

General Instructions

Purpose of form. Use Schedule B (Form 941) to report your tax liability (income tax withheld plus both employee and employer social security and Medicare taxes minus any advance earned income credit payments) on a daily basis. Form 941-SS filers report only employee and employer social security and Medicare taxes. **Do not** show Federal tax deposits. Deposit information is obtained from the deposit coupons (Form 8109) or from the Electronic Federal Tax Payment System (EFTPS).

Who must file. Semiweekly schedule depositors are required to complete and attach Schedule B to Form 941. Monthly schedule depositors who accumulate \$100,000 or more on any day must also complete and attach Schedule B. *If your total tax liability for the quarter is less than \$1,000, you need not complete Schedule B (Form 941).* Schedule B also must be used by semiweekly schedule depositors who file **Form 941-SS**, Employer's Quarterly Federal Tax Return (for American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands).

Important. Schedule B (Form 941) is used by the IRS to determine if you have timely deposited your employment and withholding tax liabilities. Unless Schedule B is properly completed and filed with Form 941 or 941-SS, the IRS will not be able to process your return and will have to contact you for the missing information.

Specific Instructions

Completing the Employer's Record of Federal Tax Liability. If you are required to report your tax liabilities on Schedule B (Form 941) as discussed above, file the schedule with Forms 941 or 941-SS. Do not complete columns (a) through (d) of the Monthly Summary of Federal Tax Liability (line 17 on Form 941 or 941-SS). However, be sure to mark the Schedule B checkbox above line 17.

Each numbered space on the schedule corresponds to dates during the quarter. Report your tax liabilities on this schedule corresponding to the dates wages are paid, **not** to when payroll liabilities are accrued. For example, if your payroll period ends December 31, 1998, and the wages for that period are paid on January 5, 1999, the employment tax liability for those wages should be reported on Schedule B for the first quarter of 1999 on line 5, section A (First Month of Quarter).

Example A. Employer A, who is a semiweekly schedule depositor, pays wages once each month on the last day of the month. On December 20, 1999, Employer A also paid year-end employee bonuses (subject to employment tax and income tax withholding). Because Employer A is a semiweekly schedule depositor, it is required to record employment tax and withholding liabilities on Schedule B (Form 941). Employer A should report tax liabilities for the 4th quarter (October–December) on line 31, section A (First Month of Quarter); line 30, section B (Second Month of Quarter); and lines 20 and 31, section C (Third Month of Quarter).

Enter the monthly totals on lines **A**, **B**, and **C**. Add these monthly subtotals and enter the total tax liability for the quarter on line **D**. The amount on line **D** should equal Form 941, line 13; or Form 941-SS, line 10.

Example B. Employer B is a semiweekly schedule depositor. It has paydays every other Friday. It accumulated a \$20,000 employment tax liability on each of the following pay dates: 1/8/99; 1/22/99; 2/5/99; 2/19/99; 3/5/99; and 3/19/99. Since Employer B is a semiweekly schedule depositor, it is required to record its tax liabilities on Schedule B (Form 941). Employer B must record the \$20,000 liabilities on lines 8 and 22 of part A (First Month of Quarter); lines 5 and 19 of part B (Second Month of Quarter); and lines 5 and 19 of part C (Third Month of Quarter).

Example C. Employer C is a new business and is a monthly schedule depositor for 1999. Employer C has paydays every Friday and accumulated a \$2,000 employment tax liability on 1/8/99 and a \$110,000 tax liability on 1/15/99 and each of the following Fridays during 1999. Under the deposit rules, an employer becomes a semiweekly schedule depositor when a \$100,000 or more tax liability is accumulated on any day within a deposit period (see section 11 of Circular E or section 9 of Circular SS for details). Because Employer C accumulated \$112,000 on 1/15/99, it became a semiweekly schedule depositor on that date and must complete Schedule B (Form 941) and file it with Form 941 or 941-SS. It should record the \$2,000 liability on line 8 of section A and \$110,000 on the lines for the remaining pay dates. Employer C does not complete the Monthly Summary of Federal Tax Liability (line 17 of Form 941 or 941-SS) even though it was a monthly schedule depositor until 1/15/99.

Adjustments. Semiweekly schedule depositors must take into account on Schedule B adjustments to correct errors on prior returns (reported on lines 4 and 9 of Form 941 or on line 9 of Form 941-SS). If the adjustment was to correct an **underreported liability** in a prior quarter, report the adjustment on the entry space corresponding to the date the error was discovered.

If the adjustment corrects an **overreported liability**, use the adjustment amount as a credit to offset subsequent liabilities until it is used up. For example, Employer D discovered on 1/15/99 that it overreported social security tax on a prior quarter return by \$10,000. It paid wages on 1/8/99, 1/15/99, 1/22/99, and 1/29/99 and had a \$5,000 tax liability for each of those pay dates. Employer D must report a \$5,000 liability on line 8, section A of Schedule B. The adjustment for the \$10,000 overreported liability is used to offset the 1/15/99 and 1/22/99 liabilities, so these two \$5,000 liabilities are not deposited or reported on Schedule B. The \$5,000 liability for 1/29/99 must be reported on line 29, section A of Schedule B. See section 13 of Circular E for details on reporting adjustments to correct errors on prior period returns.

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

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is 2 hr., 53 min.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, see **Where to file** in the Form 941 or 941-SS instructions.