



## 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 is **not** determined by how often you pay your employees or make deposits. See *Application of Monthly and Semiweekly Schedules* on page 2.

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

**\$2,500 Rule.** Instead of making deposits during the current quarter, you can pay your total Form 941 tax liability when you timely file Form 941 if:

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

If you are not sure your total liability for the current quarter will be less than \$2,500, (and your liability for the preceding quarter was not less than \$2,500), make deposits using the semi-weekly or monthly rules so you won't be subject to failure to deposit penalties.

**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 Form 941 during a four-quarter lookback period discussed below under *Lookback period for Form 941*.

**Deposit rules for Forms 943, 944, Form 945, and Form CT-1.** Generally, the deposit rules for Form 941 also apply to tax liabilities for 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, because Forms 943, 944, 945, and CT-1 are annual returns, the rules for determining your deposit schedule apply to a calendar year rather than a calendar quarter. See *Lookback period for annual returns* below. For more information about deposit rules for annual returns, see Pub. 15 (Circular E), Employer's Tax Guide (for Forms 944 and 945); Pub. 51 (Circular A), Agricultural Employer's Tax Guide (for Form 943); and the Instructions for Form CT-1.

**Electronic deposit requirement.** You must make electronic deposits of all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2010 if:

- Your total deposits of such taxes in 2008 were more than \$200,000 or
- You were required to use EFTPS in 2009, or any year before 2008.

If you are required to use EFTPS and use a Federal Tax Deposit Coupon (Form 8109 or Form 8109-B) instead, you may be subject to a penalty equal to 10% of the required deposit. If you do not have to use EFTPS, you may participate voluntarily. To get more information or to enroll in EFTPS, visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov), or call 1-800-555-4477. You can also get Pub. 966, *The Secure Way to Pay Your Federal Taxes*.

**Depositing on time.** For EFTPS deposits to be on time, you must initiate the transaction at least on 1 business day before the date the deposit is due.

**Lookback period for Form 941.** Your deposit schedule for a calendar year is determined from the total taxes (not reduced by any advance earned income credit payments) reported on your Forms 941 in a four-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 are a monthly schedule depositor; if you reported more than \$50,000, you are a semiweekly schedule depositor. The lookback period for a 2010 Form 941 filer who filed Form 944 in either 2008 or 2009 is calendar year 2008.

### Form 941 Lookback Period for Calendar Year 2010

Lookback Period				2010 Calendar Year Jan. – Dec.
2008		2009		
July 1 thru Sept. 30	Oct. 1 thru Dec. 31	Jan. 1 thru Mar. 31	Apr. 1 thru June 30	←

**Lookback period for annual returns.** For annual returns (Form 943, Form 944, Form 945, and Form CT-1), the lookback period is the calendar year preceding the previous year. For example, the lookback period for 2010 is 2008.

### Monthly Deposit Schedule

You are a monthly schedule depositor for a calendar year if the total taxes during your lookback period were \$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.

Monthly schedule depositors do **not** file Form 941 on a monthly basis. Do not file Form 941-M, Employer's Monthly Federal Tax Return, unless you are instructed to do so by an IRS representative.

**New employers.** Your tax liability for each quarter in the lookback period is considered to be zero. Therefore, you are a monthly schedule depositor for the 1st year you are an employer. However, see the *\$100,000 Next-Day Deposit Rule* on page 2.

### Semiweekly Deposit Schedule

You are 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 2 return periods.** 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:

2009 Lookback Period	2010 Lookback Period
3rd Quarter 2007 - \$12,000	3rd Quarter 2008 - \$12,000
4th Quarter 2007 - \$12,000	4th Quarter 2008 - \$12,000
1st Quarter 2008 - \$12,000	1st Quarter 2009 - \$12,000
2nd Quarter 2008 - \$12,000	2nd Quarter 2009 - \$15,000
<u>\$48,000</u>	<u>\$51,000</u>

Hazel is a monthly schedule depositor for 2009 because her tax liability for the four quarters in the lookback period (3rd quarter 2007 through 2nd quarter 2008) was not more than \$50,000. However, for 2010, Hazel is a semiweekly schedule depositor because her liability exceeded \$50,000 for the four quarters in the lookback period (3rd quarter 2008 through 2nd quarter 2009).