	**230**	46	**810**	**820**	69	**1,110**	**1,120**	40	**1,410**	**1,420**	12
80	**85**	16	**230**	**235**	47	**820**	**830**	68	**1,120**	**1,130**	39	**1,420**	**1,430**	11
85	**90**	17	**235**	**240**	48	**830**	**840**	67	**1,130**	**1,140**	38	**1,430**	**1,440**	10
90	**95**	18	**240**	**245**	49	**840**	**850**	66	**1,140**	**1,150**	38	**1,440**	**1,450**	9
95	**100**	19	**245**	**250**	50	**850**	**860**	65	**1,150**	**1,160**	37	**1,450**	**1,460**	8
100	**105**	20	**250**	**255**	51	**860**	**870**	64	**1,160**	**1,170**	36	**1,460**	**1,470**	7
105	**110**	21	**255**	**260**	52	**870**	**880**	63	**1,170**	**1,180**	35	**1,470**	**1,480**	6
110	**115**	22	**260**	**265**	53	**880**	**890**	62	**1,180**	**1,190**	34	**1,480**	**1,490**	5
115	**120**	23	**265**	**270**	54	**890**	**900**	61	**1,190**	**1,200**	33	**1,490**	**1.500**	4
120	**125**	24	**270**	**275**	55	**900**	**910**	61	**1,200**	**1,210**	32	**1,500**	**1,510**	3
125	**130**	26	**275**	**280**	56	**910**	**920**	60	**1,210**	**1,220**	31	**1,510**	**1,520**	2
130	**135**	27	**280**	**285**	57	**920**	**930**	59	**1,220**	**1,230**	30	**1,520**	**1,530**	1
135	**140**	28	**285**	**290**	58	**930**	**940**	58	**1,230**	**1,240**	29	**1,530**	**- - -**	0
140	**145**	29	**290**	**295**	59	**940**	**950**	57	**1,240**	**1,250**	28			
145	**150**	30	**295**	**300**	60	**950**	**960**	56	**1,250**	**1,260**	27			

DAILY Payroll Period

SINGLE or HEAD OF HOUSEHOLD						MARRIED Without Spouse Filing Certificate						MARRIED With Both Spouses Filing Certificate					
Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made	Wages— At least	But less than	Payment to be made
$0	**$5**	$0	**$60**	**$70**	$6	**$0**	**$5**	$0	**$70**	**$80**	$6	**$0**	**$5**	$0	**$35**	**$45**	$3
5	**10**	1	**70**	**80**	5	**5**	**10**	1	**80**	**90**	5	**5**	**10**	1	**45**	**55**	2
10	**15**	2	**80**	**90**	4	**10**	**15**	2	**90**	**100**	4	**10**	**15**	2	**55**	**65**	1
15	**20**	3	**90**	**100**	3	**15**	**20**	3	**100**	**110**	3	**15**	**35**	3	**65**	**- - -**	0
20	**25**	4	**100**	**110**	2	**20**	**25**	4	**110**	**120**	2						
25	**30**	5	**110**	**120**	1	**25**	**30**	5	**120**	**130**	1						
30	**60**	6	**120**	**- - -**	0	**30**	**70**	6	**130**	**- - -**	0						

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.

■

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