

941 Federal Employer Tax Adjustments

There are two types of federal tax adjustments for social security and medicare adjustments:

1. **Bookkeeping error** – an tax amount incorrectly was calculated and posted for employee and employer tax liabilities. Depending on the nature of the tax liability error, several scenarios for payroll liability tax adjustments are reviewed in the document, *Payroll Liability Adjustment*, located at http://extension.missouri.edu/acctmanual/Payroll/Payroll_Liability_Adjustment.pdf
2. **941 Cents tax adjustment** – Due to rounding up of taxes on the 941 form and the lack of rounding up of taxes in the QuickBooks paycheck transactions, a few cents discrepancy may occur. This discrepancy is reported on line 7 of the 941 form and the adjusted total tax due is reported on line 8, *Total Taxes after Adjustment*, and on line 10, *Total Taxes after Adjustment for Advance EIC*.

The objective for the Cents tax adjustment is to match the 941 tax form calculation with your accounting payroll liabilities, within the one dollar limit.

Line 11, represents the **Total Deposits for the Quarter** from your QuickBooks payroll liabilities.

When lines 10 and 11 are a match, there is no balance due or overpayment.

The Balance Due or Overpayment results from comparing lines 10 and 13, as noted on the 941 form and instructions. Usually, if the balance due is less than \$1.00, payment to IRS is not required.

941 tax adjustment is addressed in the following excerpts from the 941 Tax form instructions.

7. TAX ADJUSTMENTS

Enter **tax amounts** on lines 7a through 7c that result from current quarter adjustments. Use a minus sign (if possible) to show an adjustment that decreases the total taxes shown on line 6 instead of parentheses. Doing so enhances the accuracy of our scanning software. For example, report "-10.59" instead of "(10.59)." However, if your software only allows for parentheses in reporting negative amounts, you may use them.

Current quarter's adjustments. In certain cases, you must adjust the amounts you reported as social security and Medicare taxes in column 2 of lines 5a, 5b, and 5c to figure your correct tax liability for this quarter's Form 941. See section 13 of Pub. 15 (Circular E).

Prior quarter's adjustments. If you need to adjust any amount reported on lines 7a, 7b, or 7c from a previously filed Form 941, complete and file Form 941-X. Form 941-X is an adjusted return and is filed separately from Form 941. See section 13 of Pub. 15 (Circular E).

7a. Current quarter's 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 5a, 5b, and 5c may differ slightly from amounts actually withheld from employees' paychecks due to the rounding of social security and Medicare taxes based on statutory rates.

14. Balance due

If line 10 is more than line 13, write the difference in line 14. Otherwise, see *Overpayment* below. **You do not have to pay if line 14 is under \$1.** Generally, you should have a balance due only if your total taxes after adjustment for advance EIC for the quarter (line 10) are less than \$2,500. However, see section 11 of Pub. 15 (Circular E) for information about payments made under the **accuracy of deposits rule**.

You may pay the amount shown on line 14 using EFTPS, a credit card, a check or money order, or electronic funds withdrawal (EFW). **Do not** use a credit card or EFW to pay taxes that were required to be deposited. For more information on paying your taxes with a credit card or EFW, visit the IRS website at www.irs.gov and click on the *Online Services* link.

If you pay by EFTPS, credit card, or EFW, file your return using the *Without a payment* address on page 4 under *Where Should You File?* and **do not** file Form 941-V, Payment Voucher.

If you pay by check or money order, make it payable to the *United States Treasury*. Enter your EIN, Form 941, and the tax period on your check or money order. Complete Form 941-V and enclose with Form 941.

If line 10 is \$2,500 or more and you have deposited all taxes when due, the balance due on line 14 should be zero.

If you do not deposit as required and, instead, pay the taxes with Form 941, you may be subject to a penalty.

15. Overpayment

If line 13 is more than line 10, write the difference in line 15. **Never make an entry in both lines 14 and 15.**

If you deposited more than the correct amount for the quarter, you can choose to have the IRS either refund the overpayment or apply it to your next return. Check the appropriate box in line 15. 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 15 is under \$1, we will send a refund or apply it to your next return only if you ask us in writing to do so.

The complete instructions for the 941 federal tax form is located at <http://www.irs.gov/instructions/i941/ch02.html>