

# FEDERAL TAX DEPOSIT RULES FOR FORM 941 AND 944 TAXES

### What it Means

**Form 941 (Employer's QUARTERLY Federal Tax Return):** Return reporting federal income tax withheld, and employer and employee shares of FICA taxes. The return is due the last day of the month following the end of the quarter.

**Form 944 (Employer's ANNUAL Federal Tax Return):** Return reporting federal income tax withheld, and employer and employee shares of FICA taxes. The return is due January 31 of the following year.

**FICA:** Federal Insurance Contributions Act, which provides for Social Security and Medicare benefits.

Now that you understand federal tax deposits are important, you are ready to learn the rules for making the deposits. As of January 1, 2011, all deposits must be made electronically.

### Who Must Make Form 941 Deposits?

Deposits are required if you file Form 941 with \$2,500 or more in taxes per quarter. Starting in 2010, deposits are not required if the tax for the current quarter is \$2,500 or more and the prior quarter taxes are less than \$2,500, unless a tax liability within a deposit period reaches or exceeds \$100,000. See Exceptions to Deposit Schedules on page ten.

### Who Must Make Form 944 Deposits?

Deposits for Form 944 filers are not required unless the tax liability for the year reaches \$2,500 or more. Please see Instructions for Form 944.

### What Taxes Must be Deposited?

- › Income tax withheld from your employees
- › FICA (Social Security and Medicare) tax withheld from your employees
- › FICA (Social Security and Medicare) tax — the employer's share

### **Alert** Important Difference

- › Making deposits and filing employer returns with payments are not the same. Taxes are:
  - › **Reported** by filing, and
  - › **Paid** by depositing

Let's review this payroll record to compute the amount of taxes to be deposited.

XYZ COMPANY PAYROLL RECORD FOR JULY 2013					
EMPLOYEE	COLUMN A GROSS WAGES	COLUMN B INCOME TAX WITHHELD	COLUMN C EMPLOYEE'S FICA	COLUMN D NET WAGES	COLUMN E EMPLOYER'S FICA
• JOE	\$ 1,000.00	\$ 150.00	\$ 76.50	\$ 773.50	\$ 76.50
• JANE	1,200.00	180.00	91.80	928.20	91.80
• JOHN	1,800.00	270.00	137.70	1,392.30	137.70
<b>TOTALS</b>	<b>\$ 4,000.00</b>	<b>\$ 600.00</b>	<b>\$ 306.00</b>	<b>\$ 3,094.00</b>	<b>\$ 306.00</b>

$$B + C + E = \text{Total Deposit Due}$$

$$600 + 306 + 306 = \$1,212$$

In this example, the employer would deposit \$1,212, the total of the income tax withheld, and both the employer's and employees' shares of FICA tax.

**What it Means**

**Lookback Period:** If you have filed only Form 941, the lookback period is a 12-month period that ends June 30 of the prior year. If you filed Form 944 in either of the two previous years, or you are filing Form 944 in the current year, the lookback period is the second prior calendar year.

The total tax liability reported during the lookback period is used to determine which deposit schedule a business uses during the current year:

\$50,000 or less – follow the Monthly Deposit Schedule

More than \$50,000 – follow the Semiweekly Deposit Schedule

**Adjustments and the lookback rule.**

Determine your liability for the lookback period based on the tax liability as reported on your Forms 941 and 944. Adjustments made on Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, and Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund, do not affect the amount of tax liability for previous periods for purposes of the lookback rule.

**When Should You Make Form 941 Tax Deposits?**

The easiest way is to make a deposit the same day you make payroll, or anytime **no later than the deposit due date.**

- › If your total taxes on Form 941 for the current quarter or the preceding quarter are less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation in the current quarter, you may pay the taxes with the return or deposit by the return due date. See Exceptions to Deposit Schedule on page 10.
- › If your total taxes on Form 941 are \$2,500 or more in both the prior quarter and the current quarter, you'll need to determine which deposit schedule to follow.

**When Should You Make Form 944 Tax Deposits?**

Form 944 is for the smallest employers whose tax liability is below the minimum for making deposits. Deposits are not required if the annual tax is less than \$2,500. See Instructions for Form 944 instructions if the annual liability exceeds \$2,500.

**What's Your Deposit Schedule?**

To determine your deposit schedule, you need to review the amounts of tax reported on your earlier Forms 941 and 944. If you are filing Form 944, or if you filed Form 944 during either of the previous two years, your "lookback period" for 2014 is the calendar year 2012. If you filed only Forms 941, you can determine your deposit schedule using the "Lookback Period" table below.

Lookback Period for 2014 Deposits	
JULY 1, 2012 THROUGH JUNE 30, 2013	
2012	2013
THIRD & FOURTH QUARTERS	FIRST & SECOND QUARTERS
7/1/12 THROUGH 9/30/12	1/1/13 THROUGH 3/31/13
10/1/12 THROUGH 12/31/12	4/1/13 THROUGH 6/30/13

**Alert** If you are a new employer and had no employees during the lookback period, you are automatically a Monthly Schedule Depositor. Two exceptions to this rule are explained on page 10.

After you determine your lookback period, you need to total the taxes reported on Forms 941 during this period. Once you determine your total tax during the lookback period, it is easy to determine your deposit schedule:

- › If total taxes are \$50,000 or less, you make **Monthly Schedule Deposits.**
- › If total taxes are greater than \$50,000 you make **Semiweekly Schedule Deposits.**

**941 for 2009: Employer's QUARTERLY Federal Tax Return** 950109

Report for this Quarter of 2009 (Check one)

1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (line 9 - line 9 × line 10) **\$10,000**

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-B of Form 941-A

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance reported on line 12a

13 Add lines 11 and 12b

14 Balance due. If line 13 is more than line 10, enter the difference here. If information is to be paid, see the instructions.

15 Overpayment. If line 10 is more than line 13, enter the difference here.

You MUST complete both pages of Form 941 and 941-B.

**941 for 2009: Employer's QUARTERLY Federal Tax Return** 950109

Report for this Quarter of 2009 (Check one)

1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (line 9 - line 9 × line 10) **\$9,000**

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-B of Form 941-A

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance reported on line 12a

13 Add lines 11 and 12b

14 Balance due. If line 13 is more than line 10, enter the difference here. If information is to be paid, see the instructions.

15 Overpayment. If line 10 is more than line 13, enter the difference here.

You MUST complete both pages of Form 941 and 941-B.

**941 for 2010: Employer's QUARTERLY Federal Tax Return** 951130

Report for this Quarter of 2010 (Check one)

1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (line 9 - line 9 × line 10) **\$5,000**

11 Total deposits, including prior quarter overpayments

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance

12c Number of qualified employees paid except wages up to March 31

12d Extra wages paid to qualified employees March 10-31

13 Add lines 11, 12a, and 12c

14 Balance due. If line 13 is more than line 10, enter the difference and see instructions.

15 Overpayment. If line 10 is more than line 13, enter the difference.

You MUST complete both pages of Form 941 and 941-B.

**941 for 2010: Employer's QUARTERLY Federal Tax Return** 951130

Report for this Quarter of 2010 (Check one)

1: January, February, March  
 2: April, May, June  
 3: July, August, September  
 4: October, November, December

9 Advance earned income credit (EIC) payments made to employees

10 Total taxes after adjustment for advance EIC (line 9 - line 9 × line 10) **\$11,000**

11 Total deposits, including prior quarter overpayments

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance

12c Number of qualified employees paid except wages up to March 31

12d Extra wages paid to qualified employees March 10-31

13 Add lines 11, 12a, and 12c

14 Balance due. If line 13 is more than line 10, enter the difference and see instructions.

15 Overpayment. If line 10 is more than line 13, enter the difference.

You MUST complete both pages of Form 941 and 941-B.

Let's go over an example to help determine your deposit schedule for 2011. Since the lookback period is July 1, 2009, to June 30, 2010, we need to add the taxes from Forms 941 for the third and fourth quarters of 2009 and the first and second quarters of 2010.

Quarter	Tax from Line 10, Form 941
A THIRD 2009	\$ 10,000
B FOURTH 2009	+ 9,000
C FIRST 2010	+ 5,000
D SECOND 2010	+ 11,000
E TOTAL TAX IN LOOKBACK PERIOD =	\$ 35,000

In this example, the total taxes (line E) during the lookback period were \$35,000. Since this is less than \$50,000, the business will be a monthly schedule depositor for 2011.

## Summary of Steps to Determine Your Deposit Schedule

1. Identify lookback period.
2. Add the total taxes (line 10 of Form 941) you reported during the lookback period.
3. Determine your deposit schedule:

If the total taxes you reported in the lookback period were...	Then you are a...
\$50,000 or less	<b>Monthly</b> Schedule Depositor
More than \$50,000	<b>Semiweekly</b> Schedule Depositor

**Alert** Employers are required to determine their own deposit schedule. Deposit schedules remain the same for the entire calendar year unless you meet one of the exceptions explained below.

### What it means

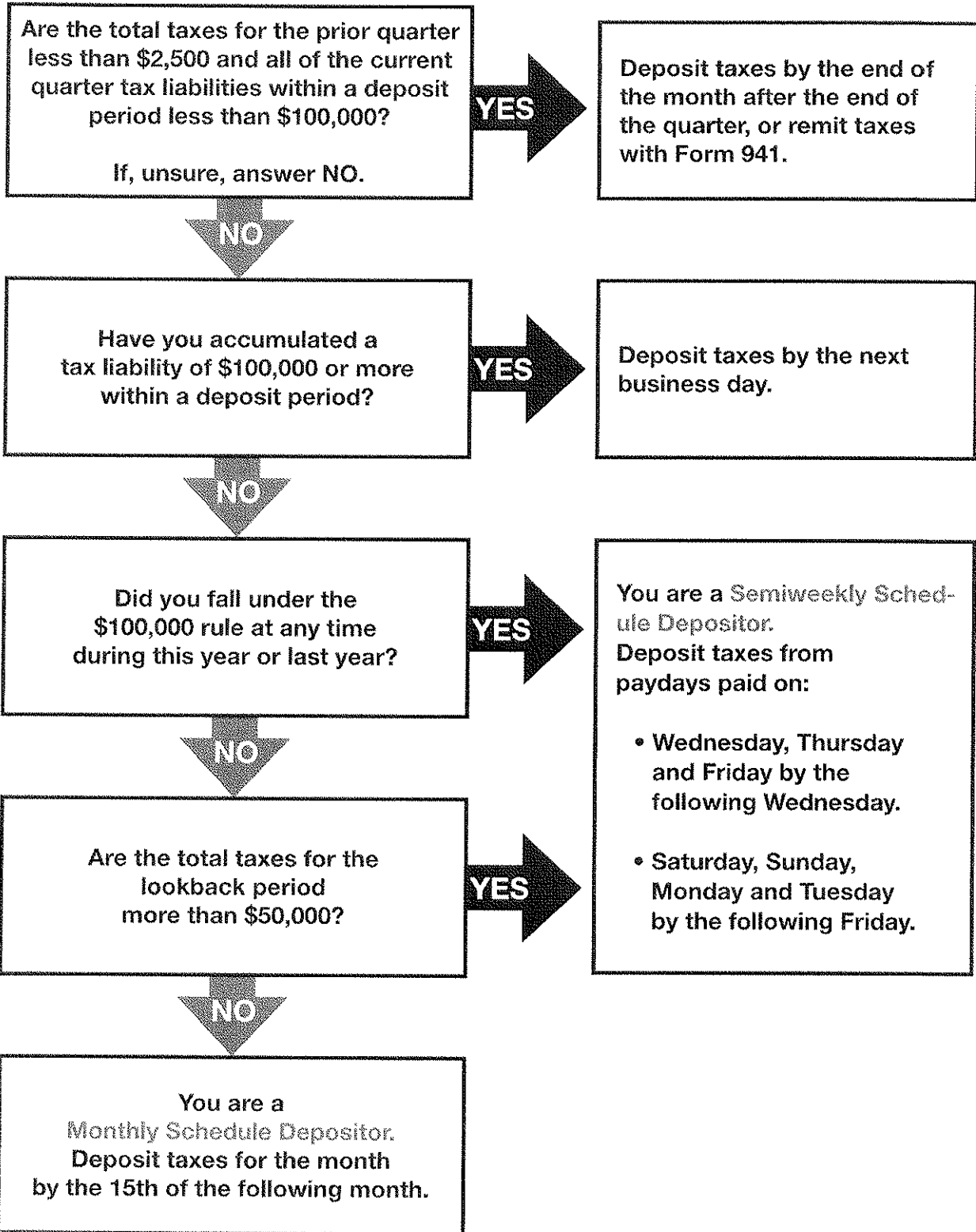
**Deposit Period:** The period of time during which an employer accumulates tax liability for paying to the United States Treasury on the next due date. Deposit periods vary depending on which deposit schedule the employer must follow.

## Exceptions to Deposit Schedules

1. \$100,000 Next- Day Deposit Rule:
  - » If, during any deposit period, you accumulate a tax liability of \$100,000 or more, you must make a deposit by the next business day. See the definition of "business days" below. Note: This applies even when your prior quarter tax is less than \$2,500.
  - » Once you meet the \$100,000 next-day rule, you follow the semiweekly schedule for all deposits less than \$100,000. You are a semiweekly schedule depositor for the rest of the year, and during all of the next calendar year.
2. Business Days
  - » If your deposit is due on a non-business day, make it by the close of the next business day.
  - » Business days include every calendar day other than Saturdays, Sundays, or legal holidays. The term "legal holiday" means any District of Columbia legal holiday. The IRS will not assert penalties for FTDs made in 2011 that would be considered timely if statewide legal holidays were taken into account.
  - » Previously, legal holidays included statewide legal holidays.

**Helpful hint:** Use the easy-to-follow flow chart on the next page to help you determine your deposit schedule.

**When to Deposit Form 941 Employment Taxes**



## Practical Exercise Two

1 To determine when deposits are due for 2011, compute the tax liability in the lookback period using the information from the following list of Form 941 and the chart below.

Form 941 Quarter	Tax
FIRST 2009	\$9,200
SECOND 2009	\$8,800
THIRD 2009	\$8,000
FOURTH 2009	\$8,500
FIRST 2010	\$9,000
SECOND 2010	\$9,090
THIRD 2010	\$9,100
FOURTH 2010	\$9,300

	Quarter	Total taxes from Form 941
A		+
B		+
C		+
D		+
E	Total	=

2 Based on your answer to Question 1, which deposit schedule would you follow in making your FTDs?

- A. Semiweekly
- B. Monthly

3 Which deposit schedule would you follow in making your FTDs if this is the first quarter that the business has employees and the tax liability was \$5,000 for the quarter?

- A. Semiweekly
- B. Monthly

### Description of Deposit Schedules

Now that you know how to determine if you are a Monthly Schedule Depositor or a Semiweekly Schedule Depositor, you are ready to learn the deposit requirements for each schedule.

- Monthly Schedule Depositors** — Deposit each month's taxes by the 15th of the next month.

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

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Deposits for payroll paid any day in July are due on (or before) August 15.

- Semiweekly Schedule Depositors** — Most employers will make deposits on Wednesdays or Fridays, depending on when you pay payroll.

ANY WEEK						
SUN	MON	TUE	WED	THU	FRI	SAT
						Payday
Payday	Payday	Payday			Deposit	

For wages paid Saturday, Sunday, Monday or Tuesday, deposit taxes by following Friday.

ANY WEEK						
SUN	MON	TUE	WED	THU	FRI	SAT
			Payday	Payday	Payday	
			Deposit			

For wages paid Wednesday, Thursday, or Friday, deposit taxes by following Wednesday.

**Is Aler!** "Semiweekly" depositors only have to make deposits twice a week if they pay payroll more than once a week. For example, if you paid hourly employees on Fridays, and salaried employees on the 5th and 20th of a month, you may end up with two different paydays in a week, and could have to make one deposit on Wednesday and another on Friday.



### Remember!

1. Deposits can be made anytime from payday through the deposit due date.
2. Deposit rules are based on when wages are **paid**, not **earned**. (For example, a monthly schedule depositor with wages **earned** in June but **paid** in July, must deposit by August 15.)
3. The terms "**Monthly Schedule Depositor**" and "**Semiweekly Schedule Depositor**":
  - » **DO** refer to which set of rules you should follow to make deposits, but
  - » **DON'T** refer to how often you pay wages, or make deposits.
4. A **Monthly Schedule Depositor** deposits taxes from all paydays in a month by the 15th of the next month, even if they pay wages every week.
5. A **Semiweekly Schedule Depositor** deposits taxes by the Wednesday or Friday following payday, even if they pay wages only once a month.
6. **Deposit Periods**—period of time that undeposited taxes are accumulated for payment to the United States Treasury:
  - » Calendar month for **Monthly Schedule Depositors**;
  - » Wednesday through Friday, or Saturday through Tuesday for **Semiweekly Schedule Depositors**.



## SUMMARY

You have learned the "ABCs" of FTDs — the basic rules for making federal tax deposits of employment taxes. In a nutshell:

### WHO is Required to Make Deposits?

Employers with an employment tax liability of \$2,500 or more in any calendar quarter and \$2,500 or more in the prior quarter, or a tax liability of less than \$2,500 in the prior quarter and a \$100,000 next-day deposit obligation in the current quarter.

### WHAT is Required to be Deposited?

Employees' federal income tax withholding and share of FICA tax, along with the employer's share of FICA tax. Employers may also be required to deposit FUTA tax.

### WHEN Must the Deposits be Made?

It depends on the employer's deposit schedule. Generally, new employers and small employers will have a monthly schedule. Under the monthly rule, each month's taxes are required to be deposited on or before the 15th day of the following month.

Under the semiweekly rule, the deposits are due based on a schedule which divides the calendar week into two (semiweekly) sections.

- › The deposit for a pay date of Wednesday, Thursday or Friday must be made on or before the following Wednesday.
- › The deposit for a pay date of Saturday, Sunday, Monday or Tuesday must be made on or before the following Friday.

### HOW is the Money Deposited?

Electronically by telephone or Internet through EFTPS. Remember that EFTPS is a free, convenient, time efficient way to deposit taxes.

Taxes reported on Forms 941 and 944 are part of your employee's wages or salaries, which are being entrusted to you to pay to the United States Treasury. It is your employees' income tax, FICA (Social Security and Medicare) tax (or "Trust Fund Taxes"), along with the portion of FICA taxes paid by you as the employer. That is why the employees' portions are called "Trust Fund Taxes." Form 940 taxes are paid by you, the employer, to provide for unemployment compensation to workers who have lost their jobs.

You also learned there are costly penalties for not making the required federal tax deposits. Good business practices dictate that paying penalties is not the best use of your valuable financial resources.

Thank you for taking this opportunity to become better acquainted with the federal tax deposit system. Best wishes for success in your business.

#### For additional information

In addition to your tax advisor, you may obtain IRS assistance through the following:

- › EFTPS website: [www.eftps.gov](http://www.eftps.gov)
- › EFTPS Customer Service: 800-555-4477
- › IRS web site: [www.irs.gov](http://www.irs.gov)
- › Toll free telephone: 800-829-1040
- › Face to face: local IRS office
- › Publications: Publication 15 (Circular E), Employer's Tax Guide.



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Home payroll taxes **Timely Payroll Tax Deposits**

## Make your Payroll Tax Deposits (DE 88) On Time and Avoid Late Penalties

Employer contributions of Unemployment Insurance (UI) and Employment Training Tax (ETT) are due quarterly. Monies withheld from employees' wages for State Disability Insurance (SDI) and California Personal Income Tax (PIT) may need to be deposited more often. The deposit frequency is based on each employer's federal deposit schedule/requirement and the amount of accumulated PIT withheld. **NOTE: A penalty of 15% (10% for periods prior to 3rd quarter 2014) plus interest will be charged on late payroll tax payments.**

**IMPORTANT:** You may be required to submit deposits more frequently if you withhold over \$350 in PIT, see the California Deposit Requirements table below.

Failure to include a DE 88 with your deposit may result in penalties and interest or a misallocation of your deposit. Deposits made through e-Services for Business do not require a paper DE 88. Visit the e-Services for Business page to enroll and manage your payroll tax account(s) online.

If you have any questions regarding deposits, visit Required Filings and Due Dates. You can also refer to the California Employer's Guide or contact the Taxpayer Assistance Center at (888) 745-3886. Information on DE 88 deposit requirements is also available at our no-fee Payroll Tax Seminars. We also offer an online course on "How to Complete a Payroll Tax Deposit (DE 88 or DE 88ALL)".

California Deposit Requirements

If Your Federal Deposit Schedule/Requirement Is	And You Have Accumulated State PIT Withholding of	If Payday Is	PIT and SDI Deposit Due By	California "Deposit Schedule" box to mark on the DE 88/DE 88ALL
Next-Day	Less than \$350	Any day	Quarterly	Quarterly
	\$350 to \$500	Any day	15th of the following month	Monthly
	More than \$500	Any day	Next business day	Next-Day
Semi-weekly	Less than \$350	Any day	Quarterly	Quarterly
	\$350 to \$500	Any day	15th of the following month	Monthly
	More than \$500	Wed., Thurs., or Fri.	Following Wednesday	Semi-weekly
	More than \$500	Sat., Sun., Mon., or Tues.	Following Friday	Semi-weekly
Monthly	Less than \$350	Any day	Quarterly	Quarterly
	\$350 or more	Any day	15th of the following month	Monthly
Quarterly or Annually	Less than \$350	Any day	April 30, 2014 July 31, 2014 October 31, 2014 February 2, 2015	Quarterly
	\$350 or more	Any day	15th of the following month	Monthly

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