



# Instructions for Form 944

(Rev. November 2006)

## Employer's ANNUAL Federal Tax Return

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

### What's New

**Changes to filing addresses.** We have changed some of the addresses where Form 944 should be sent. See *Where Should You File?* on page 4.

**Form 944—annual employment tax filing for small employers.** To reduce burden on small employers, the Internal Revenue Service (IRS) has simplified the rules for filing employment tax returns to report social security, Medicare, and withheld federal income taxes. Starting with calendar year 2006, certain employers must file new Form 944, Employer's ANNUAL Federal Tax Return, instead of the Form 941, Employer's QUARTERLY Federal Tax Return. Generally, the first annual Form 944, for calendar year 2006, is due January 31, 2007.

For more information about annual employment tax filing and tax deposit rules, see Treasury Decision 9239. You can find T.D. 9239 on page 401 of Internal Revenue Bulletin 2006-6 at [www.irs.gov/pub/irs-irbs/irb06-06.pdf](http://www.irs.gov/pub/irs-irbs/irb06-06.pdf).

If you have comments or suggestions for improving Form 944 or its instructions, we would be happy to hear from you. Write to the address shown in the *Privacy Act and Paperwork Reduction Act Notice* on the back of Form 944-V, Payment Voucher.

**Alternative signature method.** Corporate officers or duly authorized agents may sign Form 944 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39. You can find Rev. Proc. 2005-39 on page 82 of Internal Revenue Bulletin 2005-28 at [www.irs.gov/pub/irs-irbs/irb05-28.pdf](http://www.irs.gov/pub/irs-irbs/irb05-28.pdf).

**Credit card payments.** Beginning in 2007, employers can pay the balance due shown on Form 944 by credit card. However, **do not** use a credit card to make federal tax deposits. For more information on paying your taxes with a credit card, visit the IRS website at [www.irs.gov](http://www.irs.gov) and type "e-pay" in the *Search* box.

**Social security wage base for 2006.** Do not withhold social security tax after an employee reaches \$94,200 in social security wages. (There is no limit on the amount of wages subject to Medicare tax.)

### Reminders

**Correcting Form 941.** If you discover an error on a previously filed Form 941, make the correction using Form 944 for the year in which you discovered the error and attach Form 941c, Supporting Statement to Correct Information. For example, in March 2006, you discover that you underreported \$100 in social security and Medicare wages on your fourth quarter 2005 Form 941. Correct the error by showing \$15.30 ( $15.3\% \times \$100$ ) on line 6c of your 2006 Form 944 and attaching a completed Form 941c. See Prior Period Adjustments in section 13 of Pub. 15 (Circular E), Employer's Tax Guide, for more information.

**Electronic filing and payment.** Now, more than ever before, businesses can enjoy the benefits of filing and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, IRS offers you convenient programs to make filing and paying easier. Spend less time and worry on taxes and more time running your business. Use e-file and Electronic Federal Tax Payment System (EFTPS) to your benefit.

- For e-file, visit [www.irs.gov](http://www.irs.gov) for additional information.
- For EFTPS, visit [www.eftps.gov](http://www.eftps.gov) or call EFTPS Customer Service at 1-800-555-4477, 1-800-733-4829 (TDD), or 1-800-244-4829 (Spanish).

If you were a semiweekly depositor at any time during 2006, you must file a paper Form 944 and Form 945-A, Annual Record of Federal Tax Liability.

**941TeleFile discontinued.** You are no longer able to file your employment tax return by telephone using 941TeleFile. The IRS encourages you to file your Form 944 using other convenient and easy IRS e-file options. Please visit us at [www.irs.gov](http://www.irs.gov) and click on the *e-file* logo located in the lower-left corner. File your "Zero Wage" Form 944 using IRS e-file, if possible. See also *When Must You File?* on page 3.

**Where can you get telephone help?** You can call the IRS toll free at 1-800-829-4933 on Monday through Friday from 7 a.m. to 10 p.m. local time (Alaska and Hawaii follow Pacific time) to order tax deposit coupons (Form 8109) and for answers to your questions about completing Form 944, tax deposit rules, or obtaining an employer identification number (EIN).

**Photographs of missing children.** The IRS is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

## General Instructions: Understanding Form 944

Federal law requires you, as an employer, to withhold taxes from your employees' paychecks. Each time you pay wages, you must withhold — or take out of your employees' paychecks — certain amounts for federal income tax, social security tax, and Medicare tax. 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's portion of social security and Medicare taxes. This portion of social security and Medicare taxes is not withheld from employees.

## What Is the Purpose of Form 944?

Form 944, Employer's ANNUAL Federal Tax Return, is designed so the smallest employers (those whose annual liability for social security, Medicare, and withheld federal income taxes is \$1,000 or less) will file and pay these taxes only once a year instead of every quarter. These instructions give you some background information about Form 944. They tell you who must file the form, how to fill it out line by line, and when and where to file it.

If you want more in-depth information about payroll tax topics, see Pub. 15 (Circular E), Employer's Tax Guide, or visit the IRS website at [www.irs.gov](http://www.irs.gov) and type "Employment Tax" in the *Search* box.

Use Form 944 to report all the following items.

- Payroll taxes (withheld federal income tax and both employee and employer shares of social security and Medicare taxes) for the year.
- Current year's adjustments to social security and Medicare taxes for fractions of cents, sick pay, tips, and group-term life insurance.
- Prior years' adjustments to payroll taxes (attach Form 941c).

## Who Must File Form 944?

In general, if the IRS has notified you to file Form 944, then you must file Form 944 to report all the following amounts.

- Wages you have paid.
- Tips your employees have received.
- Federal income tax you withheld.
- Both the employer's and the employee's share of social security and Medicare taxes.
- Advance earned income tax credit (EIC) payments.

You must file a Form 944 for each year even if you have no taxes to report (or you have taxes in excess of \$1,000 to report) unless the IRS notifies you that your filing requirement has been changed to Form 941 (or you filed a final return — See *If your business has closed...* below). See also *What if you don't want to file Form 944?* below.

In February, the IRS will mail eligible employers a notice to file Form 944 if their expected annual liability for social security, Medicare, and withheld federal income taxes will be \$1,000 or less.

If you believe you are eligible to file Form 944 for 2006, but the IRS did not notify you, call the IRS at 1-800-829-0115 to determine if you can file Form 944. If you contact the IRS and the IRS determines you are eligible to file Form 944, we will send you a written notice that your filing requirement has been changed. To determine if you can file Form 944 to report your 2006 employment tax liability, you must contact the IRS by April 1, 2006.

**New employers** are also eligible to file Form 944 if they will meet the eligibility requirements. New employers filing Form SS-4, Application for Employer Identification Number, must complete line 13 of Form SS-4 indicating the highest number of employees expected in the next 12 months and must check the "yes" box or the "no" box to indicate whether they expect to have \$1,000 or less in employment tax liability for the calendar year. Generally, if you pay \$4,000 or less in wages subject to social security and Medicare taxes and federal income tax withholding, you are likely to pay \$1,000 or less in employment taxes. If a new employer indicates on line 13 of Form SS-4 it expects to have \$1,000 or less in employment tax liability for the calendar year, the IRS will notify the new employer to file Form 944 to report social security, Medicare, and withheld income taxes. The

IRS's determination may be made after April 1, 2006, so long as it is made before the employer's first Form 941 would have been due.

## What if you don't want to file Form 944?

You must file Form 944 if you have been notified to do so, unless you meet certain exceptions. If the IRS has notified you to file Form 944 and an exception listed below applies to you, you can contact the IRS by telephone at 1-800-829-0115 about what form to file. To determine if you can file Form 941 quarterly to report your social security, Medicare, and withheld federal income taxes for the 2006 calendar year, you must contact the IRS by April 1, 2006, unless you are a new employer. See *New employers* above. You may be eligible to file Form 941 quarterly, instead of Form 944 annually, if **either** of the following applies.

- You agree to file your quarterly Forms 941 electronically.
- You expect your 2006 liability for social security, Medicare, and withheld federal income taxes to be more than \$1,000.

If you contact the IRS and the IRS determines you can file Forms 941 instead of Form 944, the IRS will send you a written notice that your filing requirement has been changed.

## Who cannot file Form 944?

The following employers **cannot** file Form 944.

- **Employers who are not notified.** If the IRS does not notify you to file Form 944, do not file Form 944. However, as explained above, you can call the IRS at 1-800-829-0115 by April 1, 2006, to determine if you can file Form 944.
- **Household employers.** If you employ only household employees, do not file Form 944. For more information, see Pub. 926, Household Employer's Tax Guide, and Schedule H (Form 1040), Household Employment Taxes.
- **Agricultural employers.** If you employ only agricultural employees, do not file Form 944. For more information, see Pub. 51 (Circular A), Agricultural Employer's Tax Guide, and Form 943, Employer's Annual Federal Tax Return for Agricultural Employees.

## What if you reorganize or close your business?

### If you sell or transfer your business...

If you sell or transfer your business, you and the new owner must each file a Form 944 or Forms 941, whichever applies, for the year in which the transfer occurred. Report only the wages you paid.

When two businesses merge, the continuing firm must file a return for the year in which the change took place and the other firm should file a **final return**.

Changing from one form of business to another—such as from a sole proprietorship to a partnership or corporation—is considered a transfer. See section 1 of Pub. 15 (Circular E). If a transfer occurs, you may need a new employer identification number (EIN). Attach a statement to your return with all the following information.

- The new owner's name (or the new name of the business).
- Whether the business is now a sole proprietorship, partnership, or corporation.
- The kind of change that occurred (a sale or transfer).
- The date of the change.
- The name of the person keeping the payroll records and the address where those records will be kept.

## If your business has closed...

If you go out of business or stop paying wages to your employees, you must file a **final return**. To tell the IRS that the form for a particular year is your final return, check the box in Part 3 on page 2 of Form 944 and enter the final date you paid wages. Also attach a statement to your return showing the name of the person keeping the payroll records and the address where those records will be kept.

If you participated in a statutory merger or consolidation, or qualify for predecessor-successor status due to an acquisition, you should generally file Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations. See the Instructions for Schedule D (Form 941) to determine whether you should file Schedule D (Form 941) and when you should file it. Also see Rev. Proc. 2004-53 for more information. You can find Rev. Proc. 2004-53 on page 320 of Internal Revenue Bulletin 2004-34 at [www.irs.gov/pub/irs-irbs/irb04-34.pdf](http://www.irs.gov/pub/irs-irbs/irb04-34.pdf).

## When Must You File?

File Form 944 by January 31, 2007, after the end of the 2006 calendar year. If you made deposits in full payment of your taxes for the year by January 31, 2007, you have 10 more calendar days after that date to file your Form 944.

After you file your first Form 944, you must file Form 944 for every year after that, even if you have no taxes to report (unless you file a final return — see *If your business has closed...* above) or until the IRS notifies you to file Form 941.

File Form 944 only once for each calendar year. If you filed Form 944 electronically, do not also file a paper Form 944. For more information about filing Form 944 electronically, see *Electronic filing and payment* on page 1.

**TIP** *If the IRS notified you to file Form 944 for 2006, file Form 944 (and not Forms 941) even if your tax liability for 2006 exceeds \$1,000.*

We consider your form filed on time if it is properly addressed and mailed First-Class or if it is sent by an IRS-designated private delivery service on or before the due date. See Pub. 15 (Circular E) for more information on IRS-designated private delivery services.

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

## How Should You Complete Form 944?

### Review Your Business Information at the Top of the Form

If you are using a copy of Form 944 that has your business name and address preprinted at the top of the form, check to make sure the information is correct. If you pay a tax preparer to fill out Form 944, make sure the preparer uses your business name and EIN **exactly** as they appear on the preprinted form. Carefully review your EIN to make sure that it exactly matches the EIN assigned to your business by the IRS. If any information is incorrect, cross it out and type or print the correct information. See also *If you change your name or address...* below.

If you are not using a preprinted Form 944, type or print your EIN, name, and address in the spaces provided. You **must** enter your name and EIN here and on the top of the second page; and if you complete and return Form 944-V, on the Form 944-V. **Do not** use your social security number (SSN) or individual taxpayer identification number (ITIN). Generally, enter the business (legal) name that you used when you applied for your EIN on Form SS-4, Application for

Employer Identification Number. For example, if you are a sole proprietor, enter “Ronald Smith” on the “Name” line and “Ron’s Cycles” on the “Trade name” line. Leave the “Trade name” line blank if it is the same as your “Name.”

**Employer identification number (EIN).** To make sure that businesses comply with federal tax laws, the IRS monitors tax filings and payments by using a numerical system to identify taxpayers. A unique 9-digit employer identification number (EIN) is assigned to all corporations, partnerships, and some sole proprietors. Businesses needing an EIN must apply for a number and use it throughout the life of the business on all tax returns, payments, and reports.

Your business should have only one EIN. If you have more than one and are not sure which one to use, write to the IRS office where you file your returns (using the “Without a payment” address on page 4) or call the IRS Business & Specialty Tax Line (1-800-829-4933). TTY/TDD users can call 1-800-829-4059.

If you do not have an EIN, apply for one from the IRS by mail, by telephone, by fax, or by visiting the IRS website at [www.irs.gov/smallbiz](http://www.irs.gov/smallbiz). Request Form SS-4, Application for Employer Identification Number. If you do not have an EIN by the time a return is due, write “Applied For” and the date you applied in the space shown for the number.

**TIP** *Always be sure the EIN on the form you file exactly matches the EIN that IRS assigned to your business. Do not use your social security number on forms that ask for an EIN. Filing a Form 944 with an incorrect EIN or using another business’s EIN may result in penalties and delays in processing your return.*

**If you change your name or address...** Notify the IRS **immediately** if you change your business name or address.

- **Name change.** Write to the IRS office where you would file your return without payment to notify the IRS of any name change. (Get Pub. 1635, Understanding Your EIN, to see if you need to also apply for a new EIN.)
- **Address change.** Complete and mail Form 8822, Change of Address, for any address change.

### Completing and Filing Form 944

Make entries on Form 944 as follows to enable accurate processing.

- Use 12-point Courier font (if possible) for all entries if you are using a typewriter or computer to fill out your form.
- Omit dollar signs and decimal points. Commas are optional. (Report dollars to the left of the preprinted decimal point and cents to the right of it.)
- Leave blank any data field with a value of zero (except lines 1 and 9).
- Enter negative amounts in parentheses (if possible). Otherwise, use a minus sign.
- Enter your name and EIN on **all** pages and attachments. (Filers using the IRS-preaddressed Form 944 are not required to enter their name and EIN on page 2.)

### Other Forms You Must Use

Give each eligible employee Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC). Then each eligible employee who wishes to receive any advance earned income credit (EIC) payments must give you a completed Form W-5, Earned Income Credit Advance Payment Certificate. For more information, see section 10 of Pub. 15 (Circular E) and also Pub. 596, Earned Income Credit.

### Reconciling Form 944 and Form W-3

The IRS matches amounts reported on your Form 944 with Form W-2 amounts totaled on your Form W-3, Transmittal of

Wage and Tax Statements. If the amounts do not agree, the IRS may contact you. The reconciled amounts are for all the following items.

- Federal income tax withholding.
- Social security wages.
- Social security tips.
- Medicare wages and tips.
- Advance earned income credit (EIC) payments.

For more information, see section 12 of Pub. 15 (Circular E). See also the Instructions for Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations.

## Must You Deposit Your Taxes?

If your liability for social security, Medicare, and withheld federal income taxes is less than \$2,500 for the year, you can pay the taxes with your return if you file on time. You do not have to deposit the taxes. However, you may choose to make deposits of these taxes even if your liability is less than \$2,500. If your liability for these taxes is \$2,500 or more, see the *Federal Tax Deposit Requirements for Form 944 Filers* chart below.

**Note.** The \$2,500 threshold at which federal tax deposits must be made is different from the amount of annual tax liability (\$1,000 or less) that makes an employer eligible to participate in the Employers' Annual Federal Tax Program and file Form 944, Employer's ANNUAL Federal Tax Return. Designated Form 944 filers whose businesses grow during the year may be required to make federal tax deposits (see chart below), but they will still file Form 944 for the year. If your total tax liability for calendar year 2006 is more than \$1,000, the IRS will notify you when to begin filing quarterly Forms 941.

Federal Tax Deposit Requirements for Form 944 Filers	
If Your Tax Liability is:	Your Deposit Requirement is:
Less than \$2,500 for the year	No deposit required. You may pay the tax with your return. (If you are unsure that your tax liability for the year will be less than \$2,500, deposit under the rules below.)
\$2,500 or more for the year, but less than \$2,500 for the quarter	You can deposit by the last day of the month after the end of a quarter. However, if your fourth quarter tax liability is less than \$2,500, you may pay the fourth quarter's tax liability with your timely filed Form 944.
\$2,500 or more for the quarter	You must deposit monthly, or semiweekly, depending on your deposit schedule. But, if you accumulate \$100,000 or more of taxes on any day, you must deposit the tax by the next banking day. See section 11 of Pub. 15.

## What About Penalties and Interest?

### Avoiding penalties and interest

You can avoid paying penalties and interest if you do all the following.

- Pay your taxes when they are due.

- File your fully completed Form 944 on time.
- Report your tax liability accurately on Part 2 of the Form 944.
- Submit valid checks for tax payments.
- Give accurate Forms W-2 to employees.
- File Copies A of Form W-2 with the Social Security Administration (SSA) on time and accurately.

Penalties and interest are charged on taxes paid late and returns filed late at a rate set by law. See sections 11 and 12 of Pub. 15 (Circular E) for details.

Use Form 843, Claim for Refund and Request for Abatement, to request abatement of assessed penalties or interest. **Do not** request abatement of assessed penalties or interest on Form 944 or Form 941c, Supporting Statement To Correct Information.



**A trust fund recovery penalty** may apply if federal income, social security, and Medicare taxes that must be withheld are not withheld or paid. The penalty is the full amount of the unpaid trust fund tax. This penalty may apply when these unpaid taxes cannot be collected from the employer. The trust fund recovery penalty may be imposed on all people the IRS determines to be responsible for collecting, accounting for, and paying these taxes, and who acted willfully in not doing so. For details, see section 11 of Pub. 15 (Circular E).

## Where Should You File?

Where you file depends on whether you include a payment with your form.

If you are in . . .	Without a payment . . .	With a payment . . .
<b>Special rule for Exempt Organizations;</b> Federal, State and Local Governmental Entities; and Indian Tribal Governmental Entities; regardless of location	Internal Revenue Service Ogden, UT 84201-0005	Internal Revenue Service P.O. Box 105118 Atlanta, GA 30348-5118
Connecticut Delaware District of Columbia Illinois Indiana Kentucky Maine Maryland Massachusetts Michigan New Hampshire	New Jersey New York North Carolina Ohio Pennsylvania Rhode Island South Carolina Vermont Virginia West Virginia Wisconsin	Internal Revenue Service P.O. Box 70503 Charlotte, NC 28201-0503
Alabama Alaska Arizona Arkansas California Colorado Florida Georgia Hawaii Idaho Iowa Kansas Louisiana Minnesota Mississippi	Missouri Montana Nebraska Nevada New Mexico North Dakota Oklahoma Oregon South Dakota Tennessee Texas Utah Washington Wyoming	Internal Revenue Service Ogden, UT 84201-0005
No legal residence or principal place of business in any state	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 105273 Atlanta, GA 30348-5273



**Your filing or payment address may have changed from that used to file your employment tax return in prior years. If you are using an IRS-provided envelope, use only the labels and envelope provided with**

this tax package. Do not send Form 944 or any payments to the Social Security Administration (SSA). Private delivery services cannot deliver to P.O. boxes.

## Specific Instructions:

### Part 1: Answer these questions for 2006

#### 1. Wages, tips, and other compensation

Enter amounts on line 1 that would also be included in box 1 of your employees' Forms W-2. See the Instructions for Forms W-2 and W-3 for details.

#### 2. Total income tax withheld from wages, tips, and other compensation

Enter the federal income tax that you withheld (or were required to withhold) from your employees on this year's wages, tips, taxable fringe benefits, and supplemental unemployment compensation benefits.

#### 3. If no wages, tips, and compensation are subject to social security or Medicare tax

If no wages, tips, and compensation are subject to social security or Medicare taxes, check the box on line 3 and go to line 5. If this question does not apply to you, leave the box blank. For more information about exempt wages, see section 15 of Pub. 15 (Circular E) and section 4 of Pub. 15-A, Employer's Supplemental Tax Guide.

#### 4. Taxable social security and Medicare wages and tips

**4a. Taxable social security wages.** Report the total wages, sick pay, or fringe benefits subject to social security taxes that you paid to your employees during the year.

Enter the amount before deductions. **Do not** include tips on this line. For information on types of wages subject to social security taxes, see section 5 of Pub. 15 (Circular E).

The rate of social security tax on taxable wages is 6.2% (.062) each for the employer and employee or 12.4% (.124) for both. Stop paying social security tax on and reporting an employee's wages on line 4a when the employee's taxable wages (including tips) reach \$94,200 during 2006. However, continue to withhold income and Medicare taxes for the whole year on wages and tips even when the social security wage base of \$94,200 has been reached.

$$\begin{array}{r} \text{line 4a (column 1)} \\ \times .124 \\ \hline \text{line 4a (column 2)} \end{array}$$

**4b. Taxable social security tips.** Enter all tips your employees reported to you during the year until the total of the tips and wages for an employee reach \$94,200 in 2006. Do this even if you were unable to withhold the 6.2% employee's share of social security tax.

An employee must report cash tips to you, including tips you paid the employee for charge customers, totaling \$20 or more in a month by the 10th of the next month. Employees may use Form 4070, Employee's Report of Tips to Employer, or submit a written statement or electronic tip record.

$$\begin{array}{r} \text{line 4b (column 1)} \\ \times .124 \\ \hline \text{line 4b (column 2)} \end{array}$$

**4c. Taxable Medicare wages and tips.** Report all wages, tips, sick pay, and taxable fringe benefits that are subject to Medicare tax. Unlike social security wages, there is no limit on the amount of wages subject to Medicare tax.

Include all tips your employees reported during the year, even if you were unable to withhold the employee tax of 1.45%.

$$\begin{array}{r} \text{line 4c (column 1)} \\ \times .029 \\ \hline \text{line 4c (column 2)} \end{array}$$

For more information, see section 6 of Pub. 15 (Circular E).

**4d. Total social security and Medicare taxes.** Add social security tax, social security tips tax, and Medicare tax.

$$\begin{array}{r} \text{line 4a (column 2)} \\ \text{line 4b (column 2)} \\ + \text{line 4c (column 2)} \\ \hline \text{line 4d} \end{array}$$

#### 5. Total taxes before adjustments

Add the total federal income tax withheld from wages, tips, and other compensation and total social security and Medicare taxes before adjustments.

$$\begin{array}{r} \text{line 2} \\ + \text{line 4d} \\ \hline \text{line 5} \end{array}$$

#### 6. TAX ADJUSTMENTS

Enter **tax amounts** on lines 6a–6e that result from current or prior period adjustments. Use parentheses (if possible) to show an adjustment that decreases the total taxes shown on line 5. Otherwise, use a minus sign. **Do not** enter an amount on line 6d or line 6e unless the IRS has sent you a notice instructing you to do so.

**6a. Current year's adjustments.** In certain cases, you must adjust the amounts you reported as social security and Medicare taxes in column 2 of lines 4a, 4b, and 4c to figure your correct tax liability for this year's Form 944. See section 13 of Pub. 15 (Circular E). **Do not** attach Form 941c or an equivalent statement for current year adjustments.

**Fractions of cents.** Enter adjustments for fractions of cents (due to rounding) relating to the employee share of social security and Medicare taxes withheld. The employee share (one-half) of amounts shown in column 2 of lines 4a–4c may differ slightly from amounts actually withheld from employees' paychecks due to rounding social security and Medicare taxes based on statutory rates.

**Sick pay.** Enter the adjustment for the employee share of social security and Medicare taxes that were withheld by your third-party sick pay payer.

**Adjustments for tips and group-term life insurance.** Enter adjustments for both the following items.

- Any uncollected employee share of social security and Medicare taxes on tips.
- The uncollected employee share of social security and Medicare taxes on group-term life insurance premiums paid for former employees.

**6b. Prior years' income tax withholding adjustments.** Generally, you cannot adjust amounts reported as federal income tax withheld in a prior calendar year unless it is to correct an administrative error. An administrative error happened if the amount you entered on a prior year Form 941 was not the same amount you actually withheld. For example, when the total amount of federal income tax actually withheld was not reported correctly on Form 941 because of a mathematical or transposition error, the

difference is an administrative error. The administrative error adjustment corrects the amounts reported on a prior return to agree with the amount actually withheld from the employee. Remember to attach Form 941c to explain the adjustment.

**6c. Prior years' social security and Medicare tax adjustments.** Use line 6c to adjust amounts reported on previous returns. If you need to report both an increase and a decrease for the same line, show only the difference.

Adjustments you report here change your tax liability and your tax deposits. You will have to take these adjustments into account on lines 13a to 13l. Fill in your tax liability amounts for each month. You **must** explain any adjustments that you make on Form 941c, Supporting Statement to Correct Information, or in an equivalent statement.

Form 941c is **not** an amended return but is a statement providing the necessary information and certifications for adjustments shown on lines 6c through 6e. **Do not** file Form 941c separately from Form 944. See also section 13 of Pub. 15 (Circular E).



*If you are adjusting an employee's social security wages, social security tips, or Medicare wages and tips for a prior year, you must also file Form W-2c, Corrected Wage and Tax Statement, and Form W-3c, Transmittal of Corrected Wage and Tax Statements.*

**6d. Special additions to federal income tax.** This line is reserved for employers with special circumstances. Use this line **only** if the IRS has sent you a notice instructing you to do so. You **must** attach Form 941c explaining the tax increase.

**6e. Special additions to social security and Medicare taxes.** This line is reserved for employers with special circumstances. Use this line **only** if the IRS has sent you a notice instructing you to do so. You **must** attach Form 941c explaining the tax increase.

**6f. TOTAL ADJUSTMENTS.** Combine all adjustments shown on lines 6a through 6e and enter the result on line 6f.

## 7. Total taxes after adjustments

Combine the amounts shown on lines 5 and 6f and enter the result on line 7.

## 8. Advance earned income credit (EIC) payments made to employees

Enter the amount of the advance earned income credit (EIC) payments that you made to your employees. Eligible employees may choose to receive part of the EIC as an advance payment. Those who expect to have a qualifying child must give you a completed Form W-5 stating they expect to qualify for the EIC. Once the employee gives you a signed and completed Form W-5, you must make the advance EIC payments starting with the employee's next wage payment. Advance EIC payments are generally made from withheld federal income tax and employee and employer social security and Medicare taxes. See section 10 of Pub. 15 (Circular E) and Pub. 596, Earned Income Credit.

If line 8 is more than line 7, you may claim a refund of the overpayment or elect to have the credit applied to your return for the next year. Attach a statement to your Form 944 identifying the amount of excess payment and the pay periods in which you paid it.

## 9. Total taxes after adjustment for advance EIC

Calculate your total taxes as shown below.

line 7  
– line 8  
line 9

- If line 9 is less than \$2,500, you may pay the full amount with a timely filed return because you were not required to deposit. See section 11 of Pub. 15 (Circular E) for information and rules about federal tax deposits.
- If line 9 is \$2,500 or more, you generally must deposit your tax liabilities by using the Electronic Federal Tax Payment System (EFTPS) or deposit at an authorized financial institution with Form 8109. However, if you deposited all taxes accumulated in the first three quarters of the year and your fourth quarter liability is less than \$2,500, you may pay taxes accumulated during the fourth quarter with a timely filed Form 944. The amount shown on line 9 **must** equal line 13m, Total liability for year.

## 10. Total deposits for this year, including overpayments applied from a prior year

Enter your deposits for this year, including any deposits that you were required to make to cover prior period liabilities resulting from adjustments shown on lines 6a–6e. Also include in the amount shown any overpayment from a previous period that you applied to this return.

## 11. Balance due

If line 9 is more than line 10, write the difference on line 11. Otherwise, see *Overpayment* below.

You do not have to pay if line 11 is less than \$1. Generally, you should have a balance due only if your total taxes after adjustment for advance EIC (line 9) are less than \$2,500. See *If line 9 is \$2,500 or more* above for an exception.

If line 11 is:

- Less than \$1, you do not have to pay it,
- Between \$1 and \$2,500, you can pay the amount owed with your return. Make your check payable to the *United States Treasury* and write your EIN, *Form 944*, and *2006* on the check,
- \$2,500 or more, you must deposit your tax. See *Must You Deposit Your Taxes?* on page 3.

You may pay the amount shown on line 11 using EFTPS or credit card. **Do not** use a credit card to pay taxes that were required to be deposited. For more information on paying your taxes with a credit card, visit the IRS website at [www.irs.gov](http://www.irs.gov) and type "e-pay" in the *Search* box.

If you pay by EFTPS or credit card, file your return using the "Without a payment" address on page 4 under *Where Should You File?* and **do not** file Form 944-V, Payment Voucher.



*If you are required to make deposits and, instead, pay the taxes with Form 944, you may be subject to a penalty.*

## 12. Overpayment

If line 10 is more than line 9, write the amount in line 12. **Never** make an entry in both lines 11 and 12.

If you deposited more than the correct amount for a year, you can choose to have us either refund the overpayment or apply it to your next return. Check the appropriate box in line 12. If you do not check either box, we will automatically refund the overpayment. We may apply your overpayment to any past due tax account that is shown in our records under your EIN.

If line 12 is less than \$1, we will send a refund or apply it to your next return only if you ask us in writing to do so.

## Fill out both pages.

You *must* fill out both pages of Form 944 and sign it on the second page. Failure to do so may delay processing of your return.

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## Part 2: Tell us about your tax liability for 2006

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### 13. Check one:

- If line 9 is less than \$2,500, check the first box in line 13 and go to line 15;
- If line 9 is \$2,500 or more, check the second box on line 13 and fill out your tax liability for each month and figure the total liability for the year. If you do not fill out your tax liability for each month, the IRS will not know when you should have made deposits and may assess an “averaged” failure-to-deposit penalty. See section 11 of Pub. 15 (Circular E). If your tax liability for any month is negative (for example, if you are adjusting an overreported liability in a prior month), do not enter a negative amount for the month. Instead, enter zero for the month and subtract that negative amount from your tax liability for the next month.

**Note.** Your total tax liability for the year (line 13m) must equal your total taxes on line 9.

If you accumulate \$100,000 or more in tax liability at any time during the year, you must complete Form 945-A, Annual Record of Federal Tax Liability, and file it with your Form 944. See the Next Day Deposit Rule in section 11 of Pub. 15 (Circular E).

### 14. State abbreviation

If you made deposits of taxes reported on Form 944, in the spaces provided, write the two-letter United States Postal Service abbreviation for the state where you deposit your taxes using Form 8109 or initiate EFTPS transfers. IRS uses the state shown to determine banking days for purposes of deposit due dates. Official state holidays for the state shown are not counted as banking days. If you deposit in multiple states, enter “MU” in the spaces provided.

When you deposit in multiple states, IRS cannot determine what portion of your liability was affected by a state holiday and may propose a deposit penalty for one or more of the states where you made deposits. If you receive a notice and your deposit due date was extended because of a state bank holiday, respond to the notice citing the state holiday and applicable deposit amount.

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## Part 3: Tell us about your business

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In Part 3, answer question 15 only if it applies to your business. If it does not apply, leave it blank and go to Part 4.

### 15. If your business has closed or you stopped paying wages...

If you go out of business or stop paying wages, you must file a **final return**. To tell IRS that a particular Form 944 is your final return, check the box on line 15 and enter the date you last paid wages in the space provided.

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## Part 4: May we speak with your third-party designee?

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If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 944 with the IRS, check the “Yes” box in Part 4. Then tell us the name and the 5-digit personal identification number (PIN) of the specific person to contact—not the name of the firm who prepared your tax return. The designee may choose any numbers as his or her PIN.

By checking “Yes,” you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your return. You also authorize your designee to do all the following.

- Give us any information that is missing from your return.
- Call us for information about processing your return.
- Respond to certain IRS notices that you have shared with your designee about math errors and return preparation. IRS will **not** send notices to your designee.

You are **not authorizing** your designee to bind you to anything (including additional tax liability) or to otherwise represent you before the IRS. If you want to expand your designee’s authorization, see Pub. 947, Practice Before the IRS and Power of Attorney.

The authorization will automatically **expire** 1 year after the due date (without regard to extensions) for filing your Form 944. If you or your designee want to terminate the authorization, write to the IRS office for your locality using the “Without a payment” address under *Where Should You File?* on page 4.

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## Part 5: Sign here

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You must fill out both pages of Form 944 and sign it. In Part 5, sign your name and print your name and title. Then enter the date signed and the best daytime telephone number where the IRS can reach you, including area code.

### Who Must Sign the Form 944?

Form 944 must be signed as follows.

- **Sole proprietorship**— The individual who owns the business.
- **Corporation (including an LLC treated as a corporation)**— The president, vice president, or other principal officer.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**— A responsible and duly authorized member or officer having knowledge of its affairs.
- **Single member limited liability company (LLC) treated as a disregarded entity**— The owner of the limited liability company (LLC).
- **Trust or estate**— The fiduciary.

If you have filed a valid power of attorney, your duly authorized agent may also sign your Form 944.

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## Part 6: For paid preparers only (optional)

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You may complete Part 6 if you were paid to prepare Form 944 and are not an employee of the business that is filing this return.

Sign in the space provided. Give the employer the return to file with IRS and include a copy of the return for the employer's records.

If you are a paid preparer, write your Social Security Number (SSN) or your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, write the firm's name and the EIN of your firm.

Do not fill out Part 6 if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, on file with the IRS.

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## How to Order Forms and Publications from the IRS

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Call 1-800-829-3676.



Visit the IRS website at [www.irs.gov](http://www.irs.gov).

## Other IRS Products You May Need

- Form SS-4, Application for Employer Identification Number
- Form W-2, Wage and Tax Statement
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Form W-4, Employee's Withholding Allowance Certificate
- Form W-5, Earned Income Credit Advance Payment Certificate
- Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return
- Form 941c, Supporting Statement to Correct Information
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees
- Form 945, Annual Return of Withheld Federal Income Tax
- Form 4070, Employee's Report of Tips to Employer
- Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips
- Instructions for Forms W-2 and W-3
- Instructions for Form 941
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC)
- Pub. 15 (Circular E), Employer's Tax Guide
- Pub. 15-A, Employer's Supplemental Tax Guide
- Pub. 15-B, Employer's Tax Guide to Fringe Benefits
- Pub. 51 (Circular A), Agricultural Employer's Tax Guide
- Pub. 596, Earned Income Credit
- Pub. 926, Household Employer's Tax Guide
- Pub. 947, Practice Before the IRS and Power of Attorney
- Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors
- Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations
- Schedule H (Form 1040), Household Employment Taxes