

Instructions for Schedule B (Form 941)

(Rev. January 2006)



Department of the Treasury
Internal Revenue Service

Report of Tax Liability for Semiweekly Schedule Depositors

General Instructions:

Purpose of Schedule B (Form 941)

These instructions tell you about Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors. To determine if you are a semiweekly depositor, visit the IRS website at www.irs.gov and type "semiweekly depositor" in the search box. Also see Pub. 15 (Circular E), Employer's Tax Guide, or Pub. 80 (Circular SS), Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

What Is Schedule B (Form 941)?

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 (payroll taxes). 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.

Schedule B (Form 941) accompanies Form 941, Employer's QUARTERLY Federal Tax Return, or Form 941-SS, Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands), that you use to report your payroll taxes and adjustments. (Do not use Schedule B (Form 941) as an attachment to Form 944, Employer's ANNUAL Federal Tax Return, or Form 944-SS, Employer's ANNUAL Federal Tax Return. Instead use Form 945-A, Annual Record of Federal Tax Liability.)

On Schedule B (Form 941), list your **tax liability** for each day.

Include:

- the federal income tax you withheld from your employees' paychecks and
- both employee and employer Medicare and social security taxes.

Note. Subtract any advance earned income credit payments from your tax liability.

Do not use the Schedule B (Form 941) to show federal tax deposits. Deposit information is taken from your deposit coupons (Form 8109, Federal Tax Deposit Coupon) or from the Electronic Federal Tax Payment System (EFTPS).



CAUTION *IRS uses Schedule B (Form 941) to determine if you have deposited your federal employment tax liabilities on time. If you do not properly complete and file your Schedule B (Form 941) with Form 941 or Form 941-SS, IRS may propose an "averaged" failure-to-deposit penalty. See Deposit Penalties in section 11 of Pub. 15 (Circular E) for more information.*

Who Must file Schedule B (Form 941)?

File Schedule B (Form 941) if you are:

- a semiweekly schedule depositor or
- a monthly schedule depositor who accumulated a tax liability of \$100,000 or more on any given day in the reporting period.

See *\$100,000 Next-Day Deposit Rule* in section 11 of Pub. 15 (Circular E) for important details.



CAUTION *Do not complete Schedule B (Form 941) if you have a tax liability that is less than \$2,500 (after you subtract any advance earned income credit (EIC) payment) during the quarter and you pay in full with a return that you file on time.*

When Must You File?

Attach your Schedule B (Form 941) to your Form 941 or Form 941-SS and file it every quarter when that Form 941 or Form 941-SS is due. For more information, see section 12 of Pub. 15 (Circular E), the Instructions for Form 941, or the Instructions for Form 941-SS.

Specific Instructions:

Completing Schedule B (Form 941)

Fill in Your Business Information

Carefully fill in your employer identification number (EIN) and name at the top of the schedule. Make sure that they exactly match the name of your business and the EIN that IRS assigned to your business and also agree with the name and EIN shown on the attached Form 941 or Form 941-SS.



CAUTION *Always be sure the EIN on the schedule 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 Schedule B (Form 941) with an incorrect EIN, or using the EIN of another business, may result in penalties and delays in processing your return.*

Calendar year

Show the calendar year that applies to the quarter checked. See *Check the Box for the Quarter* below.

Check the Box for the Quarter

In the box at the top of the schedule, check the appropriate box of the quarter for which you are filing this schedule. Make sure that the quarter checked on the top of the Schedule B (Form 941) matches the quarter checked on your Form 941 or Form 941-SS.

Fill in Your Tax Liability by Month

Schedule B (Form 941) is divided into the 3 months that make up a quarter of a year. Each month has 31 numbered spaces that correspond to the dates of a typical month. Write your tax liabilities in the spaces that correspond to the dates you **paid** wages to your employees, not the date payroll deposits were made.

For example, if your payroll period ended on December 31, 2005, and you **paid** the wages for that period on January 6, 2006, you would:

- go to Month 1 (because January is the first month of the quarter) and
- write your tax liability on line 6 (because line 6 represents the sixth day of the month).



TIP *Make sure you have checked the appropriate box on line 15 of Form 941 or Form 941-SS to show that you are a semiweekly schedule depositor.*

Total Liability for the Quarter

To find your total liability for the quarter, add your monthly tax liabilities.

Tax Liability for Month 1
+ Tax Liability for Month 2
+ Tax Liability for Month 3
<u>Total Liability for the Quarter</u>

Your total liability for the quarter must equal line 10 on Form 941 or line 8 on Form 941-SS.

Here are some examples.

• Employer A is a **semiweekly** schedule depositor who pays wages for each month on the last day of the month. On December 22, 2006, Employer A also paid its employees year-end bonuses (subject to employment taxes). Because Employer A is a semiweekly schedule depositor, Employer A must record employment tax liabilities on Schedule B (Form 941). For the 4th quarter (October, November, December), Employer A should report tax liability in this way—

Month	Lines for dates wages were paid
1 (October)	line 31 (pay day, last day of the month)
2 (November)	line 30 (pay day, last day of the month)
3 (December)	lines 22 (bonus paid) + 31 (pay day)

• Employer B is a **semiweekly** schedule depositor who pays employees every other Friday. Employer B accumulated a \$20,000 employment tax liability on each of these pay dates: 1/13/06, 1/27/06, 2/10/06, 2/24/06, 3/10/06, and 3/24/06. Since Employer B is a semiweekly schedule depositor, Employer B must record tax liabilities on Schedule B (Form 941) in this way—

Month	Lines for dates wages were paid
1 (January)	lines 13 and 27
2 (February)	lines 10 and 24
3 (March)	lines 10 and 24

• Employer C is a new business and **monthly** schedule depositor for 2006. Employer C pays wages every Friday and has accumulated a \$2,000 employment tax liability on 1/13/06 and a \$110,000 liability on 1/20/06 and on every subsequent Friday during 2006. Under the deposit rules, employers **become semiweekly schedule depositors** on the day after any day they accumulate \$100,000 or more of tax liability in a deposit period. (See section 11 of Pub. 15 (Circular E) or section 8 of Pub. 80 (Circular SS) for details.)

Because Employer C accumulated \$112,000 on 1/20/06, Employer C became a semiweekly schedule depositor on the next day and must complete Schedule B (Form 941) and file it with Form 941 or Form 941-SS. Employer C should record tax liabilities in this way—

Month	Dates wages were paid	Amount to record
1 (January)	line 13	\$2,000
1 (January)	lines 20, 27	\$110,000
2 (February)	lines 3, 10, 17, 24	\$110,000
3 (March)	lines 3, 10, 17, 24	\$110,000

Prior Period Adjustments

On Schedule B (Form 941), you must take into account adjustments to correct errors on prior period returns. See lines 7d-7g on post-2004 versions of Forms 941; lines 7e and 7g on post-2004 versions of Forms 941-SS. (For pre-2005 Forms 941 and 941-SS, see lines 4 and 9.)

• If the adjustment corrects an **underreported** liability in a prior quarter, include the adjustment amount in the total liability reported for the entry space that corresponds to the date you discovered the error.

• If the adjustment corrects an **overreported** liability, use the adjustment amount to offset subsequent liabilities until it is used up.

Example. On 1/20/06, Employer D discovered that social security tax was over-reported by \$10,000 on a prior quarter return. Employer D paid wages on 1/13/06, 1/20/06, 1/27/06, and 2/3/06 and had a \$5,000 tax liability for each of those pay dates. On Schedule B (Form 941), Employer D must report a \$5,000 liability on 1/13/06 for Month 1 using line 13. Since the adjustment for the \$10,000 over-reported liability offsets the 1/20/06 and 1/27/06 liability, Employer D does not deposit or report these two \$5,000 liabilities on Schedule B (Form 941). Employer D must report the \$5,000 liability for 2/3/06 on Month 2 using line 3. (See section 13 of Pub. 15 (Circular E) for details on reporting adjustments to correct errors on prior period returns.)

How to Order Forms and Publications from the IRS



Call 1-800-829-3676



Visit the IRS website at www.irs.gov

Other IRS Products You May Need

- Form 941, Employer's QUARTERLY Federal Tax Return
- Form 941-SS, Employer's QUARTERLY Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands)
- Pub. 15 (Circular E), Employer's Tax Guide
- Pub. 80 (Circular SS), Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

Paperwork Reduction Act Notice

We ask for the information on Schedule B (Form 941) 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 Schedule B (Form 941) will vary depending on individual circumstances. The estimated average time is 2 hours, 53 minutes.

If you have comments concerning the accuracy of this time estimate or suggestions for making Schedule B (Form 941) simpler, we would be happy to hear from you. You can write to: Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224.

Do not send the Schedule B (Form 941) to this address. Instead, see *Where Should You File?* in the Form 941 or Form 941-SS instructions.