



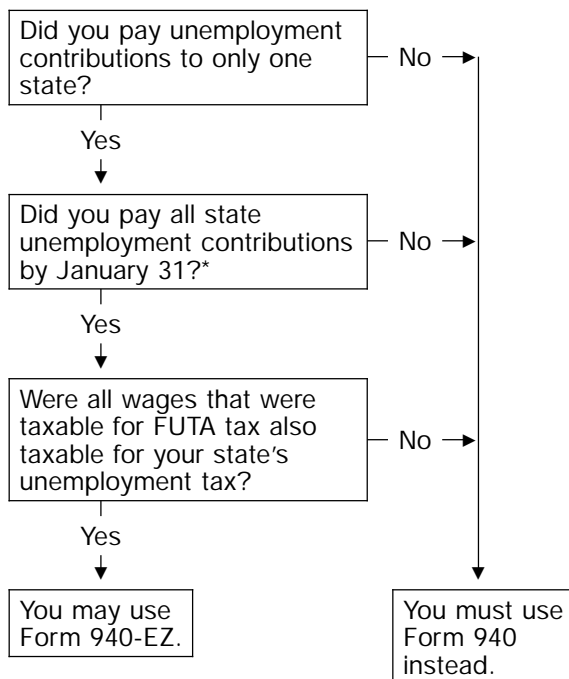
Instructions for Form 940-EZ

Employer's Annual Federal Unemployment (FUTA) Tax Return

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

Who May Use Form 940-EZ

The following chart will lead you to the right form to use. However, **do not** file Form 940-EZ if you have already filed Form 940 for 1998.



*If you deposited all FUTA tax when due, you may answer "Yes" if you paid all state unemployment contributions by February 10.

Also, **do not** file Form 940-EZ if—

- You owe FUTA tax **only** for household work in a private home. See *Household employers* on page 2.
- You are a **successor employer** claiming a credit for state unemployment contributions paid by a prior employer. File Form 940.

Items To Note

Preprinted EIN relocated. To ensure privacy, we have relocated the employer identification number on preprinted forms to an area above the envelope window.

FUTA rate. The (net) FUTA rate of .8% (FUTA tax rate of 6.2% less state credit of 5.4%) shown as .008 on line 6 of Form 940-EZ is effective through 2007. If you qualify to file Form 940-EZ, you are entitled to the full 5.4% state credit regardless of your actual experience rate.

Electronic deposit requirement. If your total deposits of social security, Medicare, railroad retirement, and

withheld income taxes were more than \$50,000 in 1997, you must make electronic deposits for **all** depository tax liabilities (including FUTA tax) that occur after 1998 using the Electronic Federal Tax Payment System (EFTPS). However, if you were first required to use EFTPS on or after July 1, 1997, no penalties for failure to use EFTPS will be imposed for tax liabilities that occur prior to January 1, 1999. To enroll in EFTPS, call 1-800-945-8400 or 1-800-555-4477. For general information about EFTPS, call 1-800-829-1040.

General Instructions

Purpose of form. Use this form to report your annual Federal Unemployment Tax Act (FUTA) tax. FUTA tax, together with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both Federal and state unemployment taxes. **Only the employer pays this tax.** The tax applies to the first \$7,000 you pay each employee in a year. The \$7,000 amount is the Federal wage base. Your state wage base may be different.

When to file. File Form 940-EZ for 1998 by February 1, 1999. However, if you deposited all FUTA tax when due, you may file on or before February 10, 1999. Your return will be considered timely filed if it is properly addressed and mailed First Class or sent by an IRS designated delivery service by the due date. See **Circular E, Employer's Tax Guide** (Pub. 15), for a list of designated delivery services. See also, **Where to file** on page 2.

Caution: *Private delivery services cannot deliver items to P.O. boxes.*

Who must file. Except as noted below, you must file if Test 1 **or** Test 2 below applies.

Test 1. You paid wages of \$1,500 or more in any calendar quarter in 1997 or 1998.

Test 2. You had one or more employees for at least some part of a day in any 20 or more different weeks in 1997 or 20 or more different weeks in 1998.

Count all regular, temporary, and part-time employees. A partnership should not count its partners. If a business changes hands during the year, each employer meeting Test 1 or 2 must file. **Do not** report wages paid by the prior (or subsequent) employer.

State and local government employers. Wages paid to state or local government employees are not subject to the FUTA tax.

Nonprofit organizations. Religious, educational, charitable, etc., organizations described in section 501(c)(3) and exempt from tax under section 501(a) are not subject to FUTA tax and are not required to file.

Household employers. File a FUTA tax return **ONLY** if you paid total cash wages of \$1,000 or more (for all household employees) in any calendar quarter in 1997 or 1998 for household work in a private home, local college club, or local chapter of a college fraternity or sorority. Individuals, estates, and trusts that owe FUTA tax for **household work** in a private home, in most cases, must file **Schedule H (Form 1040)**, Household Employment Taxes, instead of Form 940 or 940-EZ. See the instructions for Schedule H (Form 1040). In some cases, such as when you employ both household employees and other employees, you may have the option to report social security, Medicare, and withheld Federal income taxes for your household employee(s) on **Form 941**, Employer's Quarterly Federal Tax Return, or **Form 943**, Employer's Annual Tax Return for Agricultural Employees, instead of on Schedule H (Form 1040). If you choose to report on Form 941 or 943, you must use Form 940 or 940-EZ to report FUTA taxes.

Agricultural employers. File a FUTA tax return if either 1 or 2 below applies:

1. You paid cash wages of \$20,000 or more to farmworkers during any calendar quarter in 1997 or 1998 or

2. You employed 10 or more farmworkers during some part of a day (whether or not at the same time) during any 20 or more different weeks in 1997 or 20 or more different weeks in 1998.

Count wages paid to aliens admitted on a temporary basis to the United States to perform farmwork, also known as workers with "H-2(A)" visas, to see if you meet either 1 or 2 above. However, wages paid to H-2(A) visa workers are not subject to FUTA tax.

Where to file. In the list below, find the location where your legal residence, principal place of business, office, or agency is located. Send your return to the **Internal Revenue Service** at the address listed for your location. No street address is needed.

Note: Where you file depends on whether or not you are including a payment.

Florida, Georgia, South Carolina

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Atlanta, GA 39901-0047 | P.O. Box 105659 Atlanta, GA 30348-5659 |

New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)

| | |
|--------------------------------|---------------------------------------|
| Return without payment: | Return with payment: |
| Holtsville, NY 00501-0047 | P.O. Box 210 Newark, NJ 07101-0210 |

New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

| | |
|--------------------------------|--|
| Return without payment: | Return with payment: |
| Andover, MA 05501-0047 | P.O. Box 371324 Pittsburgh, PA 15250-7324 |

Illinois, Iowa, Minnesota, Missouri, Wisconsin

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Kansas City, MO 64999-0047 | P.O. Box 970010 St. Louis, MO 63197-0010 |

Delaware, District of Columbia, Maryland, Pennsylvania, Puerto Rico, Virginia, U.S. Virgin Islands

| | |
|--------------------------------|--|
| Return without payment: | Return with payment: |
| Philadelphia, PA 19255-0047 | P.O. Box 8738 Philadelphia, PA 19162-8738 |

Indiana, Kentucky, Michigan, Ohio, West Virginia

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Cincinnati, OH 45999-0047 | P.O. Box 6796 Chicago, IL 60680-6796 |

Kansas, New Mexico, Oklahoma, Texas

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Austin, TX 73301-0047 | P.O. Box 970017 St. Louis, MO 63197-0017 |

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Ogden, UT 84201-0047 | P.O. Box 7028 San Francisco, CA 94120-7028 |

California (all other counties), Hawaii

| | |
|--------------------------------|--|
| Return without payment: | Return with payment: |
| Fresno, CA 93888-0047 | P.O. Box 60150 Los Angeles, CA 90060-0150 |

Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee

| | |
|--------------------------------|---|
| Return without payment: | Return with payment: |
| Memphis, TN 37501-0047 | P.O. Box 1210 Charlotte, NC 28201-1210 |

If the location of your legal residence or principal place of business is not listed above

All Returns:
Philadelphia, PA 19255-0047

Amended returns. Use a new Form 940-EZ to amend a previously filed Form 940-EZ. Check the Amended Return box above Part I, enter all amounts that should have been on the original return, and sign the amended return. Attach an explanation of the reasons for amending the original return.

If you were required to file Form 940 but filed Form 940-EZ instead and you must correct an error on Form 940-EZ, file the amended return on Form 940. See the **Instructions for Form 940**.

Not liable for FUTA tax? If you receive Form 940-EZ and are not liable for FUTA tax for 1998, write "Not Liable" across the front of the form, sign the return, and return it to the IRS.

Note: *If you will not have to file returns in the future, check the box on the line below B(2) and complete and sign the return. See **Where to file** above.*

Employer's name, address, and employer identification number. If you are not using a preaddressed Form 940-EZ, type or print your name, trade name, address, and employer identification number (EIN) on the form.

If you do not have an EIN, see Circular E (Pub. 15) for instructions on how to obtain make deposits, file a return, etc. Apply for an EIN on **Form SS-4**, Application for Employer Identification Number.

Identifying your payments. When you pay any amount you owe to the United States Treasury (line 8) or make Federal tax deposits, write the following on your check or money order: your EIN, "Form 940-EZ", and the tax year to which the payment applies. This helps us credit your account properly.

Penalties and interest. Avoid penalties and interest by making tax deposits when due, filing a correct return, and paying all taxes when due. There are penalties for late deposits and late filing unless you can show reasonable cause. If you file late, attach an explanation to the return. There are also penalties for willful failure to pay tax, keep records, make returns, and for filing false or fraudulent returns.

Credit for contributions paid to a state fund. You get a credit for amounts you pay to a state (including Puerto Rico and the U.S. Virgin Islands) unemployment fund by February 1, 1999 (or February 10, 1999, if that is your Form 940-EZ due date). This credit is reflected in the FUTA tax rate (.008) shown on line 6. See **FUTA rate** on page 1.

"Contributions" are payments that a state requires an employer to make to its unemployment fund for the payment of unemployment benefits. However, contributions do not include:

- Any payments deducted or deductible from your employees' pay.
- Penalties, interest, or special administrative taxes not included in the contribution rate the state assigned to you.
- Voluntary contributions you paid to get a lower assigned rate.

Note: *Be sure to enter your state reporting number on line B(2) at the top of the form. The IRS needs this to verify your state contributions.*

Depositing FUTA Tax

When to deposit. Although Form 940-EZ covers a calendar year, you may have to make deposits of the tax before filing the return. Generally, deposit FUTA tax quarterly but only when your liability exceeds \$100. Determine your FUTA tax for each of the first three quarters by multiplying by .008 that part of the first \$7,000 of each employee's annual wages you paid during the quarter. If any part of the amounts paid are exempt from state unemployment tax, you may be required to deposit an amount greater than that determined using the .008 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 any of the first three quarters of 1998 (plus any undeposited amount of \$100 or less from any earlier quarter) is over \$100, deposit it by the last day of the month after the end of the quarter. If it is \$100 or less, carry it to the next quarter; a deposit is not required. If your liability for the fourth quarter (plus any undeposited amount from any earlier quarter) is over \$100, deposit the entire amount by February 1, 1999. If it is \$100 or less, you can either make a deposit or pay it with your Form 940-EZ by February 1. (If you deposit it by February 1, you may file Form 940-EZ by February 10, 1999.)

The deposit due dates are shown in the following chart:

| If undeposited FUTA tax is over \$100 on— | Deposit it by— |
|---|----------------|
| March 31 | April 30 |
| June 30 | July 31 |
| September 30 | October 31 |
| December 31 | February 1 |

Note: *If any deposit due date falls on a Saturday, Sunday or legal holiday, you may deposit on the next business day.*

How to deposit. If you are not required to use EFTPS (see **Electronic deposit requirement** on page 1), use **Form 8109**, Federal Tax Deposit Coupon, when you make each tax deposit. The IRS will send you a book of deposit coupons when you apply for an employer identification number (EIN). Follow the instructions in the coupon book. If you do not have coupons, see section 11 in Circular E (Pub. 15).

Make your deposits with an authorized financial institution (e.g., a commercial bank that is qualified to accept Federal tax deposits) or the Federal Reserve bank for your area. To avoid a possible penalty, do not mail deposits directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

Specific Instructions

You must complete lines A and B and Part I. If your FUTA tax (line 6) is over \$100, you must also complete Part II. Please remember to sign the return.

Line A. Enter the amount of your state unemployment contributions. If your state has given you a 0% experience rate so there are no required contributions, enter "0% rate" in the space.

Line B(1). Enter the state where you pay state unemployment contributions. **If you pay to more than one state, you must file Form 940.**

Part I — Taxable Wages and FUTA Tax

Line 1 — Total payments. Enter the total payments you made during the calendar year for services of employees, even if the payments are not taxable for FUTA tax. Include salaries, wages, commissions, fees, bonuses, vacation allowances, amounts paid to temporary or part-time employees, and the value of goods, lodging, food, clothing, and noncash fringe benefits, contributions to a 401(k) plan, section 125 (cafeteria) plan benefits, and sick pay (including third party sick pay if liability transferred to employer). Also, include tips of \$20 or more in a month

reported to you by your employees. Enter the amount before any deductions.

How you make the payments is not important to determine if they are wages. Thus, you may pay wages for piecework or as a percentage of profits. You may pay wages hourly, daily, etc. You may pay wages in cash or some other way, such as goods, lodging, food, or clothing. For items other than cash, use the fair market value when paid.

Line 2 — Exempt payments. For FUTA purposes, “wages” and “employment” do not include every payment and every kind of service an employee may perform. In general, payments excluded from wages and payments for services excepted from employment are not subject to tax. **Do not** enter payments over \$7,000 for each employee. Enter such amounts on line 3.

Enter payments such as the following on line 2 if you included them in total payments on line one.

1. Agricultural labor if you did not meet either 1 or 2 under **Agricultural employers** on page 2 and all payments to H-2(A) visa workers.
2. Benefit payments for sickness or injury under a worker's compensation law.
3. Household service if you did not pay total cash wages of \$1,000 or more in any calendar quarter in 1997 or 1998.
4. Certain family employment. (See Cir. E (Pub. 15).)
5. Certain fishing activities. (See **Pub. 595**, Tax Highlights for Commercial Fishermen.)
6. Noncash payments for farmwork or household services in a private home. Only cash wages to these workers are taxable.
7. Value of certain meals and lodging. (See section 5 in Cir. E (Pub.15).)
8. Cost of group-term life insurance.
9. Payments attributable to the employee's contributions to a sick-pay plan.
10. Benefits excludable under a section 125 (cafeteria) plan.
11. Any other exempt service or pay.

For more information, see **Special Rules for Various Types of Services and Payments** in Circular E (Pub. 15).

Line 3 — Payments for services of more than \$7,000. Enter the total amounts over \$7,000 you paid each employee. For example, if you have 10 employees and paid each \$8,000 during the year, enter \$80,000 on line 1 and \$10,000 on line 3. The \$10,000 is the amount over \$7,000 paid to each employee. **Do not** include any exempt payments from line 2 in figuring the \$7,000.

Line 8 — Balance due. Make your check or money order payable to the “United States Treasury”. However, if the amount on line 8 is under \$1, you do not have to pay it.

Line 9 — Overpayment. If the amount on line 9 is under \$1, we will send a refund or apply it to your next return only on written request.

Part II — Record of Quarterly Federal Unemployment Tax Liability

Complete this part only if your FUTA tax on line 6 is over \$100. To figure your FUTA tax liability for each quarter, multiply by .008 that part of the first \$7,000 of each employee's annual wages you paid during the quarter. Enter the result in the space for that quarter. Your total liability (“Total for year”) must equal your total tax shown on line 6.

Record your liability based on when you pay wages, not on when you deposit the FUTA tax. For example, if you pay wages on March 29, your FUTA tax liability on those wages is \$200, and you deposit the \$200 on April 30, you would record that \$200 in the first quarter, not in the second.

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Chapter 23, Federal Unemployment Tax Act, of Subtitle C, Employment Taxes, of the Internal Revenue Code imposes a tax on employers with respect to employees. This form is used to determine the amount of the tax that you owe. Section 6011 requires you to provide the requested information if you are liable for FUTA tax under section 3301. Section 6109 requires you to provide your employer identification number (EIN).

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 hr., 23 min.; **Learning about the law or form**, 7 min.; and **Preparing and sending the form to the IRS**, 34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the form to this office. Instead, see **Where to file** on page 2.