



Deposit Requirements for Employment Taxes

There are two deposit schedules—monthly or semiweekly—for determining when you deposit social security and Medicare taxes and withheld federal income tax. These schedules tell you when a deposit is due after a tax liability arises (for example, when you have a payday). Before the beginning of each calendar year, you must determine which of the two deposit schedules you must use. The deposit schedule you must use is based on the total tax liability you reported during a lookback period. Your deposit schedule isn't determined by how often you pay your employees or make deposits. See *Application of Monthly and Semiweekly Schedules*, later.

These rules don't apply to federal unemployment (FUTA) tax. See the Instructions for Form 940 for information on depositing FUTA tax.

Deposit rules for Form 941. Your deposit schedule (monthly or semiweekly) for Form 941, Employer's QUARTERLY Federal Tax Return, is based on the total tax liability you reported on Forms 941 during a 4-quarter lookback period discussed later under *Lookback period for Form 941*.

Instead of making deposits during the current quarter, you can pay your total Form 941 tax liability when you timely file Form 941 if:

1. Your total Form 941 tax liability for either the current quarter or the preceding quarter is less than \$2,500, and
2. You don't incur a \$100,000 next-day deposit obligation during the current quarter.

If you're not sure your total liability for the current quarter will be less than \$2,500, and your liability for the preceding quarter wasn't less than \$2,500, make deposits using the semiweekly or monthly rules so you won't be subject to failure-to-deposit penalties. For more information about deposit rules for Form 941, see section 11 of Pub. 15.

Deposit rules for annual Forms 943, 944, 945, and CT-1. Generally, the deposit rules for quarterly filers of Form 941 also apply to annual filers of Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; Form 944, Employer's ANNUAL Federal Tax Return; Form 945, Annual Return of Withheld Federal Income Tax; and Form CT-1, Employer's Annual Railroad Retirement Tax Return. However, the period used as your lookback period is different; see *Lookback period for annual returns*, later. For more information about deposit rules for annual returns, see section 11 of Pub. 15 (for Forms 944 and 945), section 7 of Pub. 51 (for Form 943), and the Instructions for Form CT-1.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS). If you don't want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

For more information on making federal tax deposits, see section 11 of Pub. 15. To get more information about EFTPS or to enroll in EFTPS, visit EFTPS.gov or call 800-555-4477 or 800-733-4829 (TDD). Additional information about EFTPS is also available in Pub. 966.

Depositing on time. For EFTPS deposits to be on time, you must submit the deposit by 8 p.m. Eastern time the day before the date the deposit is due. If you fail to submit an EFTPS deposit on time, you may use the same-day wire payment option discussed above.

Lookback period for Form 941. Your deposit schedule for a calendar year is determined from the total taxes reported on your Forms 941 in a 4-quarter lookback period. The lookback period begins July 1 and ends June 30, as shown in the following chart. If you reported \$50,000 or less of Form 941 taxes for the lookback period, you're a monthly schedule depositor; if you reported more than \$50,000, you're a semiweekly schedule depositor. The lookback period for a 2020 Form 941 filer who filed Form 944 in either 2018 or 2019 is calendar year 2018.

Form 941 Lookback Period for Calendar Year 2020

Lookback Period				← 2020 Calendar Year Jan.–Dec.
2018		2019		
July 1 through Sept. 30	Oct. 1 through Dec. 31	Jan. 1 through Mar. 31	Apr. 1 through June 30	

Lookback period for annual returns. For annual returns (Forms 943, 944, 945, and CT-1), the lookback period is the calendar year preceding the previous year. For example, the lookback period for 2020 is 2018.

Monthly Deposit Schedule

You're a monthly schedule depositor for a calendar year if the total tax reported for your lookback period was \$50,000 or less.

Under the monthly deposit schedule, deposit accumulated taxes on payments made during a calendar month by the 15th day of the following month.

New employers. Your tax liability for any quarter in the lookback period before the date you started or acquired your business is considered to be zero. Therefore, you're a monthly schedule depositor for the first calendar year of your business. However, see the *\$100,000 Next-Day Deposit Rule*, later.

Semiweekly Deposit Schedule

You're a semiweekly schedule depositor for a calendar year if the total taxes during your lookback period were more than \$50,000.

Deposit Period (Payment Days)	Deposit By
Wednesday, Thursday, and/or Friday	Following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	Following Friday

Semiweekly deposit period spanning two return periods. The period of time covered by a return is the return period. The return period for a quarterly Form 941 is a calendar quarter. The return period for annual Forms 943, 944, 945, and CT-1 is a calendar year. If a return period ends on a day other than Friday or Tuesday, taxes accumulated on the days during the return period just ending are subject to one deposit obligation, and taxes accumulated on the days covered by the new return period are subject to a separate deposit obligation. For example, if a return period ends on Thursday, taxes accumulated on Wednesday and Thursday are subject to one deposit obligation and taxes accumulated on Friday are subject to a separate obligation. Separate deposits are required because two different return periods are affected.

Example of Monthly and Semiweekly Schedules

Hazel Jones reported Form 941 tax liabilities as follows:

2019 Lookback Period	2020 Lookback Period
3rd Quarter 2017—\$12,000	3rd Quarter 2018—\$12,000
4th Quarter 2017—\$12,000	4th Quarter 2018—\$12,000
1st Quarter 2018—\$12,000	1st Quarter 2019—\$12,000
2nd Quarter 2018—\$12,000	2nd Quarter 2019—\$15,000
\$48,000	\$51,000

Hazel is a monthly schedule depositor for 2019 because her tax liability for the 4 quarters in the lookback period (3rd quarter 2017 through 2nd quarter 2018) wasn't more than \$50,000. However, for 2020, Hazel is a semiweekly schedule depositor because her liability exceeded \$50,000 for the 4 quarters in the lookback period (3rd quarter 2018 through 2nd quarter 2019).

Deposits Due on Business Days Only

If a deposit is due on a day that isn't a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. For example, if a deposit is due on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day). The term "legal holiday" means any legal holiday in the District of Columbia. For a list of legal holidays, see section 11 of Pub. 15 or section 7 of Pub. 51.

Semiweekly schedule depositors have at least 3 business days following the close of the semiweekly period to make a deposit. That is, if any of the 3 weekdays after the end of a semiweekly period is a legal holiday, you'll have an additional business day to deposit for each day that is a legal holiday. For example, if a semiweekly schedule depositor accumulated taxes for payments made on Friday and the following Monday is a legal holiday, the deposit normally due on Wednesday may be made on Thursday. This allows 3 business days to make the deposit.

Application of Monthly and Semiweekly Schedules

The terms "monthly schedule depositor" and "semiweekly schedule depositor" don't refer to how often your business pays its employees or even to how often you must make deposits. The terms identify which set of deposit rules you must follow when an employment tax liability arises. The deposit rules are based on the dates wages are paid, not on when employment tax liabilities are accrued.

Monthly schedule example. Spruce Co. is a monthly schedule depositor with seasonal employees. It paid wages each Friday during May, but didn't pay any wages during June. Under the monthly schedule, Spruce Co. must deposit the combined tax liabilities for the May paydays by June 15. Spruce Co. doesn't have a deposit requirement for June (due by July 15) because no wages were paid and, therefore, it didn't have a tax liability for June.

Semiweekly schedule example. Green, Inc., has a semiweekly deposit schedule and pays wages once each month on the last Friday of the month. Although Green, Inc., has a semiweekly deposit schedule, it will deposit just once a month because it pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: Green, Inc.'s tax liability arises when it pays wages on April 24, 2020 (Friday); the liability must be deposited by April 29, 2020 (Wednesday). Under the semiweekly deposit schedule, liabilities for wages paid on Wednesday through Friday must be deposited by the following Wednesday.

\$100,000 Next-Day Deposit Rule

If you accumulate a tax liability of \$100,000 or more on any day during a deposit period, you must deposit the tax by the close of the next business day, whether you're a monthly or semiweekly schedule depositor. The deposit period for monthly schedule depositors is a calendar month. For semiweekly schedule depositors, the deposit periods are Wednesday through Friday and Saturday through Tuesday.

For the \$100,000 next-day deposit rule, don't continue accumulating tax liabilities after the end of a deposit period. For example, if a semiweekly schedule depositor has accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a \$10,000 liability on Wednesday, the \$100,000 next-day deposit rule doesn't apply because the \$10,000 is accumulated in the next deposit period. Therefore, \$95,000 must be deposited by Friday and \$10,000 by the following Wednesday.

In addition, once you accumulate at least \$100,000 in a deposit period, stop accumulating at the end of that day and begin to accumulate anew the next day. For example, Fir Co. is a semiweekly schedule depositor. On Monday, Fir Co. accumulates taxes of \$110,000 and must deposit this amount on Tuesday, the next business day. On Tuesday, Fir Co. accumulates additional taxes of \$30,000. Because the \$30,000 isn't added to the previous \$110,000 and is less than \$100,000, Fir Co. must deposit the \$30,000 by Friday, following the semiweekly deposit schedule.

If you're a monthly schedule depositor and accumulate a \$100,000 tax liability on any day, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year.

Example of \$100,000 next-day deposit rule. Elm, Inc., started its business on May 4, 2020. On Wednesday, May 6, it paid wages for the first time and accumulated a tax liability of \$40,000. On Friday, May 8, Elm, Inc., paid wages and accumulated a liability of \$60,000, making its accumulated tax liability total \$100,000. Elm, Inc., must deposit \$100,000 by Monday, May 11, the next business day. Because this was the

first year of its business, the tax liability for its lookback period is considered to be zero, and it would be a monthly schedule depositor based on the lookback rules. However, because Elm, Inc., accumulated \$100,000 on May 8, it became a semiweekly schedule depositor on May 9. It will be a semiweekly schedule depositor for at least the remainder of 2020 and for 2021.

Adjustments and the Lookback Rule

Determine your tax liability for the lookback period (4-quarter lookback period for Form 941 and calendar-year lookback period for Forms 943, 944, 945, and CT-1) based on the tax liability as originally reported. If you later made adjustments to correct errors on those returns by filing a Form 941-X, Form 943-X, Form 944-X, Form 945-X, or Form CT-1 X, these adjustments don't affect the amount of the employment tax liability for the lookback rule.

Example of adjustments and the lookback rule for Form 941. An employer originally reported a tax liability of \$45,000 for the 4 quarters in the lookback period ending June 30, 2019. This makes the employer a monthly schedule depositor because the tax liability originally reported didn't exceed \$50,000. The employer discovered during January 2020 that the tax during 1 of the lookback period quarters was understated by \$10,000 and corrected this error with an adjustment on Form 941-X. This employer remains a monthly schedule depositor for 2020 because the lookback period tax liabilities are based on the amounts originally reported and they didn't exceed \$50,000. The \$10,000 adjustment doesn't affect the amount of tax liability for the lookback rule. The \$10,000 adjustment is also not treated as part of the 2020 taxes.

Accuracy of Deposits Rule

You're required to deposit 100% of your tax liability on or before the deposit due date. However, penalties won't be applied for depositing less than 100% if both of the following conditions are met.

1. Any deposit shortfall doesn't exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited.
2. The deposit shortfall is paid or deposited by the shortfall makeup date as described below.

Makeup Date for Deposit Shortfall

Monthly schedule depositor. Deposit or pay the shortfall with your return by the due date of the return. You may pay the shortfall with your return even if the amount is \$2,500 or more.

Semiweekly schedule depositor. Deposit by the earlier of:

1. The first Wednesday or Friday that falls on or after the 15th of the month following the month in which the shortfall occurred, or

2. The due date of your return (for the return period of the tax liability). Forms 941, 943, 944, and 945 are due by the last day of the month following the period for which the returns were made. Form CT-1 is due by the last day of the second month following the calendar year.

For example, if a semiweekly schedule depositor has a deposit shortfall during June 2020, the shortfall makeup date is July 15, 2020 (Wednesday). However, if the shortfall occurred on the required April 1, 2020 (Wednesday), deposit due date for the March 27, 2020 (Friday), pay date, the return due date for the March 27 pay date (April 30, 2020) would come before the May 15, 2020 (Friday), shortfall makeup date. In this case, the shortfall must be deposited by April 30, 2020.