

1996



Department of the Treasury
Internal Revenue Service

Instructions for Form 945

Annual Return of Withheld Federal Income Tax

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

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: **Recordkeeping** 3 hr., 50 min., and **Preparing and sending the form to the IRS** 4 min. If you have comments concerning the accuracy of these time estimates 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** below.

Changes To Note

Electronic deposit requirement.— If your total deposits of income tax withheld and social security, Medicare, and railroad retirement taxes were more than \$50,000 in 1995, you must make electronic deposits for **all** depository tax liabilities that occur after June 30, 1997. When determining whether you exceed the \$50,000 deposit threshold, combine deposits of the following tax returns you filed: Forms 941, 941-PR, 941-SS, 943, 945, and CT-1. If you were required to deposit by electronic funds transfer in prior years, continue to do so throughout 1997. The **Electronic Federal Tax Payment System (EFTPS)** must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. For information on EFTPS, call 1-800-945-8400 or 1-800-555-4477. (These numbers are for EFTPS information only.)

New voluntary income tax withholding.— Beginning January 1, 1997, states must allow **unemployment compensation** recipients to elect to have Federal income tax withheld at a 15% rate. Recipients paid under the Railroad Unemployment Insurance Act may also elect withholding at 15%. In addition, recipients of any of the following Federal payments may request Federal income tax withholding at a rate of 7%, 15%, 28% or 31%:

- Social security and tier 1 railroad retirement benefits
- Certain crop disaster payments
- Commodity Credit Corporation loans

The payee may request withholding on the new **Form W-4V**, Voluntary Withholding Request, or you may develop your own form. Any voluntary withholding on these payments must be reported on Form 945 and is subject to the deposit rules.

General Instructions

Purpose of form.— Use Form 945 to report income tax withheld from nonpayroll payments. Nonpayroll payments include the following:

- Pensions, annuities, and IRAs
- Military retirement
- Gambling winnings
- Indian gaming profits
- Voluntary withholding on certain government payments
- Backup withholding

All income tax withholding reported on Forms 1099 (e.g., Form 1099-R or 1099-MISC) or Form W-2G must be reported on Form 945. All employment taxes and income tax withholding reported on Form W-2 must be reported on Form 941 (or Form 943 for agricultural employees or Schedule H (Form 1040) for household employees).

For example, because distributions to participants from nonqualified pension plans and some other deferred compensation arrangements are treated as wages and are reported on Form W-2, income tax withheld from them must be reported on Form 941, not Form 945. See **Circular E**, Employer's Tax Guide (Pub. 15), for more information.

Related publications.— Circular E, explains the rules for withholding, depositing, and reporting Federal income tax. **Pub. 15-A**, Employer's Supplemental Tax Guide, includes information on income tax withholding from pensions and annuities and Indian gaming profits. For information on withholding on gambling winnings, see the **Instructions for Forms 1099, 1098, 5498, and W-2G**. These publications are available free by calling 1-800-TAX-FORM (1-800-829-3676).

Who must file.— If you withhold income tax (including backup withholding) from nonpayroll payments, you must file Form 945. You are not required to file Form 945 for those years in which you do not have a nonpayroll tax liability.

When to file.— For 1996, file Form 945 by January 31, 1997. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10.

Final return.— If you go out of business or end operations and you will not be required to file Form 945 in the future, file a final return. Be sure to mark the final

return checkbox and enter the date final income payments were made above line 1.

Where to file.— In the list below, find the state where your legal residence, principal place of business, office, or agency is located. Send your return to the **Internal Revenue Service** at the address listed for your location. No street address is needed.

Note: *Where you file depends on whether or not you are including a payment.*

Alabama, Louisiana, Mississippi

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

Arizona

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

Florida, Georgia

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 105092
Atlanta, GA 30348-5092

New Mexico, Texas

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 970018
St. Louis, MO 63197-0018

Arkansas

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

Kentucky, Ohio, West Virginia

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 5783
Chicago, IL 60680-5783

New York (ZIP Codes: 11202 and 10008)

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 1389
Newark, NJ 07101-1389

New York (all other ZIP Codes), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 371441
Pittsburgh, PA 15250-7441

Illinois, Iowa, Kansas, Minnesota, Missouri, Oklahoma, Wisconsin

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 970019
St. Louis, MO 63197-0019

Indiana, Michigan

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 5783
Chicago, IL 60680-5783

Nebraska, North Dakota, South Dakota

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 1389
Newark, NJ 07101-1389

North Carolina, Tennessee

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

South Carolina

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 105092
Atlanta, GA 30348-5092

Alaska, Colorado, Idaho, Montana, Nevada, Oregon, Wyoming, Utah, Washington, California (ZIP Codes: 90053 and 95660)

Return without payment:
Ogden, UT 84201-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

California (all other ZIP Codes), Hawaii

Return without payment:
Ogden, UT 84201-0042

Return with payment:
P.O. Box 60000
Los Angeles, CA 90060-6000

If you have no legal residence or principal place of business in any state

All Returns:
Philadelphia, PA 19255-0005

Employer identification number (EIN).— If you do not have an EIN, apply for one on **Form SS-4**, Application for Employer Identification Number. Get this form by calling 1-800-TAX-FORM (1-800-829-3676). If you do not have an EIN by the time the return is due, write "Applied for" and the date you applied in the space shown for the number.

Note: *If you are reporting withholding on pension distributions, be sure to be consistent in using the same name and EIN for all reporting and depositing of a liability (on Forms 945, 1099-R, and 8109). Filing Form 945 with an incorrect name and EIN or failure to use the same name and EIN in all reporting and depositing of a liability may result in penalties and delays in processing your return.*

Penalties and interest.— There are penalties for filing Form 945 late and paying or depositing taxes late, unless there is reasonable cause. See section 11 of Circular E for more information on deposit penalties. There are also penalties for failure to furnish information returns (e.g., Form 1099-MISC, 1099-R, or W-2G) to payees and file copies with the IRS.

There are penalties for willful failure to (1) file returns and pay taxes when due, (2) keep records, and (3) deposit taxes when required. Penalties also apply if you file a false

return or submit a bad check. Interest is charged on taxes paid late at the rate set by law. See Circular E for details.

Caution: *A trust fund recovery penalty may apply when income taxes that should be withheld are not withheld or are not deposited or paid to the IRS. Under this penalty, certain officers or employees of a corporation, employees of a sole proprietorship, or partners or employees of a partnership, become personally liable for payment of the taxes and are penalized an amount equal to the unpaid taxes. This penalty may apply when these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. Willfully in this case means voluntarily, consciously, and intentionally.*

Depositing withheld taxes.— Deposit all nonpayroll (Form 945) income tax withholding, including backup withholding, using **Form 8109**, Federal Tax Deposit Coupon, at an authorized financial institution, unless you are required to use the EFTPS electronic deposit system (see page 1). Combine all Form 945 taxes for deposit purposes. **Do not** combine deposits for Form 941 and Form 945 tax liabilities. If you deposit using Form 8109, be sure to mark the checkbox for Form 945 on Form 8109.

Do not use either deposit method (EFTPS or Form 8109) to pay delinquent taxes for which you have received a notice from the IRS. Send those payments directly to your Internal Revenue Service Center with a copy of any related IRS notice.

Although payroll and nonpayroll tax liabilities must be reported and deposited separately, the rules on how and when to deposit are the same. Generally, the deposit rules that apply to Form 941 also apply to Form 945. However, because Form 945 is an annual return, the rules for determining your deposit schedule (discussed below) are different from those for Form 941. See section 11 of Circular E for a detailed discussion of the deposit rules.

Determining your deposit schedule.— There are two deposit schedules—monthly or semiweekly—for determining when you must deposit withheld income tax. These schedules tell you when a deposit is due after a tax liability arises (i.e., you make a payment subject to income tax withholding, including backup withholding). Prior to the beginning of each calendar year, you must determine which of the two deposit schedules you are required to use.

For 1997, you are a monthly schedule depositor if the total tax reported on the 1995 Form 945 was \$50,000 or less. If the total tax reported for 1995 exceeded \$50,000, you must deposit using the semiweekly schedule.

Caution: *If you have a monthly deposit schedule and accumulate a \$100,000 liability or more on any day during a month, your deposit schedule changes to semiweekly for the remainder of the year and the following year. See section 11 of Circular E for more information on the \$100,000 deposit rule.*

Specific Instructions

State code.— If you made all your deposits with a Federal Reserve bank or authorized financial institution located in the same state shown in your address on Form 945, **do not** make an entry in the state code box. If you made all

these deposits in a state other than the state shown in your address on Form 945, enter the Postal Service two-letter state abbreviation for the state where you made the deposits in the state code box. If you made deposits in more than one state, enter “MU” in the state code box.

Line 1—Federal income tax withheld.— Enter the income tax you withheld from pensions, annuities, IRAs, military retirement, Indian gaming profits, voluntary withholding on certain government payments, and gambling winnings (regular gambling withholding only). If you are required to report income tax withholding on Forms 1099 (e.g., Form 1099-R) or Form W-2G, you must report the liability on Form 945. Withholding reported on Form W-2 must be reported on Form 941.

Line 2—Backup withholding.— Enter any backup withholding; including backup withholding on gambling winnings.

Regulated investment companies (RICs) and real estate investment trusts (REITs) must report any backup withholding on Form 945 based on the date dividends are paid. This includes January payments on dividends declared during October, November, and December of the prior year. (See the **Instructions for Forms 1099, 1098, 5498, and W-2G** for special reporting requirements.)

Line 3—Adjustment to correct administrative errors.— You cannot make an adjustment on Form 945 to correct income tax withholding or backup withholding reported in a prior calendar year unless it is to correct an **administrative error**. An administrative error occurs if the amount you entered on Form 945 is not the amount you actually withheld. For example, if the total income tax actually withheld was incorrectly reported on Form 945 due to a math or transposition error, this is an administrative error. The administrative error adjustment corrects the amount reported on Form 945 to agree with the amount actually withheld from nonpayroll payments.

You must report an adjustment to correct an administrative error on Form 945 in the year in which you discover the error. If the net adjustment is negative (reducing your tax liability), enclose the amount reported on line 3 in parentheses.

You will not be allowed a refund or credit for any prior year overpayment of income tax that you withheld from a payee. This is because the payees use the amount of withholding shown on the information return (e.g., Form 1099-R) as a credit when filing their income tax returns.

If you are making an adjustment(s) to correct a prior year administrative error, report the net adjustment (including adjustments to income tax withholding **and** backup withholding) on line 3. Complete **Form 941c**, Supporting Statement To Correct Information, or an equivalent statement, and file it with Form 945 to provide the required information on the adjustment(s). Be sure to identify the adjustment(s) in the supporting statement (Part V of Form 941c) as correcting an administrative error and provide a description of the error(s). **Do not** file Form 941c separately from Form 945.

The amount of the adjustment(s) also must be taken into account in the record of Federal tax liability (line 8 of Form 945 or **Form 945-A**, Annual Record of Federal Tax Liability). If the adjustment increases your tax liability, include the adjustment with any other amount on the entry space for the date you discovered the error. If the adjustment decreases your tax liability, use the adjustment amount as a credit to offset subsequent liabilities until it is used up. (See section 13 of Circular E

for more information. The Circular E instructions for making adjustments refer to Form 941 but also apply to Form 945 adjustments.)

Line 4—Total taxes.— Add lines 1 and 2 and add or subtract any net adjustment on line 3. Line 4 must equal the total liability for the year reported on line 8M of the Monthly Summary of Federal Tax Liability, or line M of Form 945–A.

Line 5—Total deposits.— Enter the total deposits for the year, including any overpayment applied from the prior year.

Line 6—Balance due.— You should have a balance due only if your total tax liability for the year (line 4) is less than \$500. (However, see section 11 of Circular E regarding payments made under the Accuracy of Deposits rule.) Enter your EIN, “Form 945,” and “1996” on your check or money order. If line 4 is \$500 or more and you deposited all taxes when due, the amount on line 6 should be zero.

Caution: *If you fail to make required deposits (using EFTPS or Form 8109, as required) and instead pay these amounts with your return, you may be subject to a penalty.*

Line 7—Overpayment.— If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by

checking the appropriate box. The IRS may apply your overpayment to any past due tax account under your EIN.

Line 8—Monthly summary of Federal tax liability.—

Note: *This is a summary of your monthly tax liability, NOT a summary of deposits made. If line 4 is less than \$500, do not complete line 8 or Form 945–A.*

Complete line 8 if you were a **monthly schedule depositor** for the entire year. (See **Depositing withheld taxes** on page 2.)

Report your liabilities on Form 945–A instead of line 8 if:

- You were a **semiweekly schedule depositor** during 1996. Do not complete entries A through M of line 8. Instead, complete and file Form 945–A with Form 945.
- You were a monthly schedule depositor for 1996 and during any month you accumulated a nonpayroll tax liability of \$100,000 or more. Because this converted you to the semiweekly deposit schedule for the remainder of 1996, you must report your liabilities on Form 945–A for the entire year. Do not complete entries A through M of line 8. (See section 11 of Circular E for more information on the **\$100,000 rule**.)