

**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](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). All information about all forms, instructions, and pubs is at [IRS.gov/Forms](https://www.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](https://www.irs.gov/Form1040); the Pub. 501 page is at [IRS.gov/Pub501](https://www.irs.gov/Pub501); the Form W-4 page is at [IRS.gov/W4](https://www.irs.gov/W4); and the Schedule A (Form 1040/SR) page is at [IRS.gov/ScheduleA](https://www.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](https://www.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 R (Form 941)

(Rev. September 2020)

For use with June 2020 revision of Schedule R (Form 941)

## Allocation Schedule for Aggregate Form 941 Filers

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

### Future Developments

For the latest information about developments related to Schedule R and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form941](https://www.irs.gov/Form941).

## General Instructions

### Purpose of Schedule R

Use Schedule R to allocate the aggregate information reported on Form 941 to each client. For purposes of Schedule R, the term "client" means (a) an "employer or payer" identified on the Form 2678, Employer/Payer Appointment of Agent; (b) a customer who enters into a contract that meets the requirements under section 7705(e)(2); (c) a client who enters into a service agreement described under Regulations section 31.3504-2(b)(2) with a certified professional employer organization (CPEO); (d) a client who enters into a service agreement described under Regulations section 31.3504-2(b)(2) with a non-certified professional employer organization (PEO); or (e) third party paying qualified sick leave wages as an agent for the employer under Regulations section 32.1(e)(3). If you have more than 5 clients, complete as many continuation sheets as necessary. Attach Schedule R, including any continuation sheets, to your aggregate Form 941.

### Who Must File?

Agents approved by the IRS under section 3504 and CPEOs must complete Schedule R each time they file an aggregate Form 941. To request approval to act as an agent for an employer under section 3504, the agent must file Form 2678 with the IRS. Form 2678 must be previously filed and approved by the IRS before filing Schedule R. To become a CPEO, the organization must apply through the IRS Online Registration System. Visit the IRS website at [IRS.gov/CPEO](https://www.irs.gov/CPEO) for more information. Other third-party payers that file aggregate Forms 941, such as non-certified PEOs, must complete and file Schedule R if they have clients that are claiming the qualified small business payroll tax credit for increasing research activities, the credit for qualified sick and family leave wages, or the employee retention credit, or clients deferring the employer share of social security tax.

### When Must You File?

If you are an aggregate Form 941 filer, file Schedule R with your aggregate Form 941 every quarter. Agents and non-certified PEOs may file Form 941 and Schedule R electronically or by paper submission. CPEOs must generally file Form 941 and Schedule R electronically. However, CPEOs are permitted to file a paper Form 941 and its accompanying schedules in lieu of electronic submissions for the second, third, and fourth quarters of calendar year 2020. For more information about a CPEO's requirement to file electronically, and the waiver for 2020, see Rev. Proc. 2017-14, 2017-3 I.R.B. 426, available at [IRS.gov/irb/2017-03\\_IRB/ar14.html](https://www.irs.gov/irb/2017-03_IRB/ar14.html) and Notice 2020-35, 2020-25 I.R.B. 948, available at [IRS.gov/irb/2020-25\\_IRB#NOT-2020-35](https://www.irs.gov/irb/2020-25_IRB#NOT-2020-35).

## Specific Instructions

### Completing Schedule R

#### Enter Your Business Information

Carefully enter your EIN and the name of your business at the top of the schedule. Make sure they exactly match the EIN and name shown on the attached Form 941. Check one of the "Type of filer" boxes to tell us if you're a section 3504 agent, CPEO, or any other type of third party (for example, a non-certified PEO).

#### Calendar Year

Enter the calendar year that applies to the quarter checked.

#### Check the Box for the Quarter

Check the appropriate box of the quarter for which you are filing Schedule R. Make sure the quarter checked on the top of the Schedule R matches the quarter checked on the attached Form 941.

#### Client and Employee Information

On Schedule R, including any continuation sheets, you must report the following for each client.

**Note.** When entering amounts over 999.99 on Schedule R, don't enter commas.

**Column a.** The client's EIN.

**Column b (CPEO Use Only).** Type of wages, tips, and other compensation. Enter a code to report the type of wages, tips, and other compensation paid to the individual(s) performing services for the client. If you paid more than one type of wages, tips, or other compensation, you must use more than one line to report for that client and enter the applicable code for each line. The following four codes are the only entries that can be made in column b.

- A: Wages, tips, and other compensation paid under section 3511(a).
- B: Wages, tips, and other compensation paid under section 3511(c).
- C: Wages, tips, and other compensation not reported under Code A or Code B paid as a payor under a service agreement described in Regulations section 31.3504-2(b)(2).
- D: Wages, tips, and other compensation paid as an agent under Regulations section 31.3504-1.

**Column c.** Number of employees who received wages, tips, or other compensation for the pay period for the listed client from Form 941, line 1.

**Column d.** Wages, tips, and other compensation allocated to the listed client EIN from Form 941, line 2.

**Column e.** Total federal income tax withheld from wages, tips, and other compensation allocated to the listed client EIN from Form 941, line 3.

**Column f.** Qualified sick leave wages allocated to the listed client EIN from Form 941, line 5a(i), column 1.

**Column g.** Qualified family leave wages allocated to the listed client EIN from Form 941, line 5a(ii), column 1.

**Column h.** Total social security and Medicare taxes allocated to the listed client EIN from Form 941, line 5e. This amount includes Additional Medicare Tax withholding.

**Column i.** Section 3121(q) Notice and Demand—Tax due on unreported tips allocated to the listed client EIN from Form 941, line 5f.

**Column j.** Qualified small business payroll tax credit for increasing research activities allocated to the listed client EIN from Form 941, line 11a. You must attach a separate Form 8974 for each client claiming this credit.

**Column k.** Nonrefundable portion of credit for qualified sick and family leave wages allocated to the listed client EIN from Form 941, line 11b.

**Column l.** Nonrefundable portion of employee retention credit allocated to the listed client EIN from Form 941, line 11c.

**Column m.** Total taxes after adjustments and nonrefundable credits allocated to the listed client EIN from Form 941, line 12.

**Column n.** Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter allocated to the listed client EIN from Form 941, line 13a. Include any payment made with the return allocated to the listed client EIN.

**Column o.** Deferred amount of the social security tax allocated to the listed client EIN from Form 941, line 13b.

**Column p.** Refundable portion of credit for qualified sick and family leave wages allocated to the listed client EIN from Form 941, line 13c.

**Column q.** Refundable portion of employee retention credit allocated to the listed client EIN from Form 941, line 13d.

**Column r.** Total advances received from filing Form(s) 7200 for the quarter allocated to the listed client EIN from Form 941, line 13f.

**Column s.** Qualified health plan expenses allocable to qualified sick leave wages allocated to the listed client EIN from Form 941, line 19.

**Column t.** Qualified health plan expenses allocable to qualified family leave wages allocated to the listed client EIN from Form 941, line 20.

**Column u.** Qualified wages for the employee retention credit allocated to the listed client EIN from Form 941, line 21.

**Column v.** Qualified health plan expenses allocable to wages reported on Form 941, line 21, allocated to the listed client EIN from Form 941, line 22.

**Column w.** Enter the total amounts of social security tax on wages and tips from Form 941, lines 5a and 5b, column 2.

**Column x.** Deferred amount of the employee share of social security tax included on line 13b allocated to the listed client EIN from Form 941, line 24.

**Column y.** Reserved for future use.

**Line 6.** Enter the subtotals for clients for column c through column y.

**Line 7.** Enter the combined subtotal from line 9 of all Continuation Sheets for Schedule R for column c through column y.

**Line 8.** Enter Form 941 amounts for your employees for column c through column y. Non-certified PEOs and third party payers of sick pay as agents for the employer must consolidate and include on line 8 any amounts for clients that aren't reported individually on Schedule R.

**Line 9.** Enter the totals of lines 6, 7, and 8 for column c through column y. The totals on line 9 must match the totals on the aggregate Form 941. If the totals don't match, there is an error that must be corrected before filing Form 941 and Schedule R.

## Continuation Sheet for Schedule R (Form 941)

**Columns a through y.** See instructions for [Completing Schedule R](#), earlier.

**Line 9.** Enter subtotals for clients from lines 1 through 8 for column c through column y.

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## Paperwork Reduction Act Notice

We ask for the information on Schedule R to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are 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 R will vary depending on individual circumstances. The estimated average time is:

<b>Recordkeeping</b> . . . . .	20 hr., 05 min.
<b>Learning about the law or the form</b> . . . . .	18 min.
<b>Preparing and sending the form to the IRS.</b> . . . . .	38 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Schedule R simpler, we would be happy to hear from you. You can send us comments from [IRS.gov/FormComment](https://www.irs.gov/FormComment). 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 R to this address. Instead, see Where Should You File? in the Instructions for Form 941.