

IRS Form 941 Revisions Mean Less Taxes due in 2020

The IRS has published a new version of [Form 941](#) to be used for the rest of calendar year 2020. The form is effective for second quarter (April – June) filing. The new form is revised for changes based on the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act (FFCRA).

Although government agencies are not eligible for tax credits, there is a provision that affects all employers, including government employers: *Qualified sick and family leave wages are not subject to the employer cost for Social Security.*

On pages 9 and 10 of the [Form 941 instructions](#), the tip states the following:

Government employers aren't eligible for the credit for qualified sick and family leave wages; however, as with any employer, government employers aren't liable for the employer share of the social security tax on the qualified sick leave wages paid to employees.

There are three wage types in the Human Resource Management System (HRMS) that are affected:

- 1379 Emergency Paid FMLEA
- 1380 Emergency Paid SLA
- 1381 Emergency Paid SLA Care

At this time, these wage types are charging the employer cost of social security taxes and including the amounts in the deposits sent to the IRS each payday.

Note: The employee still owes their portion of social security. Employees are not due a refund. Their Forms W-2 are correct as it pertains to these wage types.

What does my agency need to do?

For the rest of 2020 and the first quarter of 2021 (because of the January 10, 2021 payroll), your agency will need to file using the IRS fill-in Form 941 because you will need to correct some of the numbers that are on the HRMS version:

- Because both employee and employer social security taxes were calculated, you will not be able file using the Form 941 or Schedule B from HRMS. You will see why as you read further.
 - Your agency should still process a production run and a generation filing date like you would any other quarter).
- The amounts from wage types 1379, 1380, and 1381 will be included in Line 5a, when they should be included in lines 5a (i) and 5 a (ii).
- The tax liability on Schedule B is overstated.

When your agency files Form 941, **your agency will need to re-calculate the taxes** due for wage types 1379, 1380, and 1381, because less taxes are owed than what was deposited. Ultimately, Line 15 should show that your agency is owed a refund (called an overpayment in IRS terms) as it relates to these wage types. **To calculate the refund amount:**

- Run a Wage Type Reporter (PC00_M99_CWTR) in HRMS, limiting the wage types to 1379, 1380, and 1381.

- Sum the amount column
- Note the total wages by wage type
- Multiply the result by 0.062
- Subtotal by wage type

Complete the IRS version of the fill-in [Form 941](#):

- Line 5a:
 - Column 1: Reduce the Taxable social security wages by the total of wage types 1379, 1380, and 1381 by the total you computed on the Wage Type Reporter (PC00_M99_CWTR).
 - Column 2: Reduce the taxes due by for the amount you reduced. The multiplier is 0.124.
- Line 5a (i):
 - Column 1: Add the Taxable social security wages for wage types 1380 and 1381.
 - Column 2: Add the taxes due for the amount in column 1. The multiplier is 0.062.
- Line 5a (ii):
 - Column 1: Add the Taxable social security wages for wage type 1379.
 - Column 2: Add the taxes due for the amount in column 1. The multiplier is 0.062.
- Small rounding differences can be netted on the fractions of cents line.
- Complete the rest of the form using what HRMS calculated.
- **Note! Your taxes due for social security should now be reduced by the refund amount you computed earlier.** Be sure to double check this.
- On the fill-in version of the [Schedule B](#), reduce the tax liability for each pay period.
 - You can do this by running the Wage Type Reporter for wage types 1379, 1380, and 1381.
 - Sort by pay period.
 - Subtotal by pay period.
 - Multiply each subtotal by 0.062
 - Reduce each pay period by that amount.
- **Revised January 7, 2021:** For fourth quarter 2020, continue to complete your agency's Form 941 manually.
 - Continue to calculate the refund amount manually.
- **Revised January 7, 2021:** Note: For second and third quarters of 2020, run a Wage Type Reporter for each quarter and compare to your previous refund amounts.
 - If the amounts differ, incorporate the difference in your fourth quarter 2020 Form 941.

Now that you have figured out the new 941 amounts, you will need to **create a receivable and reduce expenditures**. You can do this via JV. Your Fiscal Office can help you if needed. ***You can complete this step anytime, even before filing the 941.***

- Do this in FY20 (FM12 or 99).
- Operating: Trans Code 264 7140/6510, Subobject BA.
 - Use the account coding from the 126 report you ran.
 - You can create a spreadsheet from HRMS, then create AFRS toolbox entries.
 - **Remember, you will need to multiply each dollar amount by 0.062, and use those amounts.** Otherwise, you will reduce your expenditures by way too much money.
 - You do not need to summarize the account coding lines. AFRS does not charge by the coding line.
- 035: Trans Code 965 1324v/7140.
 - This is one line.
 - This is the total of the 6510 amounts.
- Send the JV to OST for cash processing.
- Note: Do not process a due to/due from other funds JV! Due to/due from is not allowed in Account 035.

When the money comes back from the IRS, deposit it:

- In 035, use Trans Code 090 7110/1324v.
- Any interest received by the IRS is to be deposited in the operating account using Trans Code 001 7110/3210, using revenue source 0499 (Other Revenue)

What if my agency filed and did not refigure for the reduced taxes due?

- Your agency can file and IRS Form [941-X](#).
- Caution! Be sure to give the IRS time to process the original Form 941 first. Otherwise, the IRS will reject your Form 941-X.
- You do not have to wait to process the JV that reduces expenditures in the operating account and creates a receivable in Account 035.
- *Note from the IRS August 25, 2020:*
- The newest version of the Form 941-X (to allow for corrections to the new lines added to the Quarter 2 Form 941) is expected in late September. In the meantime, for 2020:
 1. If adjusting Quarter 1 or earlier, you may use the existing Form 941-X.
 2. If adjusting Quarter 2 (or later) and not making any increase or decrease to the employer share of social security tax or to any of the new COVID-related lines that were added to the Quarter 2 Form 941, the IRS strongly recommends not using the existing Form 941-X, but rather waiting for the new Form 941-X revision to be released.
 3. If adjusting Quarter 2 (or later) and making any increase or decrease to the employer share of social security tax, or to any of the new COVID-related lines, do not use the existing Form 941-X; instead, wait for the new Form 941-X revision.
 4. Please do not send a Form 941 with “Amended” (or similar notation) written on the form.
 5. If you have already done either of 3-4 above, wait for correspondence to find out if the IRS was able to process the tax return or had to reject it. Given the backlog of paper forms and correspondence due to COVID-19, the IRS is unable to estimate when correspondence will go out.

Questions?

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