

TAXES

INCOME TAX WITHHOLDING: FEDERAL

Note: Be sure to also refer to the corresponding section in this handbook for Oregon income tax withholding information.

WHO MUST COMPLY?

Agricultural employers must withhold federal income tax from wages paid to farm workers. The rules governing Social Security tax (FICA) withholdings now apply to federal income tax withholdings as well. As an agricultural employer, you may have to withhold federal income taxes if you have one or more agricultural employees (including your parents, your spouse, or children 18 years of age or older) who meet either of these two tests:

- You paid the employee \$150 or more in cash wages during the year.
- You paid (or expect to pay) cash and noncash wages of \$2,500 or more during the year to all your employees.

Each employee subject to federal income tax withholding must supply you with a completed Form W-4, Employee's Withholding Allowance Certificate.

SEASONAL FARM WORKER

Each seasonal farm worker you employ who meets the following condition is exempt from Social Security taxes if he/she

- works on a piece-rate basis, in jobs that are normally paid on a piece-rate basis.
 - is paid less than \$150 per year in cash wages.
 - commutes daily from his or her permanent residence.
 - has worked fewer than 13 weeks performing agricultural labor in the previous calendar year.
 - is employed in agriculture as a hand harvest laborer.
- Wages paid to exempt employees still contribute to your total wages paid in determining whether you paid cash wages of \$2,500 or more during the year.

DEFINITIONS

- Wages include salaries, commissions, bonuses, wages, fees, or any item of value paid to an individual for services as an employee.
- Taxable items include merchandise, stocks, bonds, room, board, or other considerations in payment for services.
- The value of meals and lodging furnished for the convenience of the employer is not taxable.

CALCULATING TAX WITHHOLDING

There are a number of ways to calculate income tax withholding, including the percentage method, wage bracket tables, combined income tax and employee Social Security tax tables, and approved alternative methods. For specific details, refer to Circular E, Employer's Tax Guide, or Publication 493, Alternative Tax Withholding Methods and Tables. These publications describe the methods you should follow to figure withholdings. When you figure them, use the number of exemptions claimed by the employees on Form W-4.

DEPOSITING TAXES

Mail or deliver payments to an authorized financial institution or Federal Reserve Bank or branch in your area. Form 8109, Federal Tax Deposit Coupon, must accompany your payment. You may order coupon books by calling the Internal Revenue Service at 800-829-3676. The IRS automatically sends you a coupon book when you apply for an employer identification number. The amount of your combined Social Security and Medicare taxes and withheld income tax determines the frequency of your deposits.

HOW TO DEPOSIT

Electronic deposit requirement

You must make electronic deposits of all depository taxes (such as employment, excise and corporate income taxes) using the Electronic Federal Tax Payment System (EFTPS) in 2006 if

- the total deposits of such taxes in 2004 were more than \$200,000, or
- you were required to use EFTPS in 2005.

The Electronic Federal Tax Payment System (EFTPS) must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10 percent penalty.

Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. To enroll in EFTPS, call 800-945-8400 or 800-555-4477. For general information about EFTPS, call 800-829-1040.

DEPOSIT PENALTIES

Penalties may apply if you do not make required deposits on time, you make deposits at an unauthorized financial institution, you pay directly to the IRS, or you pay with your return (amounts that may be paid with a return are limited). 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. For amounts not properly or timely deposited, the penalty rates are

- 2 percent: Deposits made one to five days late.
- 5 percent: Deposits made six to 15 days late.
- 10 percent: Deposits made 16 or more days late. This also applies to amounts paid within ten days of the date of the first notice the IRS sent you asking for the tax due.
- 10 percent: Deposits made at an unauthorized financial institution, paid directly to the IRS, or paid with your tax return.
- 10 percent: Amounts subject to electronic deposit requirements but not deposited using EFTPS.
- 15 percent: Amounts still unpaid more than 10 days after the date of the first notice the IRS sent you asking for the tax due, or the day on which you receive notice and demand for immediate payment, whichever is earlier.

PAYMENT WITH RETURN

You may make a payment with Form 941 instead of depositing it if

- you can accumulate less than a \$2,500 tax liability (reduced by any advanced earned income credit) during the quarter. However, if you are unsure that you will accumulate 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 and make a payment in accordance with the accuracy of deposits rule. This payment may be \$2,500 or more.

Note: Only monthly schedule depositors are allowed to make this payment with the return.

DEPOSITING WITHOUT AN EIN

If you have applied for an employer identification number (EIN) but have not yet received it, make the deposit with the IRS. Do not make the deposit at an authorized depository. Make the check payable to “United States Treasury,” and show on it your name, address, kind of tax, period covered, and date applied for an EIN. Include an explanation with the deposit. Do not use Form 8109-B in this situation.

REPORTING AGENT

Use of a reporting agent or 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 and deposited correctly and on time.

DEPOSIT RULES

If your accumulated undeposited taxes do not exceed \$100,000 on any day during the year, your tax liability in your lookback period will determine the deposit dates for the entire year. You are either a monthly depositor or a semiweekly depositor, or the IRS will send you a notice each November to confirm, based on your lookback period, which deposit schedule you must follow.

LOOKBACK PERIOD

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 in a four-quarter lookback period. (Refer to line 11 on pre-2005 versions of Form 941.) 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.

MONTHLY DEPOSITOR

You are a monthly depositor for a calendar year if the total amount of reported taxes for the lookback period is not more than \$50,000. You should deposit the taxes accumulated on paydays during each month by the 15th day of the following month.

SEMIWEEKLY DEPOSITOR

You are a semiweekly depositor for a calendar year if the total amount of accumulated taxes for the lookback period is more than \$50,000. Deposit taxes accumulated Wednesday, Thursday, and/or Friday paydays during each week by the following Wednesday. Deposit taxes accumulated for Saturday, Sunday, Monday and/or Tuesday paydays during each week by the following Friday.

DE MINIMIS RULE

If the amount of accumulated taxes during the year is less than \$500, you are not required to make deposits. You may pay the taxes to the IRS with Form 943.

Report farm workers' income and Social Security taxes withheld on Form 943, Employer's Annual Tax Return for Agricultural Employees. Send Form 943, with payment of any taxes due that are not required to be deposited, to the IRS by January 31 following the year for which the return is filed (or February 10 if the tax was deposited in full and on

time). Non-farm workers wages are reported on Form 941 and deposits are made according to Form 941 rules.

ADVANCE PAYMENT OF EARNED INCOME CREDIT (EIC)

An eligible employee who has a qualifying child is entitled to receive earned income credit (EIC) payments with his or her pay during the year. To get these payments, the employee must give the employer a properly completed Form W-5 Earned Income Credit Advance Payment Certificate. (Agricultural workers paid on a daily basis do not qualify for EIC payments.)

REQUIRED NOTICE

Employers must notify employees who have no income tax withheld due to claimed exemptions that they may be able to claim a tax refund under EIC. Although the employer does not have to notify employees who claim exemption on Form W-4, notification of the following employees is encouraged:

- employees with one qualifying child and wages less than \$30,338
- employees with two or more qualifying children and wages less than \$34,458
- employees without qualifying children and wages less than \$11,490.

Please check with the Internal Revenue Service at 800-829-1040 in order to ascertain the correct dollar amounts for the current year.

Note: The dollar amounts of wages for persons claiming the earned income credit change annually.

You can notify your employees by giving them one of the following:

- the IRS Form W-2, which has a required statement about EIC on the back of Copy B
- a substitute Form W-2, with the same EIC statement on the back of the employee's copy as that on IRS Form W-2 Copy B
- Notice 797, Possible Federal Tax Refund Due to the earned income credit (EIC)
- a written statement generated by your business with the same wording as in Notice 797.

If you are required to give Form W-2 and do so on time, no further notice is necessary (EIC statement on back of Copy B). If a substitute W-2 is given on time but doesn't have the required statement, you must notify the employee within one week of the date the substitute Form W-2 is given. If Form W-2 is required but isn't given on time, you must give the employee Notice 797 or a written statement by the date Form W-2 is required to be provided. If Form W-2 is not required, you must notify the employee by February 7.

For more information about notification requirements, see Notice 1015 (formerly Pub. 1325), Employers, Have You Told Your Employees About the Earned Income Credit (EIC)?

TECHNICAL ASSISTANCE

INTERNAL REVENUE SERVICE

Forms Distribution Center

Rancho Cordova, CA 95743-0001

Phone _____ 800-TAX-FORM (800-829-3676)

Fax _____ on demand 703-368-9694

Web _____ <http://www.irs.ustreas.gov/formspubs>

- Publication 51, Circular A Agricultural Employer's Tax Guide
- Publication 15, Circular E Employer's Tax Guide
- Publication 493, Alternative Tax Withholding Methods and Tables
- Form 8109, Federal Tax Deposit Coupons

INCOME TAX WITHHOLDING: OREGON

WHO MUST COMPLY?

You must withhold tax for employees who plant, cultivate, or harvest seasonal agricultural crops once they earn \$300 in a calendar year from you. When the amount exceeds \$300, the entire amount is subject to withholding tax.

All Oregon employers (including farmers and ranchers) must withhold tax from employee wages at the same time employees are paid.

DEFINITION

Employee

An employee is defined as anyone who performs services for another person, business, or organization. The key criterion used in deciding whether a person is an employee is the employer's authority to direct the way the services are performed. Individuals recognized by the federal government as independent contractors may be regarded by the state as employees. Please visit <http://www.oregonindependentcontractors.com> for more information.

WAGES SUBJECT TO WITHHOLDING

Wages subject to Oregon withholding tax include salaries, commissions, bonuses, wages, fees, or any item of value paid to an individual for services as an employee. Taxable items include merchandise (such as a freezer of beef), stocks, room, board, or other considerations given in payment for the employee's services. An employer must withhold tax on wages paid when an employer-employee

relationship exists between a husband and wife, and on wages paid to minors for bona fide personal services rendered to their parents. The value of meals or lodging furnished for the convenience of the employer is not taxable.

You must withhold tax on all wages of regular farm employees, even though part of their work may involve planting, cultivating, or harvesting. You must withhold tax on all wages paid for seasonal activities, such as canning or other food processing, logging, and sheep shearing. Those activities are not connected with planting, cultivating, or harvesting seasonal agricultural crops.

EXEMPT WAGES

Certain wages are exempt from Oregon withholding law. The most significant agricultural exemption relates to seasonal employees. Wages paid to a seasonal farm laborer whose total annual income from a single employer is less than \$300 are exempted from withholding law.

This exemption is only for planting, cultivating, or harvesting seasonal agricultural crops. When the annual income from one employer exceeds \$300, the entire amount, including the first \$300, is subject to withholding tax. A seasonal agricultural crop requires an annual or less-than-annual season to mature.

Seasonal crops include

- Field and forage crops.
- Grass, cereal grain, vegetable crop, and flower.
- Bulbs and tubers of vegetable crops.
- Any vegetable or fruit used for food or feed.
- Holly cuttings harvested annually for Christmas sale.

Note: Christmas trees are not considered seasonal agricultural crops.

Labor connected with the following is not exempt from withholding tax:

- forest products
- landscaping
- nursery stock as defined in ORS 571.005 unless planted, cultivated, and harvested within an annual period
- raising, shearing, feeding, caring for, training, or managing livestock, bees, poultry, fur-bearing animals, or wildlife
- Christmas trees.

Employers must register with the Oregon Department of Revenue using Form 150-211-055, Combined Employer's Registration. You should register before you issue your first paychecks. For more information, visit <http://oregon.gov/DOR>.

FIGURING WITHHOLDING TAXES

For a seasonal farm employee, you may choose to withhold 2 percent of the total wages without considering any withholding exemptions, or use the withholding tables in the "Oregon Withholding Tax Tables" booklet to find out how much state income tax to withhold from the employee's pay. If you need a copy of the Oregon withholding tax tables, visit <http://oregon.gov/DOR> or call 503-945-8091. You should use the number of exemptions claimed by employees on Internal Revenue Service Form W-4, Employee's Withholding Allowance Certificate. If an employee has not filed a Form W-4, use 0 (zero) exemptions.

The percentage formula that is used in computer payroll systems can also be used.

PAYMENT DUE DATES

Due dates for paying Oregon withholding tax are the same as due dates for paying federal withholding tax.

QUARTERLY FILING

All employers, except agricultural employers who qualify for annual filing, must file withholding returns quarterly using Form OQ, Oregon Quarterly Combined Report.

Quarter	Ending	Due Date
1st: Jan-Mar	Mar 31	Apr 30
2nd: Apr-Jun	Jun 30	Jul 31
3rd: Jul-Sep	Sep 30	Oct 31
4th: Oct-Dec	Dec 31	Jan 31

ANNUAL FILING

Agricultural employers who file IRS Form 943, Employer's Annual Tax Return for Agricultural Employees, can also file Oregon withholding annually using Form WA, Oregon Annual Withholding Tax Return for Agricultural Employees. It is due by January 31. Tax payments are due the same day as you make your FICA or federal tax payment.

ANNUAL REPORT

All employers must file Form WR, Oregon Annual Withholding Reconciliation Report, by February 28. Forms are regularly mailed by the Department of Revenue to registered employers.

TECHNICAL ASSISTANCE

Call or write for the materials below; single copies are available at no charge, or you may download them from the Department of Revenue Web site.

- Information for Oregon Employers
- Oregon Withholding Tax Tables
- Form 150-211-055, Combined Employer's Registration Report.

OREGON DEPARTMENT OF REVENUE

PO Box 14725

Salem OR 97309

Phone _____ 503-945-8091

Toll free _____ 800-356-4222

Web _____ <http://oregon.gov/DOR>

PROPERTY TAX SPECIAL ASSESSMENT

EXCLUSIVE FARM USE (EFU) ZONES AND NONEXCLUSIVE FARM USE (NON-EFU) ZONES

Oregon law recognizes that agriculture and related land uses are important to Oregon's character and economy. The legislature finds that providing the means for agriculture to continue and prosper is in the interest of all Oregonians who benefit directly or indirectly from agricultural production, and stewardship of farmlands and ranchlands.

Land that qualifies for farm use special assessment is assessed at its farm-use value exclusive of values related to urban influences or speculative purposes. County assessors are responsible for the valuation and assessment of land and homesites qualifying for farm use special assessment.

DEFINITIONS

Exclusive farm use (EFU) zone

Land in areas zoned EFU is specially assessed at farm-use value upon discovery that the land is used exclusively for farm use.

Nonexclusive farm use (non-EFU) zone

Nonexclusive farm-use zoned farmland is land that is not within an EFU zone but qualifies by application for farm use special assessment. To maintain the special assessment, the land must be used for farm use and meet minimum gross income requirements. The required minimum gross income is \$650. If the land is more than 6.5 acres, the required minimum gross income is \$100 per acre (or fraction of acre) up to a maximum of \$3,000 gross income.

Homesite

Homesite refers to the land, including all tangible land improvements that are customarily provided in conjunction with a dwelling. Land improvements necessary to establish a homesite include but are not limited to items such as grading, fill, drainage, wells, water supply systems, septic systems, utility connections, extension of utilities to any structure(s), retaining walls, landscaping, graveled driveway area.

Farm use (ORS 308A.056)

Farm use means that the current use of land is for the primary purpose of obtaining a profit by raising, harvesting, and selling crops; feeding, breeding, managing, or selling livestock, poultry, fur-bearing animals or honeybees; dairying and selling dairy products; stabling or training horses; and raising, cultivating, maintaining, or harvesting aquatic birds and animals allowed by the state Fish and Wildlife Commission. Farm use includes land growing cultured Christmas trees and certain hybrid cottonwood or hardwood timber for paper pulp production. Farm use also includes the preparing, storing, or disposing of, by marketing or otherwise, of the products or by-products raised on farmland for human or animal use.

Farm use includes land currently

- subject to any farm-related government program.
- crop-free for one year as a normal and regular requirement of sound agricultural practice, lying idle for no more than one year because of an injury to or illness of a farmer or farmer's immediate family member.
- planted in orchards or other perennials prior to maturity.
- dry or water-covered wasteland in or adjacent to EFU land.
- land under buildings supporting farm practices, including qualifying farm-processing facilities.
- in farm-water impoundments lying in or adjacent to and in common ownership with farm use land; a woodlot up to 20 acres of land contiguous to and owned by the owner of land specially valued for farm use.
- land used for obtaining a profit by breeding, raising, kenneling, or training greyhounds for racing.

The activity needs to be an accepted farming practice, which means the farming is conducted in a "mode of operation that is common to farms of a similar nature, necessary for the operation of these similar farms to obtain a profit in money, and customarily utilized in conjunction with farm use."

DISQUALIFICATION

Disqualification of farm use special assessment is determined by whether the land is in an EFU zone or a non-EFU zone.

In an EFU zone, the land will be disqualified from special assessment if

- the land is no longer used as farmland.
- the land is removed from an EFU zone.
- the permit approval is given for a non-farm dwelling or parcel under ORS 215.236.

In a non-EFU zone, the land will be disqualified from special assessment if

- the owner notifies the assessor in writing to remove the land from special assessment.
- the owner sells or transfers the land to an ownership making the land exempt from property tax.
- land is no longer used as farmland, or it does not meet the required income test.
- land is platted for a subdivision (the land may re-qualify after payment of an additional tax).

Upon disqualification, land may qualify for a different special assessment and, in some cases, avoid additional taxes. Check with your county assessor for information about changing special assessments.

ADDITIONAL TAXES LEVIED AGAINST DISQUALIFIED FARMLAND

If your farmland loses its special assessment and does not change to another special assessment, it will be assessed at market value (or its maximum assessed value) and you may be charged additional tax.

The additional tax is based on the difference between the tax you paid and the tax you would have been paying if your land had not received the farm use special assessment. This tax difference is based on the number of years the land received farm use special assessment up to a maximum of five years (10 years in EFU zones that are outside of an urban growth boundary).

You will be charged additional tax if you change the use of the property so that it is incompatible with its return to farm use. These additional taxes are added to the next tax roll if you choose not to prepay them.

Note: These additional taxes will be deferred and will not be collectable at this time if the land becomes idle or is used in such a way that is compatible with returning the land to farm use. However, if the land is used for residential development, or commercial, industrial, or other uses so that it is no longer being used for farmland then the deferred additional taxes will become collectable at that time.

ADDITIONAL TAXES WAIVER

Additional taxes may be waived (abated) on disqualified non-EFU properties that have difficulty meeting the minimum gross income requirements if the land continues to be farmed after being disqualified. For each year the land continues limited farming, the oldest year of additional taxes is waived until there are no years of potential additional taxes remaining.

TECHNICAL ASSISTANCE

To find out in which zone your farmland is located, contact the planning office or county assessor's office in which the land is located.

OREGON DEPARTMENT OF REVENUE

Phone _____ 503-378-4988 (Salem)
 Toll free _____ 800-356-4222
 TTY _____ 503-945-8617 (Salem)
 Toll free _____ 800-886-7204
 TTY is for hearing or speech impaired only. These numbers are answered by machine and returned by a DOR representative.
 Web _____ <http://oregon.gov/DOR>

SELF-EMPLOYMENT TAX

WHO MUST COMPLY?

Social Security self-employment tax is part of a system that provides farmers and other self-employed individuals with Social Security and Medicare insurance coverage. Social Security benefits are available to self-employed farmers, and payments of self-employment tax contribute to coverage under the Social Security system.

If you engage in farming or ranching as a business, you probably have to pay self-employment tax. A business is generally an activity that is carried on for a livelihood, or in good faith to make a profit. You do not have to carry on regular full-time activities to be self-employed. Part-time work, including work you do on the side in addition to your regular job, may also be self-employment.

TAX RATE

The self-employment tax rate is 15.30 percent for 2005. This rate is a total of 12.4 percent for Social Security and 2.9 percent for Medicare. This tax applies to net earnings of \$400 or more from self-employment. The maximum amount subject to the Social Security part for 2005 is \$90,000. (Note: these rates will change periodically.) There is no maximum amount subject to the Medicare portion.

There are three steps to figure the amount of self-employment tax you owe:

1. Determine your net earnings from self-employment.
2. Determine how much of those net earnings are subject to the tax (adjust for wages on which Social Security tax has already been paid).
3. Multiply that amount by the tax rate.

Net earnings from self-employment may be figured using the regular method, the farm optional method, or the non-farm optional method. Schedule SE, Social Security Self-Employment Tax, is used to figure the tax. Form 1040 is used to report self-employment tax.

The regular method is used most often. The optional methods allow continued coverage for self-employment tax purposes when your net profit for the year is small or you sustain a loss. The optional methods are used only to figure self-employment tax.

EMPLOYING FAMILY MEMBERS

You and your spouse cannot file a joint Schedule SE, even if you file a joint income tax return. Each spouse's income is independently subject to self-employment tax. Joint ownership of farm property does not qualify a spouse for self-employment tax. Wages paid to a spouse as an employee are not subject to self-employment tax, but are subject to Social Security tax. If you and your spouse operate a farm as partners you must report the income on a partnership return, Form 1065, and attach separate Schedules K-1 to show each partner's share of the net income. Each partner also files a separate Schedule SE.

Your child may be required to file a self-employment tax return and pay the tax if he or she has net earnings from 4-H or FFA projects of \$400 or more. Income from these projects is self-employment income.

ITEMS INCLUDED IN NET EARNINGS

Net earnings from self-employment normally include all of the items of business income and take into account deductions allowed for income tax purposes. Some specific items included in determining net income from self-employment are

- taxable patronage dividends from cooperatives.
- government program payments.
- taxable commodity credit loans.
- crop damage payments.
- crop shares received as rent if you materially participate in management.

ITEMS NOT INCLUDED IN NET EARNINGS

Some kinds of income and deductions are not included in your net earnings from self-employment, even though they are included in figuring your income tax. Examples include rent from real estate and personal property leased with real estate.

- interest, unless you receive it in your business, such as interest on accounts receivable.
- dividends on securities.
- capital gains and losses.
- wages received as an employee and covered by Social Security tax.

REQUESTING BENEFIT STATEMENTS

The Social Security Administration provides free statements that detail your past Social Security earnings, Social Security taxes paid, and estimated Social Security benefits. Obtain the Request for Earnings and Benefit Estimate Statement form from your local Social Security Administration Office.

PAYING THE TAX

Self-employment taxes must be included in your estimated tax payments. However, if at least two-thirds of your income is from farming and if you file your return and pay the tax by the first day of the third month after the end of your tax year, no estimated tax payments are required.

TECHNICAL ASSISTANCE

SOCIAL SECURITY ADMINISTRATION

Web _____ <http://www.ssa.gov/pubs/10022.html>

Publications

INTERNAL REVENUE SERVICE

Forms Distribution Center

Rancho Cordova, CA 95743-0001

Phone _____ 800-TAX-FORM (800-829-3676)

Fax _____ on demand 703-368-9694

Web _____ <http://www.irs.ustreas.gov/formspubs>

- Publication 533, Self-Employment Tax
- Publication 225, Farmer's Tax Guide
- Publication 505, Tax Withholding and Estimated Tax

SOCIAL SECURITY TAX

WHO MUST COMPLY?

The Federal Insurance Contributions Act (FICA) provides for a federal system of old age, survivors, disability, and medical insurance. This system is financed through Social Security taxes, also known as FICA taxes. As an agricultural employer, you may have to pay Social Security and Medicare taxes if you have one or more agricultural employees (including your parents, your children 18 years of age or older, or your spouse) who meet either of these two tests:

- You expect to pay the employee \$150 or more in cash wages during the year.
- You expect to pay cash and noncash wages of \$2,500 or more during the year to all your employees.

If one of these two tests is met you are required to withhold Social Security and Medicare taxes from the cash wages paid to the employee beginning with the first dollar of cash wages paid.

EXEMPT LABOR

Hand-harvest laborers you employ who meet the following conditions are exempt from Social Security taxes:

- They work on a piece-rate basis, in jobs that are normally paid on a piece-rate basis.
- You paid them less than \$150 per year in cash wages.
- They commute daily from their permanent residence.
- They worked fewer than 13 weeks performing agricultural labor in the previous calendar year.
- They are employed in agriculture as hand harvest laborers.
- Wages paid to exempt employees still contribute to your total wages paid in determining whether you paid cash wages of \$2,500 or more during the year.

TAX RATES

Social Security and Medicare taxes include contributions from employees and employers. You, as an employer, must collect and pay the employee's part of the tax, and you must pay a matching amount. For 2005, the tax rate is 7.65 percent for both the employer and the employee, consisting of 6.2 percent for Social Security and 1.45 percent for Medicare. The first \$90,000 of wages is subject to Social Security taxes. (Note: these rates change periodically.) There is no maximum amount subject to Medicare tax.

DEPOSITING TAXES

Mail or deliver payments to an authorized financial institution or the Federal Reserve Bank. Your payment should be accompanied by Form 8109, Federal Tax Deposit Coupon. You may order coupon books by calling the Internal Revenue Service at 800-829-3676. IRS automatically sends you a coupon book when you apply for an employer identification number. The amount of your combined Social Security tax, Medicare tax, and withheld income tax determines the frequency of your deposits.

HOW TO DEPOSIT

Electronic deposit requirement

You must make electronic deposits of all depository tax liabilities that occur after 1998 if

- you were required to deposit taxes by electronic funds transfer in prior years.
- you deposited more than \$50,000 in Social Security, Medicare, railroad retirement, and withheld federal income taxes in 1997. For this determination, combine deposits of only the following tax returns you filed: Forms 941, 941-M, 941-PR, 941-SS, 943, 945, and CT-1.
- you did not deposit Social Security, Medicare, railroad retirement, or withheld federal income taxes in 1997, but you deposited more than \$50,000 in other taxes under section 6302 (such as corporate income tax) in 1997.

The Electronic Federal Tax Payment System (EFTPS) must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer after 1998 and fail to do so, you may be subject to a 10 percent penalty.

Note: A penalty for failure to use EFTPS will not be imposed for tax liabilities that occur before July 1999, if you were first required to use EFTPS on or after July 1, 1997.

Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. To enroll in EFTPS, call 800-945-8400 or 800-555-4477. For general information about EFTPS, call 800-829-1040.

DEPOSIT PENALTIES

Penalties may apply if you do not make required deposits on time, you make deposits at an unauthorized financial institution, you pay directly to the IRS, or you pay with your return (amounts that may be paid with a return are limited). 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. For amounts not properly or timely deposited, the penalty rates are

- 2 percent: Deposits made one to five days late.
- 5 percent: Deposits made six to 15 days late.

- 10 percent: Deposits made 16 or more days late. This also applies to amounts paid within 10 days of the date of the first notice the IRS sent you asking for the tax due.
- 10 percent: Deposits made at an unauthorized financial institution, paid directly to the IRS, or paid with your tax return (see “Depositing without an EIN” and “Exception to deposit requirement,” earlier).
- 10 percent: Amounts subject to electronic deposit requirements but not deposited using EFTPS.
- 15 percent: Amounts still unpaid more than 10 days after the date of the first notice the IRS sent you asking for the tax due or the day on which you receive notice and demand for immediate payment, whichever is earlier.

REPORTING AGENT

Use of a reporting agent or 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 and deposited correctly and on time.

DEPOSIT RULES

If your accumulated undeposited taxes do not exceed \$100,000 on any day during the year, your tax liability in your lookback period will determine the deposit dates for the entire year. You are either a monthly depositor or a semiweekly depositor, or the IRS will send you a notice each November to confirm, based on your lookback period, which deposit schedule you must follow.

LOOKBACK PERIOD

To find your deposit requirements for a calendar year, look back to your employment tax liabilities during the calendar year preceding the calendar year just ended (for 2005, the lookback period is January 1, 2003 to December 31, 2003). If you are a new employer, you are treated as having no tax liabilities during the period you had no employees. (If you also have non-farm employees, you must figure your deposit requirements separately based on the most recent 12-month period ending June 30.)

MONTHLY DEPOSITOR

You are a monthly depositor for a calendar year if the total amount of reported taxes for the lookback period is not more than \$50,000. You should deposit the taxes accumulated on paydays during each month by the 15th day of the following month.

SEMIWEEKLY DEPOSITOR

You are a semiweekly depositor for a calendar year if the total amount of accumulated taxes for the lookback period is more than \$50,000. Deposit taxes accumulated Wednesday, Thursday, and/or Friday paydays during each week by the following Wednesday. Deposit taxes accumulated for Saturday, Sunday, Monday and/or Tuesday paydays during each week by the following Friday.

DE MINIMIS RULE

If the amount of accumulated taxes during the year is less than \$500, you are not required to make deposits. You may pay the taxes to the IRS with Form 943 (see below).

REPORTING

Report farm workers' income and Social Security taxes withheld on Form 943, Employer's Annual Tax Return for Agricultural Employees. Send Form 943, with payment of any taxes due that are not required to be deposited, to the IRS by January 31 following the year for which the return is filed (or February 10 if the tax was deposited in full and on time). Social Security earnings and withholdings are also reported on W-2 forms. Non-farm workers' wages are reported on Form 941, and deposits are made according to Form 941 rules.

TECHNICAL ASSISTANCE

SOCIAL SECURITY ADMINISTRATION

Web _____ http://www.ssa.gov/SSA_Home.html

Publications

INTERNAL REVENUE SERVICE

Forms Distribution Center

Rancho Cordova, CA 95743-0001

Phone _____ 800-TAX-FORM (800-829-3676)

Fax _____ on demand 703-368-9694

Web _____ <http://www.irs.ustreas.gov/formspubs>

- Publication 51, Circular A Agricultural Employer's Tax Guide
- Publication 15, Circular E Employer's Tax Guide
- Form 8109, Federal Tax Coupons
- Publication 937, Employment Taxes

UNEMPLOYMENT TAX: FEDERAL

Note: Be sure to also refer to the corresponding section in this handbook for Oregon information.

WHO MUST COMPLY?

Most employers are required to pay federal unemployment taxes (FUTA) in addition to income and Social Security taxes. Agricultural employers must pay FUTA if they

- paid cash wages of \$20,000 or more to farm workers in any calendar quarter of the current or preceding year, or
- employed 10 or more farm workers during some part of a day (whether or not at the same time) for at least one day during any 20 different weeks during the current or preceding year.

To determine if you meet condition (2) above, include as farm workers, aliens legally admitted to the United States on a temporary basis to do farm work under H2-A visas. Wages paid to these aliens are exempt from FUTA, according to federal regulations, but they are still included to determine if you meet condition (1) above.

TAX RATE

The gross FUTA tax rate is 6.2 percent of taxable payroll. Generally, you can take a credit against your FUTA tax for amounts you paid into state unemployment funds. This credit is limited to 5.4 percent of taxable wages. Net FUTA tax rate is 0.8 percent (.008).

COMPLIANCE

Mail or deliver payments to an authorized financial institution or Federal Reserve Bank or branch in your area. Form 8109, Federal Tax Deposit Coupon, must accompany your payment. You may order coupon books by calling the Internal Revenue Service at 800-829-3676.

FUTA payments are calculated on a quarterly basis:

- During each of the first three quarters of the year, multiply the first \$7,000 of each employee's wages paid during the quarter by 0.008.
- Total the values estimated in the first bullet point (above).
- If the total FUTA tax for any quarter (plus any undeposited FUTA tax for earlier quarters in the year) is more than \$500, you must make a deposit during the first month following the quarter. If the total is less than \$500, carry it over to the next quarter.

FILING ANNUAL FUTA TAX RETURNS

Employers must file Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, by January 31. If the FUTA tax reported on Form 940 minus the amounts deposited for the first three quarters of the year is more than \$500, deposit the whole amount by January 31. If the amount is less than \$500, either deposit the tax or include your payment with Form 940 by January 31. If you deposited all FUTA taxes when due, you have up to 10 additional days (or until February 10) to file Form 940.

FAMILY EMPLOYEES

Family employees are exempt from FUTA if the employer's parent, spouse, or sons or daughters under the age of 21 perform services.

TECHNICAL ASSISTANCE

INTERNAL REVENUE SERVICE

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Phone _____ 800-TAX-FORM (800-829-3676)

Web _____ <http://www.irs.ustreas.gov/formspubs>

- Publication 51, Circular A, Agricultural Employer's Tax Guide
- Publication 15, Circular E, Employer's Tax Guide
- Form 940, Employer's Annual Federal Unemployment
- Form 8109, Federal Tax Deposit Coupon
- Publication 225, Farmer's Tax Guide
- Publication 583, Starting a Business and Keeping Records
- Publication 15-A, Employers Supplemental Tax Guide

Telephone help

You can call the IRS with your tax questions 24 hours a day, seven days a week. Check your telephone book for the local number or call 800-829-1040.

Help for people with disabilities

Telephone help is available using TTY equipment. You may call 800-829-4059 with your tax question or to order forms and publications.

- Calendar for filing and paying FUTA
- January: file Form 940
- March: calculate first quarter FUTA
- April: pay first quarter FUTA
- June: calculate second quarter FUTA
- July: pay second quarter FUTA
- September: calculate third quarter FUTA
- October: pay third quarter FUTA
- December: calculate total FUTA.

UNEMPLOYMENT TAX: OREGON

Note: Refer to the corresponding section in this handbook for federal information.

WHO MUST COMPLY?

Agricultural employers are subject to unemployment taxes if they meet one of the following thresholds:

- pay \$20,000 or more cash payroll in a calendar quarter, in the current or preceding year
- employ 10 or more employees working on 20 days, each day being in a separate calendar week during the current or preceding calendar year.

Non-cash remuneration, such as room and board, is not included in the payroll calculations to determine subjectivity. However, wages paid in other states for the same entity, and corporate officer wages, even if excluded under the family officer provision, are included.

Once an agricultural employer has met the threshold to be subject to unemployment taxes, all cash payroll paid during that calendar year and the subsequent year is taxable. Employers are responsible for registering with the Employment Department by completing and filing a copy of the Combined Employer's Registration Report, Form 150-211-055 available at <http://www.oregon.gov/DOR/BUS/docs/211-055.pdf>.

DEFINITIONS

Employee

Includes any person employed for pay under any contract for hire unless the services are specifically excluded from coverage under the law. You should check with your local Employment Department Tax Office to determine whether the services performed by your workers are excluded from coverage.

Family employees

Family employees are exempt from unemployment tax for services performed by the employer's (as a sole proprietor) parent, spouse, or sons or daughters under the age of 18.

Farm workers supplied by contractors

Farm workers supplied by farm labor contractors are considered employees of the farm operator unless

- the contractor holds a valid federal Certificate of Registration under the Federal Migrant and Seasonal Agricultural Worker Protection Act, or

- substantially all the workers supplied by the contractor operate or maintain tractors, harvesting or crop-dusting machines, or other machines provided by the contractor, and the contractor meets standards set for independent contractors under other sections of Employment Department law.

TAX CALCULATION

The maximum wages for each employee and the new employer tax rate ranges for any one year are not distributed until November 15 of the prior year. This rate is paid for a prescribed period of time, until the employer is assigned a rate under the state experience rating provision. Employers may help keep their rate down by providing information about the cause for separation of former employees who file claims for unemployment benefits and by appearing at hearings on disputed claims.

The new employer rate is paid until the employer has established enough experience for an assigned "experience" rate - usually taking two to three years. Assigned tax rates for 2008 range from 0.7 percent to 5.4 percent. Rate ranges for a year are not distributed until November 15 of the previous year. Employers may keep their rates low by providing information when former employees file for unemployment insurance and by appearing at hearings on disputed claims.

FILING

Employers must pay their unemployment taxes and file a combined tax report with the Oregon Department of Revenue on a quarterly basis. The forms are mailed to employers at the beginning of each year.

Quarter	Ending	Due date
1st: Jan-Mar	Mar 31	Apr 30
2nd: Apr-Jun	Jun 30	Jul 31
3rd: Jul-Sep	Sep 30	Oct 31
4th: Oct-Dec	Dec 31	Jan 31

Once you are subject to Oregon unemployment tax, you remain subject for the remainder of the current year and all of the next calendar year, as long as employment exists. This is true even if the payroll is less than \$20,000 in those quarters.

Information required on reports includes

- number of workers at mid-month in each month of the quarter.
- gross and taxable payroll.
- taxes due.
- each employee's Social Security number, name, number of hours in the quarter in which service was performed, and wages paid in the quarter.

As long as employment exists, you are subject to Oregon unemployment tax for the entire calendar year you became subject and the following calendar year, regardless of the amount of payroll. However, an agricultural employer may request that the account be closed when the following conditions are met:

- The employer notifies the Oregon Employment Department that they have not met the subjectivity thresholds listed above in the preceding calendar year
- The employer does not anticipate meeting the thresholds in the current calendar year.

The notification must be made in writing to:

Oregon Employment Department
875 Union St. NE, Room 107
Salem, OR 97311

The employer's account will cease to be subject to the tax, beginning the first day of the calendar quarter in which the request is filed. This cannot be retroactive.

TECHNICAL ASSISTANCE

OREGON EMPLOYMENT DEPARTMENT

Phone _____ 503-947-1488
E-mail _____ taxinfo@emp.state.or.us
Web _____ <http://www.oregon.gov/EMPLOY/TAX>

Business Information Center

Public Services Building, Suite 151,
255 Capitol St. NE
Salem, OR 97310-1327
Phone _____ 503-986-2222
Web _____ <http://filinginoregon.com>

Additional information

How to Start a Business in Oregon and the Employer's Guide for Doing Business in Oregon

<http://www.filinginoregon.com/forms/index.htm>.
For information about taxable payrolls and reporting, contact the Oregon Employment Department Tax Office. Information is also available on the Tax Section Web page at <http://www.oregon.gov/EMPLOY/TAX>.

Employment Department local tax offices

For information about taxable payrolls and reporting, contact your nearest Oregon Employment Department Tax Office. Information is also available on the agency's Web page at <http://www.oregon.gov/EMPLOY/TAX/TaxOffices.shtml>.