Note: *The draft you are looking for begins on the next page.*

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms** and do **not** rely on draft forms, instructions, and publications for filing. We do **not** release draft forms until we believe we have incorporated all changes (except when explicitly stated on this coversheet). However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions generally are subject to OMB approval before they can be officially released, so we post only drafts of them until they are approved. Drafts of instructions and publications usually have some changes before their final release.

Early release drafts are at IRS.gov/DraftForms and remain there after the final release is posted at IRS.gov/LatestForms. All information about all forms, instructions, and pubs is at IRS.gov/Forms.

Almost every form and publication has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at IRS.gov/Form1040; the Pub. 501 page is at IRS.gov/Pub501; the Form W-4 page is at IRS.gov/W4; and the Schedule A (Form 1040/SR) page is at IRS.gov/ScheduleA. If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at IRS.gov/FormsComments. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product.

If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click here.

Instructions for Schedule B (Form 941)

(Rev. September 2020)

Department of the Treasury
Internal Revenue Service

Use with the January 2017 revision of Schedule B (Form 941)

Report of Tax Liability for Semiweekly Schedule Depositors

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

Future Developments

For the latest information about developments related to Schedule B and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form941*.

What's New

Adjusting tax liability for nonrefundable credits claimed on Form 941, lines 11a, 11b, and 11c. See *Adjusting Tax Liability for Nonrefundable Credits Claimed on Form 941, Lines 11a, 11b, and 11c*, later, for updated instructions on how to report on Schedule B adjustments to your tax liabilities for the qualified small business payroll tax credit for increasing research activities, the credit for qualified sick and family leave wages, and the employee retention credit.

Adjusting tax liability for the deferred amount of social security tax that you pay or deposit in the same quarter it was deferred. See *Adjusting Tax Liability for the Deferred Amount of Social Security Tax That You Pay or Deposit in the Same Quarter It Was Deferred*, later, for instructions on how to report your tax liabilities on Schedule B if you defer social security tax and subsequently pay or deposit that deferred amount in the same quarter it was deferred.

Reminders

Schedule B is filed with Form 941 or Form 941-SS. References to Form 941 in these instructions also apply to Form 941-SS, Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands), unless otherwise noted.

Reporting prior period adjustments. Prior period adjustments are reported on Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, or Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund, and aren't taken into account when figuring the tax liability for the current quarter.

When you file Schedule B with your Form 941, Employer's QUARTERLY Federal Tax Return, don't change your current quarter tax liability by adjustments reported on any Form 941-X or 944-X.

Amended Schedule B. If you have been assessed a failure-to-deposit (FTD) penalty, you may be able to file an amended Schedule B. See *Correcting Previously Reported Tax Liability*, later.

General Instructions

Purpose of Schedule B

These instructions tell you about Schedule B. To determine if you're a semiweekly schedule depositor, see section 11 of Pub. 15, Employer's Tax Guide, or section 8 of Pub. 80, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

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 employers 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.

On Schedule B, list your tax liability for each day. Your tax liability is based on the dates wages were paid. Your liability includes:

- The federal income tax you withheld from your employees' pay, and
- Both the employer and employee share of social security and Medicare taxes.

Don't reduce your liability reported on Schedule B by the deferred amount of any employer or employee share of social security tax reported on Form 941, line 13b. See the *Caution* under *Total Liability for the Quarter*, later. Don't use Schedule B to show federal tax deposits. The IRS gets deposit data from electronic funds transfers.

The IRS uses Schedule B to determine if you've deposited your federal employment tax liabilities on time. If you're a semiweekly schedule depositor and you don't properly complete and file your Schedule B with Form 941, the IRS may propose an "averaged" FTD penalty. See Deposit Penalties *in section 11 of Pub. 15 or section 8 of Pub. 80 for more information.*

Who Must File?

File Schedule B if you're a semiweekly schedule depositor. You're a semiweekly schedule depositor if you reported more than $50,000 of employment taxes in the lookback period or accumulated a tax liability of $100,000 or more on any given day in the current or prior calendar year. If you became a semiweekly schedule depositor during the quarter, you must complete Schedule B for the entire quarter. See section 11 of Pub. 15 or section 8 of Pub. 80 for more information. The $100,000 tax liability threshold requiring a next-day deposit is determined before you consider any reduction of your liability for nonrefundable credits. See *IRS.gov/ETD* for more information.

Don't complete Schedule B if you have a tax liability on Form 941, line 12, that is less than $2,500 during the quarter.

When Must You File?

Schedule B is filed with Form 941. Therefore, the due date of Schedule B is the same as the due date for the applicable Form 941. In some situations, Schedule B may be filed with Form 941-X. See *Form 941-X*, later, for details.

Don't file Schedule B as an attachment to Form 944, Employer's ANNUAL Federal Tax Return. Instead, if you're a semiweekly schedule depositor that is required to file a report of tax liability with Form 944, use Form 945-A, Annual Record of Federal Tax Liability.

Specific Instructions

Completing Schedule B

Enter Your Business Information

Carefully enter your employer identification number (EIN) and name at the top of the schedule. Make sure that they exactly match the name of your business and the EIN that the IRS assigned to your business and also agree with the name and EIN shown on the attached Form 941 or Form 941-X.

Calendar Year

Enter the calendar year that applies to the quarter checked.

Check the Box for the Quarter

Under *Report for this Quarter* at the top of Schedule B, check the appropriate box of the quarter for which you're filing this schedule. Make sure the quarter checked on the top of the Schedule B matches the quarter checked on your Form 941 or Form 941-X.

Enter Your Tax Liability by Month

Schedule B is divided into the 3 months that make up a quarter of a year. Each month has 31 numbered spaces that correspond to the dates of a typical month. Enter your tax liabilities in the spaces that correspond to the dates you paid wages to your employees, not the date payroll liabilities were accrued or deposits were made.

For example, if your payroll period ended on December 31, 2019, and you paid the wages for that period on January 6, 2020, you would:

- Go to Month 1 (because January is the first month of the quarter), and
- Enter your tax liability on line 6 (because line 6 represents the sixth day of the month).

Make sure you have checked the appropriate box in Part 2 of Form 941 to show that you're a semiweekly schedule depositor.

Example 1. Cedar Co. is a semiweekly schedule depositor that pays wages for each month on the last day of the month. On December 24, 2019, Cedar Co. also paid its employees year-end bonuses (subject to employment taxes). Cedar Co. must report employment tax liabilities on Schedule B for the fourth quarter (October, November, December), as follows.

Month	Lines for dates wages were paid
1 (October)	line 31 (pay day, last day of the month)
2 (November)	line 30 (pay day, last day of the month)
3 (December)	line 24 (bonus paid December 24, 2019)
3 (December)	line 31 (pay day, last day of the month)

Example 2. Fir Co. is a semiweekly schedule depositor that pays employees every other Friday. Fir Co. accumulated a $20,000 employment tax liability on each of these pay dates: January 3, 2020; January 17, 2020; January 31, 2020; February 14, 2020; February 28, 2020; March 13, 2020; and March 27, 2020. Fir Co. must report employment tax liabilities on Schedule B as follows.

Month	Lines for dates wages were paid
1 (January)	lines 3, 17, and 31
2 (February)	lines 14 and 28
3 (March)	lines 13 and 27

Example 3. Elm Co. is a new business and monthly schedule depositor for 2020. Elm Co. paid wages every Friday and accumulated a $2,000 employment tax liability on January 17, 2020. On January 24, 2020, and on every subsequent Friday during 2020, Elm Co. accumulated a $110,000 employment tax liability. Under the deposit rules, employers become semiweekly schedule depositors on the day after any day they accumulate $100,000 or more of employment tax liability in a deposit period. Elm Co. became a semiweekly schedule depositor on January 25, 2020, because Elm Co. had a total accumulated employment tax liability of $112,000 on January 24, 2020. For more information, see section 11 of Pub. 15 or section 8 of Pub. 80.

Elm Co. must complete Schedule B as shown next and file it with Form 941. Don't check the second box on Form

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941, line 16, even though Elm Co. was a monthly schedule depositor until January 25, 2020.

Month	Lines for dates wages were paid	Amount to report
1 (January)	line 17	$2,000
1 (January)	lines 24 and 31	$110,000
2 (February)	lines 7, 14, 21, and 28	$110,000
3 (March)	lines 6, 13, 20, and 27	$110,000

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Total Liability for the Quarter

To find your total liability for the quarter, add your monthly tax liabilities.

Tax Liability for Month 1
+ Tax Liability for Month 2
+ Tax Liability for Month 3
Total Liability for the Quarter

CAUTION *Your total liability for the quarter must equal line 12 on Form 941; therefore, don't reduce your total liability reported on Schedule B by the deferred amount of the employer or employee share of social security tax, the refundable portion of the credit for qualified sick and family leave wages, or the refundable portion of the employee retention credit. The deferred amount of the employer or employee share of social security tax reported on Form 941, line 13b, doesn't reflect deferred liabilities, but instead postponed due dates for payment. See the Instructions for Form 941 for more information.*

Adjusting Tax Liability for Nonrefundable Credits Claimed on Form 941, Lines 11a, 11b, and 11c

Semiweekly schedule depositors must account for nonrefundable credits claimed on Form 941, lines 11a, 11b, and 11c, when reporting their tax liabilities on Schedule B. The total tax liability for the quarter must equal the amount reported on Form 941, line 12. Failure to account for the nonrefundable credits on Schedule B may cause Schedule B to report more than the total tax liability reported on Form 941, line 12. Don't reduce your daily tax liability reported on Schedule B below zero.

Qualified small business payroll tax credit for increasing research activities (Form 941, line 11a). The qualified small business payroll tax credit for increasing research activities is limited to the employer share of social security tax on wages paid in the quarter that begins after the income tax return electing the credit has been filed. In completing Schedule B, you take into account the payroll tax credit against the liability for the employer share of social security tax starting with the first payroll payment of the quarter that includes payments of wages subject to social security tax to your employees. The credit may be taken to the extent of the employer share of social security tax on wages associated with the first payroll payment, and then to the extent of the employer share of social security tax associated with succeeding payroll payments in the quarter until the credit is used. Consistent with the entries on Schedule B, the payroll tax credit should be taken into account in making deposits of employment tax. If any payroll tax credit is remaining at the end of the quarter that hasn't been used completely because it exceeds the employer share of social security tax for the quarter, the excess credit may be carried forward to the succeeding quarter and allowed as a payroll tax credit for the succeeding quarter. The payroll tax credit may not be taken as a credit against income tax withholding, Medicare tax, or the employee share of social security tax. Also, the remaining payroll tax credit may not be carried back and taken as a credit against wages paid from preceding quarters. For more information about the payroll tax credit, go to *IRS.gov/ResearchPayrollTC*.

Example. Rose Co. is an employer with a calendar tax year that filed its timely income tax return on April 15, 2020. Rose Co. elected to take the qualified small business payroll tax credit for increasing research activities on Form 6765. The third quarter of 2020 is the first quarter that begins after Rose Co. filed the income tax return making the payroll tax credit election. Therefore, the payroll tax credit applies against Rose Co.'s share of social security tax on wages paid to employees in the third quarter of 2020. Rose Co. is a semiweekly schedule depositor. Rose Co. completes Schedule B by reducing the amount of liability entered for the first payroll payment in the third quarter of 2020 that includes wages subject to social security tax by the lesser of (1) its share of social security tax on the wages, or (2) the available payroll tax credit. If the payroll tax credit elected is more than Rose Co.'s share of social security tax on the first payroll payment of the quarter, the excess payroll tax credit would be carried forward to succeeding payroll payments in the third quarter until it is used. If the amount of the payroll tax credit exceeds Rose Co.'s share of social security tax on wages paid to its employees in the third quarter, the excess credit would be treated as a payroll tax credit against its share of social security tax on wages paid in the fourth quarter. If the amount of the payroll tax credit remaining exceeded Rose Co.'s share of social security tax on wages paid in the fourth quarter, it could be carried forward and treated as a payroll tax credit for the first quarter of 2021.

Nonrefundable portion of credit for qualified sick and family leave wages (Form 941, line 11b). The nonrefundable portion of the credit for qualified sick and family leave wages is limited to the employer share of social security tax on wages paid in the quarter that is remaining after that share is first reduced by any credit claimed on Form 941, line 11a, for the qualified small business payroll tax credit for increasing research activities, and/or any credit to be claimed on Form 5884-C, line 11, for the work opportunity credit for qualified tax-exempt organizations hiring qualified veterans. In completing Schedule B, you take into account the entire quarter's nonrefundable portion of the credit for sick and family leave wages (including the qualified health plan expenses and employer share of Medicare tax allocable to those wages) against the liability for the first payroll payment of the quarter, but not below zero. Then reduce the liability for each successive payroll payment in the quarter until the nonrefundable portion of the credit is

used. Any credit for qualified sick and family leave wages that is remaining at the end of the quarter because it exceeds the employer share of social security tax for the quarter is claimed on Form 941, line 13c, as a refundable credit. The refundable portion of the credit doesn't reduce the liability reported on Schedule B. For more information about the credit for qualified sick and family leave wages, including the dates for which the credit may be claimed, go to *IRS.gov/PLC*.

Example. Maple Co. is a semiweekly schedule depositor that pays employees every other Friday. In the third quarter of 2020, Maple Co. had pay dates of July 10, July 24, August 7, August 21, September 4, and September 18. Maple Co. paid qualified sick and family leave wages on August 7 and August 21. The nonrefundable portion of the credit for qualified sick and family leave wages for the quarter is $10,000. On Schedule B, Maple Co. will use the $10,000 to reduce the liability for the July 10 pay date, but not below zero. If any nonrefundable portion of the credit remains, Maple Co. applies it to the liability for the July 24 pay date, then the August 7 pay date, and so forth until the entire $10,000 is used.

Nonrefundable portion of employee retention credit (Form 941, line 11c). The nonrefundable portion of the employee retention credit is limited to the employer share of social security tax on wages paid in the quarter that is remaining after that share is first reduced by any credit claimed on Form 941, line 11a, for the qualified small business payroll tax credit for increasing research activities; any credit to be claimed on Form 5884-C, line 11, for the work opportunity credit for qualified tax-exempt organizations hiring qualified veterans; and/or any credit claimed on Form 941, line 11b, for the nonrefundable portion of the credit for qualified sick and family leave wages. In completing Schedule B, you take into account the entire quarter's nonrefundable portion of the employee retention credit against the liability for the first payroll payment of the quarter, but not below zero. Then reduce the liability for each successive payroll payment in the quarter until the nonrefundable portion of the credit is used. Any employee retention credit that is remaining at the end of the quarter because it exceeds the employer share of social security tax for the quarter is claimed on Form 941, line 13d, as a refundable credit. The refundable portion of the credit doesn't reduce the liability reported on Schedule B. For more information about the employee retention credit, including the dates for which the credit may be claimed, go to *IRS.gov/ERC*.

Example. Maple Co. is a semiweekly schedule depositor that pays employees every other Friday. In the third quarter of 2020, Maple Co. had pay dates of July 10, July 24, August 7, August 21, September 4, and September 18. Maple Co. paid qualified wages for the employee retention credit on August 7 and August 21. The nonrefundable portion of the employee retention credit for the quarter is $10,000. On Schedule B, Maple Co. will use the $10,000 to reduce the liability for the July 10 pay date, but not below zero. If any nonrefundable portion of the credit remains, Maple Co. applies it to the liability for the July 24 pay date, then the August 7 pay date, and so forth until the entire $10,000 is used.

TIP *You may reduce your deposits by the amount of the nonrefundable and refundable portions of the credit for qualified sick and family leave wages, the nonrefundable and refundable portions of the employee retention credit, and any deferred employment taxes. For more information on reducing deposits, see Notice 2020-22, 2020-17 I.R.B. 664, available at IRS.gov/irb/2020-17_IRB#NOT-2020-22; Notice 2020-65, 2020-38 I.R.B. 567, available at IRS.gov/irb/2020-38_IRB#NOT-2020-65; and IRS.gov/ETD. Also see IRS.gov/ERC and IRS.gov/PLC for more information, including examples, about reducing deposits.*

Adjusting Tax Liability for the Deferred Amount of Social Security Tax That You Pay or Deposit in the Same Quarter It Was Deferred

If you defer the employer and/or employee share of social security tax and subsequently pay or deposit that deferred amount in the same quarter it was deferred, you should report the amount of the payment or deposit on Schedule B on the date of the payment or deposit and not the date of liability.

For example, if you're a semiweekly schedule depositor that has an employment tax liability of $10,000 every 2 weeks in the third calendar quarter of 2020 and you defer $2,000 of the employer's share of social security tax from your first deposit, but deposit your deferred amount of $2,000 together with your last deposit of $10,000 during the same calendar quarter, you would report $8,000 for your first tax liability on your Schedule B ($10,000 minus $2,000) and $12,000 for your last liability on Schedule B ($10,000 plus $2,000).

For more information about the deferral of the employer and employee share of social security tax, including the dates the payment may be deferred, see the Instructions for Form 941 and *IRS.gov/ETD*.

Correcting Previously Reported Tax Liability

Semiweekly schedule depositors. If you've been assessed an FTD penalty for a quarter and you made an error on Schedule B and the correction won't change the total liability for the quarter you reported on Schedule B, you may be able to reduce your penalty by filing an amended Schedule B.

Example. You reported a liability of $3,000 on day 1 of month 1. However, the liability was actually for month 3. Prepare an amended Schedule B showing the $3,000 liability on day 1 of month 3. Also, you must enter the liabilities previously reported for the quarter that didn't change. Write "Amended" at the top of Schedule B. The IRS will refigure the penalty and notify you of any change in the penalty.

Monthly schedule depositors. You can file a Schedule B if you have been assessed an FTD penalty for a quarter and you made an error on the monthly tax liability section of Form 941. When completing Schedule B for this situation, only enter the monthly totals. The daily entries aren't required.

Where to file. File your amended Schedule B, or, for monthly schedule depositors, your original Schedule B at

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the address provided in the penalty notice you received. If you're filing an amended Schedule B, you don't have to submit your original Schedule B.

Form 941-X

You may need to file an amended Schedule B with Form 941-X to avoid or reduce an FTD penalty.

Tax decrease. If you're filing Form 941-X for a quarter, you can file an amended Schedule B with Form 941-X if both of the following apply.

1. You have a tax decrease.
2. You were assessed an FTD penalty.

File your amended Schedule B with Form 941-X. The total liability for the quarter reported on your amended Schedule B must equal the corrected amount of tax reported on Form 941-X. If your penalty is decreased, the IRS will include the penalty decrease with your tax decrease.

Tax increase—Form 941-X filed timely. If you're filing a timely Form 941-X showing a tax increase, don't file an amended Schedule B, unless you were assessed an FTD penalty caused by an incorrect, incomplete, or missing Schedule B. If you're filing an amended Schedule B, don't include the tax increase reported on Form 941-X.

Tax increase—Form 941-X filed late. If you owe tax and are filing a late Form 941-X, that is, after the due date of the return for the return period in which you discovered the error, you must file an amended Schedule B with Form 941-X. Otherwise, the IRS may assess an "averaged" FTD penalty.

The total tax reported on the "Total liability for the quarter" line of the amended Schedule B must match the corrected tax (Form 941, line 12, combined with any correction reported on Form 941-X, line 23) for the quarter, less any previous abatements and interest-free tax assessments.

Paperwork Reduction Act Notice. We ask for the information on Schedule B to carry out the Internal Revenue laws of the United States. You're required to give us the information. We need it to ensure that you're complying with these laws and to allow us to figure and collect the right amount of tax.

You're 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 Code section 6103.

The time needed to complete and file Schedule B will vary depending on individual circumstances. The estimated average time is 2 hours, 53 minutes.

If you have comments concerning the accuracy of this time estimate or suggestions for making Schedule B simpler, we would be happy to hear from you. You can send us comments from *IRS.gov/FormComments*. Or you can send your comments to Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send Schedule B to this address. Instead, see *Where Should You File?* in the Form 941 instructions.

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