

Understanding Form 941 — Employer's Quarterly Federal Tax Return



Small business

owners sometimes feel overwhelmed by the various tax-related forms the IRS expects them to complete. Many turn to professionals for assistance, especially in the first year or two of operation. Doing so, however, might not be feasible or necessary. Either way, having a basic understanding is a vital first step for any business.

Here, we aim to increase understanding about one of the most common pieces of paperwork businesses encounter, Form 941: Employer's Quarterly Tax Return.

What is Form 941?

Companies file Form 941 four times a year to report income taxes, social security tax, or Medicare tax withheld from employees' paychecks. As the [IRS](#) explains:

"Federal law requires you, as an employer, to withhold certain taxes from your employees' pay. Each time you pay wages, you must withhold — or take out of your employees' pay — certain amounts for federal income tax, social security tax, and Medicare tax. You must also withhold Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. Under the withholding system, taxes withheld from your employees are credited to your employees in payment of their tax liabilities.

"Federal law also requires you to pay any liability for the employer share of social security and Medicare taxes.

This share of social security and Medicare taxes isn't withheld from employees.”

The government requires employers to pay these withholding taxes on a monthly or semiweekly schedule, not in a lump sum. The end result of completing Form 941 is knowing your exact employment tax responsibilities for the quarter that the information it asks of you covers. Your monthly or semiweekly deposits should add up to this amount. If you underpaid, you'll owe the IRS more money. If you overpaid, the IRS will issue a refund or credit the amount toward future remittance obligations.

Who needs to fill out Form 941?

Most companies with employees need to submit Form 941. Many sole proprietorships and partnerships do not have employees, so they do not need to worry about this piece of paperwork.

Watch, however, if you operate a corporation (or an LLC taxed as a corporation) and you perform services for your business. You must pay yourself reasonable compensation as an employee of your business. As a result of [issuing yourself a paycheck](#), this quarterly payroll tax form needs filing.

The IRS typically does not require employers of household employees and employers of farm employees to submit Form 941. Seasonal employers do not need to file Form 941 for quarters in which they do not pay wages, but they do need to check the box on line 18a every quarter they do file in order to let the IRS know about the seasonal situation.

Very small businesses that believe their employment taxes for the calendar year will be \$1,000 or less may request to fill out Form 944 annually rather than Form 941 quarterly. This action requires IRS approval. If the agency does not send you a written notice permitting the change, keep using Form 941.

When is Form 941 due?

Form 941 is not part of an [annual tax return](#). Rather, this important document must be submitted quarterly (four times a year). File it within one month after the end of each calendar quarter. This translates into deadlines of:

- Quarter 1: April 30 (covering January, February, March)
- Quarter 2: July 31 (covering April, May, June)
- Quarter 3: October 31 (covering July, August, September)
- Quarter 4: January 31 of the following year (covering October, November, December)

If any due date for filing falls on a Saturday, Sunday, or legal holiday, you may file your return on the next business day.

Note that if you timely deposited all taxes in accordance with your schedule (monthly or semi-weekly), the IRS automatically grants an additional 10 calendar days to file the 941. The Quarter 1 due date, for instance, would become May 10.

What information does Form 941 collect?

Before filling out Form 941 for the first time, read through the entire document. Knowing the type of information for which it asks allows for better preparation and faster completion.

Here is a general overview of what to expect

Introduction

The opening requests the basics: name, address, employer identification number (EIN), and the quarter.

Part one

This section asks questions pertaining to the quarter for which you're filing. By the end of this section, you'll know if you have a balance due to the IRS or if you overpaid.

Expect to provide the number of employees paid during the quarter, their total taxable compensation, and the total federal income tax withheld from compensation. Have a calculator ready to help with figuring out social security and Medicare taxes using the percentages given on the form.

Part one also contains various lines dealing with adjustments and tax credits for the quarter at hand. Read each carefully to determine which applies to your specific situation.

Part two

This section briefly asks about your deposit schedule (the way you pay the IRS the money you withhold from employees' paychecks). Know with certainty before tackling this section whether you operate on a monthly or semiweekly deposit schedule.

Part three

This section collects information about your business, such as if you're a seasonal employer or if your business closed. Many of the questions may not pertain to your company, and you can leave these ones blank.

However, even people who have filled out Form 941 many times before should read through the entire list whenever they complete the document. The IRS can add or alter lines to reflect new policies, such as changes due to the COVID-19 pandemic. Currently, for instance, the form contains date-specific items regarding qualified family leave wages and qualified sick leave wages.

Part four

Provide information here if you wish to grant permission for the IRS to talk to a third-party designee, such as a paid tax preparer, about what you submitted.

Part five

Sign and date the form here. If you use a paid preparer, there's also a brief section for that person to fill out.

Form 941-V, payment voucher

The majority of filers who find they owe the IRS money after completion of Form 941 pay their balance electronically. Those who prefer to do it by mail should print out one of the payment vouchers found at the end of Form 941. Submitting this voucher helps the government to credit the payment promptly and accurately.

Where can someone obtain Form 941 and more information?

[Obtain Form 941](#) through the IRS website. The site also contains the complete [instructions for Form 941](#). Going here each quarter will ensure you obtain the most up-to-date version of the form and any information on changes that may have occurred since filing last. Such action is especially necessary this year because of various alterations due to the pandemic.

Also, note that many reputable organizations offer YouTube videos that take viewers step-by-step through the process of filling out Form 941.

For guidance on how to create an organized system that will assist in completing Form 941 and other paperwork, read through this [payroll checklist](#).