



# Instructions for Form 940-EZ

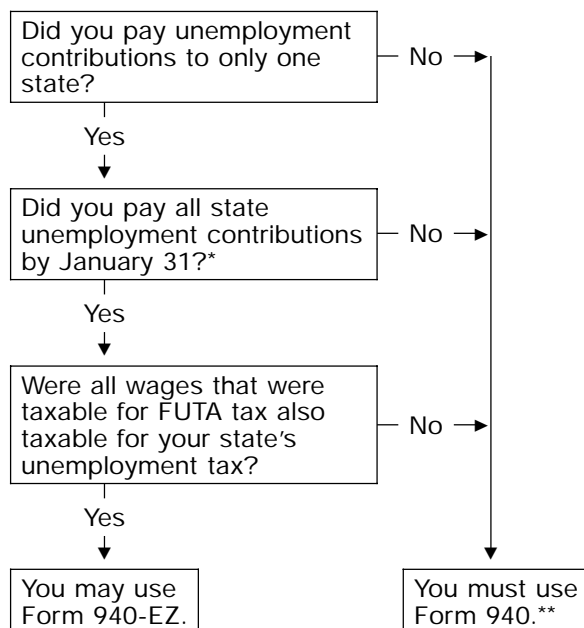
## Employer's Annual Federal Unemployment (FUTA) Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

### General Instructions

#### Who May Use Form 940-EZ

The following chart will lead you to the right form to use. However, **do not** file Form 940-EZ if you have already filed Form 940 for 1999.



\*If you deposited all FUTA tax when due, you may answer "Yes" if you paid all state unemployment contributions by February 10.

\*\*Get Form 940 and the 1999 Instructions for Form 940 by calling the IRS at 1-800-TAX-FORM (1-800-829-3676) or by visiting the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov).

Also, **do not** file Form 940-EZ if—

- You owe FUTA tax **only** for household work in a private home. See **Household employers** on page 2.
- You are a **successor employer** claiming a credit for state unemployment contributions paid by a prior employer. File Form 940.

#### Items To Note

**FUTA rate.** The (net) FUTA rate of .8% (FUTA tax rate of 6.2% less state credit of 5.4%) is shown as .008 on line 6 of Form 940-EZ. If you qualify to file Form 940-EZ, you

are entitled to the full 5.4% state credit regardless of your actual experience rate.

**New electronic deposit requirement.** Beginning January 1, 2000, the following changes have been made to the electronic deposit requirement:

- The threshold that determines whether you must use the Electronic Federal Tax Payment System (EFTPS) has been increased from \$50,000 to \$200,000.
- **All** Federal tax deposits (such as deposits for employment tax, excise tax, and corporate income tax) made during a calendar year are combined to determine whether you exceeded the \$200,000 threshold. If the total of your Federal tax deposits made in 1998 exceeded \$200,000, you must use EFTPS beginning January 1, 2000.
- Participation in EFTPS is voluntary if your deposits do not exceed the new \$200,000 threshold, even if you were required to electronically deposit under the previous \$50,000 threshold. However, businesses that exceed the new \$200,000 threshold must continue to use EFTPS in all later years.
- The waiver of the penalty for failure to use EFTPS, scheduled to expire on July 1, 1999, has been extended to January 1, 2000, for taxpayers whose total Federal tax deposits in 1998 did not exceed the new \$200,000 threshold. However, taxpayers will remain liable for penalties if a deposit is not made in the required manner.

To enroll in EFTPS, call 1-800-945-8400 or 1-800-555-4477. For general information about EFTPS, call 1-800-829-1040. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS.

**State unemployment information.** Employers must contact their state unemployment tax offices to receive their state reporting number, state experience rate, and details about their state unemployment tax obligations.

#### Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1-800-THE-LOST** (1-800-843-5678) if you recognize a child.

## Purpose of Form

Use Form 940-EZ (or 940) to report your annual Federal Unemployment Tax Act (FUTA) tax. FUTA tax, together with state unemployment systems, provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both Federal and state unemployment taxes. **Only the employer pays this tax.** Do not collect or deduct it from your employees' wages. The tax applies to the first \$7,000 you pay each employee in a year. The \$7,000 amount is the Federal wage base. Your state wage base may be different.

## When To File

File Form 940-EZ for 1999 by January 31, 2000. However, if you deposited all FUTA tax when due, you may file on or before February 10, 2000. Your return will be considered timely filed if it is properly addressed and mailed First Class or sent by an IRS designated delivery service by the due date. See **Circular E**, Employer's Tax Guide (Pub. 15), for a list of designated delivery services. Also see **Where To File** below.



*Private delivery services cannot deliver items to P.O. boxes.*

## Who Must File

Except as noted below, you must file if Test 1 **or** Test 2 below applies.

**Test 1.** You paid wages of \$1,500 or more in any calendar quarter in 1998 or 1999.

**Test 2.** You had one or more employees for at least some part of a day in any 20 or more different weeks in 1998 or 20 or more different weeks in 1999.

Count all regular, temporary, and part-time employees. A partnership should not count its partners. If a business changes hands during the year, each employer who meets Test 1 or 2 must file. **Do not** report wages paid by the prior (or subsequent) employer.

**Household employers.** File a FUTA tax return **ONLY** if you paid total cash wages of \$1,000 or more (for all household employees) in any calendar quarter in 1998 or 1999 for household work in a private home, local college club, or local chapter of a college fraternity or sorority. Individuals, estates, and trusts that owe FUTA tax for **household work** in a private home, in most cases, must file **Schedule H (Form 1040)**, Household Employment Taxes, instead of Form 940 or 940-EZ. See the **Instructions for Household Employers.**

In some cases, such as when you employ both household employees and other employees, you may choose to report social security, Medicare, and withheld Federal income taxes for your household employee(s) on **Form 941**, Employer's Quarterly Federal Tax Return, or **Form 943**, Employer's Annual Tax Return for Agricultural Employees, instead of on Schedule H. If you choose to report on Form 941 or 943, you must use Form 940 or 940-EZ to report FUTA tax.

**Agricultural employers.** File a FUTA tax return if either 1 **or** 2 below applies:

1. You paid cash wages of \$20,000 or more to farmworkers during any calendar quarter in 1998 or 1999 or

2. You employed 10 or more farmworkers during some part of a day (whether or not at the same time) during any 20 or more different weeks in 1998 or 20 or more different weeks in 1999.

Count wages paid to aliens admitted on a temporary basis to the United States to perform farmwork, also known as workers with "H-2(A)" visas, to see if you meet either 1 or 2 above. However, wages paid to H-2(A) visa workers are not subject to FUTA tax.

**Nonprofit organizations.** Religious, educational, charitable, etc., organizations described in section 501(c)(3) and exempt from tax under section 501(a) are not subject to FUTA tax and are not required to file.

**State and local government employers.** Wages paid to state or local government employees are not subject to FUTA tax.

## Where To File

In the list below and on page 3, find the location where your legal residence, principal place of business, office, or agency is located. Send your return to the **Internal Revenue Service** at the address listed for your location. No street address is needed.



*Where you file depends on whether or not you are including a payment.*

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Florida, Georgia, South Carolina

**Return without payment:**

Atlanta, GA 39901-0047

**Return with payment:**

P.O. Box 105659  
Atlanta, GA 30348-5659

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New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)

**Return without payment:**

Holtsville, NY 00501-0047

**Return with payment:**

P.O. Box 210  
Newark, NJ 07101-0210

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New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

**Return without payment:**

Andover, MA 05501-0047

**Return with payment:**

P.O. Box 371324  
Pittsburgh, PA 15250-7324

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Illinois, Iowa, Minnesota, Missouri, Wisconsin

**Return without payment:**

Kansas City, MO 64999-0047

**Return with payment:**

P.O. Box 970010  
St. Louis, MO 63197-0010

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Delaware, District of Columbia, Maryland, Pennsylvania, Puerto Rico, Virginia, U.S. Virgin Islands

**Return without payment:**

Philadelphia, PA 19255-0047

**Return with payment:**

P.O. Box 8738  
Philadelphia, PA 19162-8738

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Indiana, Kentucky, Michigan, Ohio, West Virginia

**Return without payment:**

Cincinnati, OH 45999-0047

**Return with payment:**

P.O. Box 6796  
Chicago, IL 60680-6796

Kansas, New Mexico, Oklahoma, Texas

**Return without payment:**

Austin, TX 73301-0047

**Return with payment:**

P.O. Box 970017  
St. Louis, MO 63197-0017

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming

**Return without payment:**

Ogden, UT 84201-0047

**Return with payment:**

P.O. Box 7028  
San Francisco, CA 94120-7028

California (all other counties), Hawaii

**Return without payment:**

Fresno, CA 93888-0047

**Return with payment:**

P.O. Box 60150  
Los Angeles, CA 90060-0150

Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee

**Return without payment:**

Memphis, TN 37501-0047

**Return with payment:**

P.O. Box 1210  
Charlotte, NC 28201-1210

If the location of your legal residence, principal place of business, office, or agency is not listed above

**All Returns:**

Philadelphia, PA 19255-0047



Be sure to enter your state reporting number on line B(2) at the top of the form. The IRS needs this to verify your state contributions.

## Depositing FUTA Tax

Although Form 940-EZ covers a calendar year, you may have to make deposits of the tax before filing the return. Generally, deposit FUTA tax quarterly if your FUTA tax exceeds \$100. Determine your FUTA tax for each of the first three quarters by multiplying by .008 that part of the first \$7,000 of each employee's annual wages you paid during the quarter.

**When to deposit.** If your FUTA tax for any of the first three quarters of 1999 (plus any undeposited amount of \$100 or less from any earlier quarter) is over \$100, deposit it by the last day of the month after the end of the quarter. If it is \$100 or less, carry it to the next quarter; a deposit is not required. If your FUTA tax for the fourth quarter (plus any undeposited amount from any earlier quarter) is over \$100, deposit the entire amount by January 31, 2000. If it is \$100 or less, you can either make a deposit or pay it with your Form 940-EZ by January 31. (If you deposit it by January 31, you may file Form 940-EZ by February 10, 2000.)

The deposit due dates are shown in the following chart:

| If undeposited FUTA tax is over \$100 on— | Deposit it by— |
|---|----------------|
| March 31 .....                            | April 30       |
| June 30 .....                             | July 31        |
| September 30 .....                        | October 31     |
| December 31 .....                         | January 31     |

## Amended Returns

Use a new Form 940-EZ to amend a previously filed Form 940-EZ. Check the Amended Return box above Part I. Enter all amounts that should have been on the original return, and sign the form. Attach an explanation of the reasons for the amended return. File the amended return with the Internal Revenue Service Center where you filed the original return.

If you were required to file Form 940 but filed Form 940-EZ instead and you must correct an error, file the amended return on Form 940. See the **Instructions for Form 940**.

## Credit for Contributions Paid to a State Fund

You get a credit for amounts you pay to a state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) unemployment fund by January 31, 2000 (or February 10, 2000, if that is your Form 940-EZ due date). This credit is reflected in the FUTA tax rate of .008 shown on line 6. See **FUTA rate** on page 1.

"Contributions" are payments that a state requires an employer to make to its unemployment fund for the payment of unemployment benefits. However, contributions **do not** include:

- Any payments deducted or deductible from your employees' pay.
- Penalties, interest, or special administrative taxes not included in the contribution rate the state assigned to you.
- Voluntary contributions you paid to get a lower assigned rate.



If any deposit due date falls on a Saturday, Sunday, or legal holiday, you may deposit on the next business day.

**How to deposit.** If you are not required to use EFTPS (see **New electronic deposit requirement** on page 1), use **Form 8109**, Federal Tax Deposit Coupon, when you make each tax deposit. The IRS will send you a book of deposit coupons when you apply for an employer identification number (EIN). Follow the instructions in the coupon book. If you do not have Form 8109, see section 11 in Circular E.

Make your deposits with an authorized financial institution (e.g., a commercial bank that is qualified to accept Federal tax deposits) or the Federal Reserve bank for your area. To avoid a possible penalty, do not mail deposits directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

## Not Liable for FUTA Tax?

If you receive Form 940-EZ and are not liable for FUTA tax for 1999, write "Not Liable" across the front of the form, sign the form, and return it to the IRS.

## Penalties and Interest

Avoid penalties and interest by making tax deposits when due, filing a correct return, and paying all taxes when due. There are penalties for late deposits, insufficient deposits, failure to deposit using EFTPS (when required), and late filing unless you can show reasonable cause. If you file

late, attach an explanation to the return. There are also penalties for willful failure to pay tax, make returns, and for filing false or fraudulent returns.

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## Specific Instructions

You must complete lines A and B and Part I. If your FUTA tax (line 6) is over \$100, you must also complete Part II. Please remember to sign the return.

**Employer's name, address, and employer identification number (EIN).** If you are not using a preaddressed Form 940-EZ, type or print your name, trade name, address, and EIN on the form.

If you do not have an EIN, apply for one on **Form SS-4**, Application for Employer Identification Number. If you do not have an EIN by the time a return is due, write "Applied for" and the date you applied for the number.

**Line A.** Enter the amount of your state unemployment contributions for 1999 that you paid by January 31, 2000 (or February 10, 2000, if that is your Form 940-EZ due date). If your state has given you a 0% experience rate so there are no required contributions, enter "0% rate".

**Line B(1).** Enter the state where you pay state unemployment contributions. **If you pay to more than one state, you must file Form 940.**

**Line B(2).** Enter your state reporting number.

**Final return.** If you will not have to file Form 940 or 940-EZ in the future, check the box on the line below line B(2) and complete and sign the return. If you start paying FUTA wages again, file Form 940 or 940-EZ.

## Part I — Taxable Wages and FUTA Tax

**Line 1 — Total payments.** Enter the total payments (before any deductions) you made during the calendar year for services of employees, even if the payments are not taxable for FUTA tax. Include salaries, wages, commissions, fees, bonuses, vacation allowances, and amounts paid to temporary or part-time employees; the value of goods, lodging, food, clothing, and noncash fringe benefits; contributions to a 401(k) plan, payments to medical savings accounts (MSAs), payments under adoption assistance programs, and contributions to SIMPLE retirement accounts (including elective salary reduction contributions); section 125 (cafeteria) plan benefits; and sick pay (including third-party sick pay if liability is transferred to the employer). For details on sick pay, see **Pub. 15-A**, Employer's Supplemental Tax Guide. Report amounts deferred under a nonqualified deferred compensation plan at the later of (1) when services are performed or (2) when there is no substantial risk of forfeiture of the rights to the deferred amount. For details, see Regulations section 31.3306(r)(2)-1. Also, include tips of \$20 or more in a month reported to you by your employees.

Your method of payment does not determine whether payments are wages. Thus, you may pay wages hourly, daily, weekly, monthly, or yearly. You may pay wages for piecework or as a percentage of profits. You may pay wages in cash or some other way, such as goods, lodging,

food, or clothing. For items other than cash, use the fair market value when paid.

**Line 2 — Exempt payments.** The amounts reported on line 2 are exempt from FUTA tax. For FUTA tax purposes, "wages" and "employment" do not include every payment and every kind of service an employee may perform. In general, payments excluded from wages and payments for services excepted from employment are not subject to FUTA tax. **Do not** enter payments over \$7,000 for each employee that you enter on line 3.

You may deduct exempt payments from total payments only if you explain them on line 2. Amounts that may be exempt from your state's unemployment tax may not be exempt from FUTA tax. For example, corporate officers' wages are **not** exempt from FUTA tax even though your state may exempt those wages from its unemployment tax.

Enter payments for services such as the following on line 2. These payments also must be entered on line 1.

1. Agricultural labor if you did not meet either 1 or 2 under **Agricultural employers** on page 2 and **all** payments to H-2(A) visa workers.

2. Benefit payments for sickness or injury under a workers' compensation law.

3. Household service if you did not pay total cash wages of \$1,000 or more in any calendar quarter in 1998 or 1999.

4. Certain family employment. (See section 3 in Circular E.)

5. Certain fishing activities. (See **Pub. 595**, Tax Highlights for Commercial Fishermen.)

6. Noncash payments for farmwork or household services in a private home. Only cash wages paid to these workers are taxable.

7. Value of certain meals and lodging. (See section 5 in Circular E.)

8. Cost of group-term life insurance.

9. Payments attributable to the employee's contributions to a sick-pay plan.

10. Employer contributions to a SIMPLE retirement account (other than elective salary reduction contributions).

11. Employer payments to a medical savings account (MSA).

12. Benefits excludable under a section 125 (cafeteria) plan.

13. Certain statutory employees. (See section 1 in Pub. 15-A.)

14. Services performed by an inmate of a penal institution.

15. Employer reimbursements (including payments to a third party) for qualified moving expenses, to the extent such expenses would otherwise be deductible by the employee. (See **Pub. 521**, Moving Expenses.)

16. Any other exempt service or pay.

For more information, see section 15 in Circular E or section 16 in **Circular A**, Agricultural Employer's Tax Guide (Pub. 51).

**Line 3 — Payments of more than \$7,000 for services.** Enter the total amounts over \$7,000 you paid each employee during 1999. For example, if you have 10 employees and paid each \$8,000 during the year, enter \$80,000 on line 1 and \$10,000 on line 3. **Only the first \$7,000 paid to each employee is subject to FUTA tax. Do not use the state wage base for this entry. The state wage base may be different from the Federal wage base of \$7,000. Do not include any exempt payments from line 2 in figuring the \$7,000.**

**Line 8 — Balance due.** Make your check or money order payable to the "United States Treasury". Write your EIN, "Form 940-EZ", and "1999" on your check or money order. Enter the amount of the payment on Form 940-EZ(V) at the bottom of Form 940-EZ. If the employer information is not preprinted on the payment voucher, enter the requested information. If the amount on line 8 is under \$1, you do not have to pay it. For payments over \$100, see **Depositing FUTA Tax** on page 3.

**Line 9 — Overpayment.** If the amount on line 9 is under \$1, we will send a refund or apply it to your next return only on written request.

## Part II — Record of Quarterly Federal Unemployment Tax Liability

**Complete this part only if your FUTA tax on line 6 is over \$100.** To figure your FUTA tax for each quarter, multiply by .008 that part of the first \$7,000 of each employee's annual wages you paid during the quarter. Enter the result in the space for that quarter. Your "Total for year" must equal your total FUTA tax shown on line 6.

Record your FUTA tax based on when you pay wages, not on when you deposit it. For example, if you pay wages on March 29, your FUTA tax on those wages is \$200, and you deposit the \$200 on April 30, you would record that \$200 in the first quarter, not in the second.

**Example.** You had two employees and paid each employee \$4,000 in the first quarter, \$5,000 in the second quarter, \$5,000 in the third quarter, and \$5,000 in the fourth quarter. For the first quarter, multiply  $.008 \times \$8,000$  (the amount paid to both employees), and enter \$64 in the space for the first quarter. For the second quarter, multiply  $.008$  only by \$6,000 (\$3,000 for each employee — the

amount remaining to reach the \$7,000 maximum amount subject to FUTA tax for each employee), and enter \$48 in the space for the second quarter. Because you paid each employee more than \$7,000 by the end of the second quarter, enter zero in the space for the third and fourth quarters. Enter \$112 in the "Total for year" space.

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### Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Chapter 23, Federal Unemployment Tax Act, of Subtitle C, Employment Taxes, of the Internal Revenue Code imposes a tax on employers with respect to employees. This form is used to determine the amount of the tax that you owe. Section 6011 requires you to provide the requested information if you are liable for FUTA tax under section 3301. Section 6109 requires you to provide your employer identification number (EIN).

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

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 section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 hr., 23 min.; **Learning about the law or form**, 58 min.; **Preparing and sending the form to the IRS**, 59 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the form to this office. Instead, see **Where To File** on page 2.