

# PAYROLL

## LOCAL CHURCH TAX REPORTING REQUIREMENTS

### 1. PAYROLL TAXES FOR CHURCHES

A. Withhold taxes on staff employees, file forms and comply with deposit requirements

1. Federal Social Security (NO CLERGY WITHHOLDING)
2. Federal Income Tax (NO **REQUIRED** CLERGY WITHHOLDING)  
At the request of the clergy, the employer may withhold income tax for that clergy, pursuant to a Form W-4 and state equivalent of federal Form W-4. (Keep W-4 forms on file).
3. State income tax withholding (requirements vary from state to state)

**There is no mandatory federal income tax withholding for clergy; income tax withholding can be done at clergy request, but Social Security is never to be withheld for clergy.**

B. Quarterly Filing Requirements (April 30, July 31, October 31 and January 31 for the first, second, third and fourth quarters)

1. Form 941 - Federal
2. State equivalent form (may vary from state to state)

**See separate memo on Form 941 Filing Requirements - clergy compensation is shown on 941 but no information on Social Security and Medicare wages and withholding.**

C. Annual Filing Requirements

1. January 31: Form W-2 must be given to employees.
2. February 28: Form W-3 must be filed with the Social Security Administration.

(Note: W-2 and W-3 filings can be made electronically in some cases. See the Social Security Administration website at [www.ssa.gov](http://www.ssa.gov) for more details.)

3. State filing requirements vary from state to state.

### 2. FILING REQUIREMENTS FOR PAYMENTS TO SELF-EMPLOYED INDIVIDUALS (Such as independent contractors supplying repair or other services to the church)

- A. January 31: Form 1099-MISC must be given to individuals (who receive compensation of \$600 or more).
- B. February 28: Form 1099-MISC must be filed with the IRS
- C. February 28: File Form 1096 with the IRS together with the 1099-MISC forms.

## **FORM 941 FILING REQUIREMENTS**

Internal Revenue Service Form 941 is the Employer's Quarterly Federal Tax Return. The first report for the year must be filed by April 30 (for the pay period ending March 31). Subsequent filing dates are July 31, October 31 and January 31. Form 941 reports the number of employees, the amount of Social Security and Medicare wages and taxes, as well as the income taxes, which are withheld in each quarterly period. You have already been filing the Form 941 if you currently have an employee(s).

It is the position of the Internal Revenue Service that a church which has only a minister (and no other staff) need not file a Form 941 (see letter from the IRS to GCFA in this tax packet). However, if the minister should file a Form W-4, electing to have voluntary income tax withholding, Form 941 is required. Any amounts withheld are reported as income tax on Line 3.

### **General Instructions for Filing Form 941**

*(Note: complete instructions on filing Form 941 are available at the IRS website, [www.irs.gov](http://www.irs.gov).)*

Make checks payable to "United States Treasury".

File only one form per quarter, even if your church has multiple locations or divisions

Make dollar entries without the dollar sign and comma — 1000.00; show negative amounts in parentheses (1000.00).

Line 1 is for the number of employees.

Line 2 is for the total amount of quarterly wages, tips and other compensation paid to all employees that are subject to federal income tax. The total compensation should **not** include salary reduction pension contributions, any housing or utility allowance, or accountable reimbursement policy payments. Health insurance premiums paid by the church are also excluded. Taxable fringe benefits and travel or other allowances are includable as income.

For Lines 6 and 7, there is no information reported for clergy, as the church must not do any Social Security or Medicare withholding on behalf of clergy. Because of specific code provisions, clergy are always considered self-employed for Social Security taxes. If there is no other staff withholding, these boxes should be left blank.

The box in Line 8 should not be checked (unless none of the payments are subject to Social Security taxes).

Reconcile your year-to-date wage and tax information with the Form 941 that you just filed. This should be done every quarter.

Show employee earnings only up to the Social Security taxable wage base.

Questions have arisen about whether the IRS will be concerned that Social Security and Medicare taxes withheld on Lines 6 and 7 (which **must not** include any withholding

for clergy) are inconsistent with the compensation paid (which **does** include clergy salary). IRS officials have stated that IRS computers should not identify these disparities. However, should such an inquiry arise, you should inform the IRS that clergy are considered self employed for Social Security taxes for services performed in the exercise of ministry under Internal Revenue Code § 3121(b)(8)(A).

### **TIPS FOR RECONCILIATION**

Here are some tips to make the year-end process run of 941s and W-2s as error-free and smooth as possible:

Review all wage and tax categories. Then, prior to processing your W-2s and 941s, verify that all general ledger liability accounts balance.

### **WHAT TO LOOK FOR**

Remember any mid-year changes made in salary reduction pension contributions, housing allowances, accountable reimbursement plans or employer/employee tax withholding accounts. Be prepared to make correcting journal entries for out of balance situations caused by mid-year or year-end adjustments.

Complete your fourth-quarter 941 first, then prior to distributing the W-2s, balance the 941 totals against the W-2s.

### **WHAT TO BALANCE — SOCIAL SECURITY AND MEDICAL TIPS AND WAGES (FOR LAY EMPLOYEES) AND FEDERAL INCOME TAX WITHHELD**

If there are any inconsistencies, you can correct them promptly.

Do a preliminary run of the W-2s on plain paper and verify the totals against your annual reconciliation worksheet.

*The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice.*



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF  
CHIEF COUNSEL

JUN - 9 1997

David A. Ullrich, Esq.  
Associate General Counsel  
General Council on Finance  
and Administration  
The United Methodist Church  
1200 Davis Street  
Evanston, IL 60201-4193

Dear Mr. Ullrich:

This is in response to your letter of February 25, 1997. Specifically, you have asked for confirmation that a United Methodist church with one minister and no other staff is not required to file a Form 941.

If the minister is the church's only employee, the church is not required to file Form 941 because ministers are exempt from income tax withholding and are treated as self-employed for Federal Insurance Contributions Act (FICA) tax purposes. Therefore, unless the church has other employees or the minister has elected voluntary income tax withholding, no Form 941 is required.

We hope you find this information helpful.

Sincerely,

*Jerry E. Holmes*

JERRY E. HOLMES  
Chief, Branch 2  
(Employee Benefits and  
Exempt Organizations)

## INFORMATION FOR COMPLETING FORM W-2 FOR CLERGY

The purpose of this document is to give some general information on completing Form W-2 for clergy. More specific instructions on completing Form W-2 are available at the IRS website ([www.irs.gov](http://www.irs.gov)).

**Box A**, Control Number does not have to be completed.

**Box B** is the Employer Identification Number. Each local church (or charge) should have its own Employer Identification Number (EIN). Employer Identification Numbers can be obtained by filing IRS Form SS-4.

**Box C, D, E & F** are self-explanatory.

**Box 1** contains certain items of compensation paid by the church. Set forth below are two lists, one for items that are reported in box 1 and the other for items that are not reported in box 1.

### ITEMS WHICH NEED TO BE REPORTED IN BOX 1

1. Salary, wages and bonuses
2. Most gifts which are paid through a church account
3. Allowances (other than the housing allowance) must be reported as well as reimbursements which are made under a non-Accountable Reimbursement Policy.
4. If a per diem arrangement is used, payments in excess of IRS rates
5. If the standard mileage rate is used, any amounts in excess of those rates (If the IRS rate was \$.345 per mile and a pastor were paid \$.36 per mile, the difference, \$.015 per mile, would have to be reported here.)
6. Taxable fringe benefits, the most common are:
  - a. the cost of employer-provided group term life insurance that exceeds \$50,000 (Note: This applies to the \$50,000 CPP death benefit together with any PPP death benefit or policy purchased by either the church or provided through an annual conference group plan. Conference treasurers or pension officers will need to supply information from conference plans. (If the total insurance coverage does not exceed \$50,000, the cost of such coverage is not reported.)

- b. The value of the personal use of a church-provided automobile;
- 7. A social security allowance (or any portion of the minister's self-employment taxes paid by the church)
- 8. Reimbursements of non-qualified moving expenses (typically, a move less than 50 miles)

#### ITEMS NOT REPORTED IN BOX 1

- 1. Salary reduction contributions to the Board of Pensions and Health Benefits 403(b) Plan or other qualified plans
- 2. Properly designated (in advance) housing and utility allowance
- 3. Qualified health and medical plan premium payments
- 4. Reimbursement of business expenses under an Accountable Reimbursement Policy
- 5. Payments under a qualified salary reduction plan — for medical reimbursement accounts or dependent care assistance
- 6. Excludable Fringe Benefits:
  - a. Term life insurance (up to \$50,000 of life insurance coverage or CPP or BPP death benefit)
  - b. Qualified tuition payments
  - c. Qualified moving expenses

**Box 2**, the local church is not required to do any federal income tax withholding for clergy. However, some clergy may wish to request voluntary withholding by filing a Form W-4 with the church. Through voluntary income tax withholding, clergy may avoid the need to pay quarterly estimated taxes.

**Box 3, 4, 5 & 6** are left blank for clergy. Clergy are defined as self-employed for Social Security or SECA purposes (under the Internal Revenue Code Section 3121 (b)(8)(A)). The church should not report Social Security/Medicare wages and must not do any Social Security/Medicare tax withholding. Any Social Security tax withholding done erroneously by the church (which comes from church funds) is additional reportable income to the pastor. If the church wishes to assist the pastor in paying all or a portion of his Social Security taxes, it should add an additional amount to the wages paid to the pastor.

**Box 7, 8 & 9** are not applicable.

**Box 10** would include any dependent care benefits that are paid.

**Box 11** does not apply for most clergy. Amounts contributed to plans administered by the GBPHB or other 403(b) plans should not be included in this box. However, if a pastor is a participant in some other (non-qualified) plan, amounts may need to be reported here.

**Box 12** is to be used to show codes and amounts of benefits or contributions for clergy. (See the IRS Form W-2 instructions for a complete list of codes.) The following codes are the most relevant for clergy:

1. **Code C** — If the pastor is provided more than \$50,000 in CPP and BPP death benefits or group term life insurance, you need to show the premiums attributed to benefits *in excess* of \$50,000. If CPP and BPP together provide more than \$50,000 in death benefits, the General Board of Pension and Health Benefits will supply this information on request to your conference treasurer who, in turn, should make this available to the local church. If the pastor has served more than one church during the year, typically this information is only included in the W-2 of the last church served.
2. **Code E** — 403(b) employee salary reduction contributions
3. **Code P** — Qualified moving expense reimbursements paid directly to the employee.

**Box 13** is checked if the pastor is a participant in the church retirement plan(s)

**Box 14** may be used for additional reporting. You may include information on a housing allowance or utility allowance here. If the church does not put that information here, the church should independently tell the pastor these amounts.

**Box 16—20** state and local tax information — states and municipalities vary on what items are deducted from gross wages.

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## Example of Form W-2 for Clergy

This is an example of how to fill out a Form W-2 for Rev. Sue Service. Rev. Service has a salary of \$25,000 from the local church. Rev. Service is provided a parsonage and the church pays a \$1,500 housing (parsonage/utility) allowance to her pursuant to an estimate of such expenses and a properly adopted resolution (this is in addition to her \$25,000 salary). The parsonage allowance is not included as income in Box 1 on Form W-2 but it may be reported in box 14. If the church does not report the amount in box 14, it should report it independently to the pastor because this amount must be included in self-employment (Social Security) earnings (along with the fair rental value of the parsonage).

Rev. Service receives a non-accountable travel allowance of \$3,000. This entire sum is included as income and must be added to her \$25,000 salary, giving a total of \$28,000 in income from the church.

There is also an accountable reimbursement policy for other professional business expenses in the amount of \$2,500. None of this amount is reported on the Form W-2. (Note: travel/vehicle expenses can be handled by an accountable reimbursement policy as well but that would be in lieu of a travel allowance).

The local church makes a Ministerial Pension Plan (MPP) contribution of \$2,750. This is not reported as income. There is a 403(b) pension contribution of \$500 by the church, out of the pastor's salary, to the pastor's personal account and that amount is treated as an after-tax contribution which does not reduce income. Additionally, the pastor made a voluntary 403(b) salary reduction (pre-tax) contribution of \$900. This voluntary contribution reduces her reportable income from \$28,000 to \$27,100. (Note in box 13, the Retirement Plan box should be checked.)

Rev. Service has not requested any voluntary federal income tax withholding by the church but rather has assumed the obligation of making quarterly estimated payments.

The church pays (*out of the church's own budget, and not as a salary reduction*) a medical insurance premium under the conference plan in the amount of \$3,000, which is not reportable income.

**Box 1** of Form W-2 reports wages and tips of \$27,100, consisting of the salary and the travel allowance (less the pension salary reduction contribution). (If the minister wishes to take deductions for the travel expenses, those deductions must be taken on Schedule A as opposed to Schedule C.) None of the accountable reimbursement amount is included in Box 1 and these expenses are not reported on the minister's tax return.

### Reportable Income Items

Cash salary (which includes the personal pension contribution of \$500)	\$25,000.00
Travel allowance	3,000.00
Value (if any) of life insurance provided in excess of \$50,000 under CPP	—

### Reductions of Income (before tax)

Salary reduction for pension plan	900.00
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### Non Reportable Funds

Accountable reimbursement policy for business expenses	2,500.00
Parsonage allowance (for utilities for the parsonage)	1,500.00
Medical insurance premium	3,000.00
Ministerial Pension Plan (MPP)	2,750.00

**Box 2** is not completed, as Rev. Service did not choose to have any voluntary income tax withholding, but rather paid estimated taxes directly. If the church withheld income taxes pursuant to a filed Form W-4, such amounts would be reported here.

**Box 3-6** should *not* have any entries (leave blank, do *not* insert "0"s).

**Box 12** should show the code and amount reflecting the voluntary salary reduction contribution, in this case, E \$900. (If Rev. Service received the benefit of life insurance in excess of \$50,000, the amount of the premium would be included in box 1 and shown here together with the code letter C.)

**Box 13** should show an X in the box for Retirement Plan.

**Box 14** may include the housing allowance of \$1,500

**Box 16-20** should be completed according to your own state's requirements.

*The General Council on Finance and Administration is not engaged in providing legal or accounting services. The service of a competent professional should be sought for legal and tax advice. In addition, GCFA is not recommending any particular salary, housing allowance, or travel allowance. The examples here are merely illustrative.*

## **FORM W-3 REPORTING REQUIREMENTS**

The Form W-3 - Transmittal of Wage and Tax Statements must be filed annually by employers together with Copy A of the Forms W-2. Basically, the information contained in the Forms W-2 and Forms 941 (filed quarterly) are the basis for the information to be supplied on Form W-3. The Form W-3 must be filed with the Social Security Administration by February 28.

The employer should make sure the Form W-3 wage and withholding information agrees with the total amounts from the Forms W-2 and that the Form W-3 is reconciled with the quarterly Form 941 returns.

Note: According to the IRS instructions for Form W-3, in Box b – Kind of Payer, a church or church organization should check the “941” box even if it is not required to file Form 941 or Form 944 (for example, because the church staff consists of only the pastor).

For more complete information, refer to the Form W-3 instructions available at the IRS website ([www.irs.gov](http://www.irs.gov)).

# OVERVIEW

## PAYROLL TAXES:

Withhold payroll taxes for all staff employees, file forms and comply with deposit requirements.

1. **FEDERAL INCOME TAX:** Every employee must fill out form W-4 specifying the number of deductions he or she has for federal income tax purposes. Form I-9 should be filled out at the same time with photo identification and proof of social security number. **THERE IS NO REQUIRED WITHHOLDING FOR CLERGY.** At the specific request of the clergy person, the employer may withhold income tax for that clergy person, pursuant to a Form W-4 being filed. The local church should keep Form W-4 and Form I-9 on file at the Church.
2. **FEDERAL SOCIAL SECURITY TAX:** The current rate is .062 percent. **SOCIAL SECURITY IS NEVER TO BE WITHHELD FOR CLERGY.**
3. **FEDERAL MEDICARE TAX:** The current rate is .0145 percent. **FEDERAL MEDICARE TAX IN NEVER TO BE WITHHELD FOR CLERGY.**
4. **PENNSYLVANIA INCOME TAX WITHHOLDING:** The current rate is 3.07 percent. **PENNSYLVANIA WITHHOLDING IS NOT MANDATORY FOR CLERGY.**
5. **LOCAL TAX WITHHOLDING:** Local taxes vary by municipality. Each Church should contact its local taxing authority for specific requirements.

## QUARTERLY FILING REQUIREMENTS:

Both the Internal Revenue Service and the State of Pennsylvania require the filing of quarterly payroll tax returns. These returns are due April 30, July 31, October 31 and January 31 for the first, second, third and fourth quarters.

1. File form 941 with the Internal Revenue Service by the dates shown above. **IF A CLERGY PERSON IS THE ONLY PERSON ON THE PAYROLL, THE INTERNAL REVENUE**

**SERVICE DOES NOT REQUIRE THE CHURCH TO FILE FORM 941 UNLESS THE CLERGY PERSON HAS REQUESTED FEDERAL WITHHOLDING.**

2. File form 501 quarterly with the State of Pennsylvania by the dates shown above.
3. Local filing requirements vary by municipality

**ANNUAL FILING REQUIREMENTS:**

1. Form W-2 must be given to all employees by January 31 of the next year. The employee should receive a copy for the Internal Revenue Service, State of Pennsylvania, local taxing authority (if required), and his personal file.
2. Form W-3 with copies of all forms W-2 must be filed with the Social Security Administration by February 28 of the next year. (The W-3 for 2006 is due on February 28, 2007.)
3. Pennsylvania requires that the year end reconciliation with all forms W-2 be filed on Form 1667 by January 31 of the next year. (The 2006 Form 1667 is due by January 31, 2007.)
4. Local filing requirements vary by municipality.

**PAYMENT TO SELF-EMPLOYED INDIVIDUALS:**

This section refers to any individual or company to whom you pay \$600.00 or more during the calendar year.

1. Any individual, independent contractor or company to whom you make payments is required to fill out Form W-9. These forms are kept on file at the Church.
2. Form 1099-MISC must be given to individuals or companies who receive compensation from you in a calendar year of \$600.00 or more. **NOTE: IT IS NOT NECESSARY TO SEND A CORPORATION FORM 1099, BUT A FORM W-9 SHOULD BE KEPT ON FILE TO SHOW THE PAYEE'S STATUS AS A CORPORATION.**
3. All Forms 1099-MISC must be filed with the Internal Revenue Service by February 28. Form 1096 must be attached to the 1099-MISC forms.

## **UNEMPLOYMENT TAXES:**

As religious organizations, all United Methodist Church are exempt from paying Federal and Pennsylvania unemployment taxes.

All employees should be made aware that the Church is exempt from these taxes and that they will be unable to collect unemployment when they resign or are terminated.

# FORM 941 FILING REQUIREMENTS

Internal Revenue Service Form 941 is the Employer's Quarterly Federal Tax Return. The first report for the year must be filed by April 30 (for the pay period ending March 31). Subsequent filing dates are July 31, October 31 and January 31. Form 941 reports the number of employees, the amount of Social Security and Medicare wages and taxes, as well as the income taxes which are withheld in each quarterly period. You have already been filing Form 941 if you currently have an employee(s).

It is the position of the Internal Revenue Service that a church which has only a minister (and no other staff) need **NOT** file a Form 941. However, if the minister should file a Form W-4, electing to have voluntary income tax withholding, Form 941 is required. Any amounts withheld are reported as **INCOME TAX** on Line 3.

If a Church is part of a charge, all tax filing requirements apply to the church that actually issues the payroll checks.

Make dollar entries without the dollar sign and comma --- 1000.00; show negative amounts in parentheses (1000.00).

## SPECIFIC INSTRUCTIONS FOR FORM 941

A sample quarterly payroll report and sample Form 941 are shown on the next two pages for your reference. Remember to use the preprinted Form 941 mailed to you by the Internal Revenue Service. If you are not using the preprinted form for any reason fill in the boxes at the top of the page with your Federal Employer Identification Number, Church name and address, and the quarter for which you are filing this return.

LINE 1: Enter the number of employees. (Sample = 5)

LINE 2: Enter the total wages for all employees. (Sample = 20500.00)

LINE 3: Enter total income tax withheld. (Sample = 1500.00)

LINE 5A: Enter total taxable social security wages and calculate tax due. **NOTE THAT THE PASTOR'S SALARY IS NOT INCLUDED IN THESE WAGES.** (In the sample column 1 = 12500.00 and column 2 = 1550.00.(12500 X .124))

LINE 5C: Enter the total taxable medicare wages and calculate tax due. **NOTE THAT THE PASTOR'S SALARY IS NOT INCLUDED IN THESE WAGES.** (In the sample column 1 = 12500.00 and column 2 = 362.50 (12500 X .029)).

LINE 5D: Add the amounts in column 2 of Line 5A and 5C. (Sample = 1912.50).

**ANY UNITED METHODIST CHURCH**  
**QUARTERLY PAYROLL SUMMARY**

**March 31, 2006**

NAME	SALARY	HOUSING ALLOWANCE	INCOME TAX	SOCIAL			PENNA TAX	LOCAL TAX	NET WAGES
				SECURITY TAX	MEDICARE TAX				
SECRETARY	\$4,500.00		\$360.00	\$279.00	\$65.25	\$138.15	\$45.00	\$3,612.60	
CUSTODIAN	\$4,000.00		\$320.00	\$248.00	\$58.00	\$122.80	\$40.00	\$3,211.20	
ORGANIST	\$1,500.00		\$120.00	\$93.00	\$21.75	\$46.05	\$15.00	\$1,204.20	
YOUTH DIRECTOR	\$2,500.00		\$200.00	\$155.00	\$36.25	\$76.75	\$25.00	\$2,007.00	
SUBTOTAL	\$12,500.00	\$0.00	\$1,000.00	\$775.00	\$181.25	\$383.75	\$125.00	\$10,035.00	
PASTOR	\$8,000.00	\$1,500.00	\$500.00			\$245.60	\$80.00	\$8,674.40	
GRAND TOTAL	\$20,500.00	\$1,500.00	\$1,500.00	\$775.00	\$181.25	\$629.35	\$205.00	\$18,709.40	

Form **941 for 2006: Employer's QUARTERLY Federal Tax Return**  
 (Rev. January 2006) Department of the Treasury — Internal Revenue Service

990106

OMB No. 1545-0029

(EIN) Employer identification number **1 2 - 3 4 5 6 7 8 9**

Name (not your trade name) **ANY UNITED METHODIST CHURCH**

Trade name (if any) \_\_\_\_\_

Address **123 MAIN STREET**  
 Number Street Suite or room number

**ANYTOWN** **PA** **15999**  
 City State ZIP code

**Report for this Quarter ...**  
 (Check one.)

1: January, February, March

2: April, May, June

3: July, August, September

4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

**Part 1: Answer these questions for this quarter.**

1 Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4) **5**

2 Wages, tips, and other compensation **20500 .00**

3 Total income tax withheld from wages, tips, and other compensation **1500 .00**

4 If no wages, tips, and other compensation are subject to social security or Medicare tax . . .  Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	<b>12500 .00</b>	$\times .124 =$	<b>1550 .00</b>
5b Taxable social security tips	<b>.</b>	$\times .124 =$	<b>.</b>
5c Taxable Medicare wages & tips	<b>12500 .00</b>	$\times .029 =$	<b>362 .50</b>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)			<b>1912 .50</b>
6 Total taxes before adjustments (lines 3 + 5d = line 6)			<b>3412 .50</b>

7 TAX ADJUSTMENTS (Read the instructions for line 7 before completing lines 7a through 7h.):

7a Current quarter's fractions of cents . . . . . **.**

7b Current quarter's sick pay . . . . . **.**

7c Current quarter's adjustments for tips and group-term life insurance . . . . . **.**

7d Current year's income tax withholding (attach Form 941c) . . . . . **.**

7e Prior quarters' social security and Medicare taxes (attach Form 941c) . . . . . **.**

7f Special additions to federal income tax (attach Form 941c) . . . . . **.**

7g Special additions to social security and Medicare (attach Form 941c) . . . . . **.**

7h TOTAL ADJUSTMENTS (Combine all amounts: lines 7a through 7g.) . . . . . **.**

8 Total taxes after adjustments (Combine lines 6 and 7h.) . . . . . **3412 .50**

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

10 Total taxes after adjustment for advance EIC (line 8 - line 9 = line 10) . . . . . **3412 .50**

11 Total deposits for this quarter, including overpayment applied from a prior quarter . . . . . **3350 .00**

12 Balance due (If line 10 is more than line 11, write the difference here.) . . . . . **62 .50**  
 Make checks payable to *United States Treasury*.

13 Overpayment (If line 11 is more than line 10, write the difference here.) **.**

Check one  Apply to next return.  
 Send a refund.

Name (not your trade name)

Employer identification number (EIN)

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.

14 PA Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.

15 Check one: [ ] Line 10 is less than \$2,500. Go to Part 3. [X] You were a monthly schedule depositor for the entire quarter. Fill out your tax liability for each month. Then go to Part 3.

Tax liability: Month 1 1137.50, Month 2 1137.50, Month 3 1137.50, Total liability for quarter 3412.50 Total must equal line 10.

[ ] You were a semiweekly schedule depositor for any part of this quarter. Fill out Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to this form.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

16 If your business has closed or you stopped paying wages [ ] Check here, and enter the final date you paid wages / / . 17 If you are a seasonal employer and you do not have to file a return for every quarter of the year [ ] Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

[ ] Yes. Designee's name [ ] No. Phone ( ) - Personal Identification Number (PIN) [ ] [ ] [ ] [ ] [ ]

Part 5: Sign here. You MUST fill out both sides of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

X Sign your name here Sally Member, Print name and title SALLY MEMBER TREASURER, Date 4/30/06 Phone (999) 999-9999

Part 6: For PAID preparers only (optional)

Paid Preparer's Signature, Firm's name, Address, Date, Phone, EIN, ZIP code, SSN/PTIN, [ ] Check if you are self-employed.

# Form 941-V, Payment Voucher

## Purpose of Form

Complete Form 941-V, Payment Voucher, if you are making a payment with Form 941, Employer's QUARTERLY Federal Tax Return. We will use the completed voucher to credit your payment more promptly and accurately, and to improve our service to you.

If you have your return prepared by a third party and make a payment with that return, please provide this payment voucher to the return preparer.

## Making Payments With Form 941

Make your payment with Form 941 **only** if:

- Your net taxes for the quarter (line 10 on Form 941) are less than \$2,500 and you are paying in full with a timely filed return or
- You are a monthly schedule depositor making a payment in accordance with the Accuracy of Deposits Rule. (See section 11 of Pub. 15 (Circular E), Employer's Tax Guide, for details.) This amount may be \$2,500 or more.

Otherwise, you must deposit the amount at an authorized financial institution or by electronic funds transfer. (See section 11 of Pub. 15 (Circular E) for deposit instructions.) Do not use Form 941-V to make federal tax deposits.

**Caution.** If you pay amounts with Form 941 that should have been deposited, you may be subject to a penalty. See Deposit Penalties in section 11 of Pub. 15 (Circular E).

## Specific Instructions

**Box 1—Employer identification number (EIN).** If you do not have an EIN, apply for one on Form SS-4, Application for Employer Identification Number, and write "Applied For" and the date you applied in this entry space.

**Box 2—Amount paid.** Enter the amount paid with Form 941.

**Box 3—Tax period.** Darken the capsule identifying the quarter for which the payment is made. Darken only one capsule.

**Box 4—Name and address.** Enter your name and address as shown on Form 941.

- Enclose your check or money order made payable to the "United States Treasury." Be sure also to enter your EIN, "Form 941," and the tax period on your check or money order. Do not send cash. Please do not staple Form 941-V or your payment to the return (or to each other).

- Detach Form 941-V and send it with your payment and Form 941 to the address provided in the Instructions for Form 941.

**Note.** You must also complete the entity information above Part 1 on Form 941.

✂ **Detach Here and Mail With Your Payment and Tax Return.** ✂

<b>Form 941-V</b> Department of the Treasury Internal Revenue Service		<b>Payment Voucher</b>		OMB No. 1545-0029  <b>2006</b>	
1 Enter your employer identification number (EIN). <b>12 : 3456789</b>		2 Enter the amount of your payment. ▶		Dollars	Cents
				<b>62</b>	<b>50</b>
3 Tax period		4 Enter your business name (individual name if sole proprietor). <b>ANY UNITED METHODIST CHURCH</b>			
<input checked="" type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	Enter your address. <b>123 MAIN STREET</b>			
<input type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	Enter your city, state, and ZIP code. <b>ANYTOWN, PA 15999</b>			

LINE 6: Add lines 3 and 5D. (Sample = 3412.50).

LINE 8: Enter same amount as Line 6. (Sample = 3412.50).

Line10: Enter same amount as Line 6. (Sample = 3412.50).

**NOTE: PLEASE CONSULT THE INTERNAL REVENUE SERVICE INSTRUCTIONS SENT WITH FORM 941 OR ON THE INTERNET AT IRS.GOV IF YOU HAVE ENTRIES FOR LINES 7 OR 9.**

LINE11: Enter the amount you have already paid the Internal Revenue Service for this quarter. (Sample = 3350.00)

LINE 12: Enter the balance due for this quarter. Make your check payable to **UNITED STATES TREASURY** for this amount and mail with your return. (Sample = 62.50). Also remember to include your payment voucher, Form 941-V.

LINE 13: If you have already paid more than you owe to the Internal Revenue Service, you may fill in the amount of your refund on this line and check the box to either receive a check or apply the refund to your next return.

LINE14: Enter PA for the state where you made your deposits.

LINE15: Check the proper box to tell the Internal Revenue Service which type of filer you are. If you checked monthly schedule depositor remember to fill in your tax liability by month. Semi weekly depositors must fill out Schedule B.

PART4: Fill in this section if you paid someone to prepare your return.

PART5: Sign and date the return. You **MUST** fill in this box completely with your handwritten signature in the first box.

Reconcile your year-to-date wage and tax information with the form 941 that you just filed. This should be done every quarter.

**NOTE: QUESTIONS HAVE ARISEN ABOUT WHETHER THE IRS WILL BE CONCERNED THAT SOCIAL SECURITY AND MEDICARE TAXES WITHHELD ON LINES 5a AND 5c (WHICH MUST NOT INCLUDE ANY WAGES FOR CLERGY) ARE INCONSISTENT WITH THE COMPENSATION PAID (WHICH DOES INCLUDE CLERGY SALARY). IRS OFFICIALS HAVE STATED THAT THE IRS COMPUTERS SHOULD NOT IDENTIFY THESE DISPARITIES. HOWEVER, SHOULD SUCH AN INQUIRY ARISE, YOU SHOULD INFORM THE IRS THAT CLERGY ARE CONSIDERED SELF-EMPLOYED FOR SOCIAL SECURITY AND MEDICARE TAXES FOR SERVICES PERFORMED IN THE EXERCISE OF MINISTRY UNDER INTERNAL REVENUE CODE § 3121(b)(8)(A).**

## COMPLETING FORM W-2


In order to help you complete your forms W-2, a sample year end payroll summary and sample W-2 forms for clergy and lay employees are on the next three pages.

**NOTE: YOU MUST PROVIDE YOUR PASTOR WITH A W-2 FORM EVEN IF YOU WERE NOT REQUIRED TO FILE FORM 941. THIS W-2 MUST BE SENT TO THE IRS WITH FORM W-3.**

- BOX A: A control number is not necessary, but you may use one.
- BOX B: Enter your Federal Employer Identification Number.
- BOX C: Enter the Church name and Address
- BOX D: Enter the employee's social security number. Note that a fine is imposed for each missing or incorrect social security number.
- BOX E: Enter the employee's name and address.
- BOX 1: Enter the total wages paid. The correct amount is in the total wages column on the sample quarterly payroll report. **THE PASTOR'S HOUSING ALLOWANCE IS NOT INCLUDED IN BOX 1.**
- BOX 2: Enter the total amount of federal income tax withheld. **IF THE AMOUNT IS ZERO, LEAVE THE BOX BLANK. DO NOT ENTER A ZERO.**
- BOX 3: Enter the amount of the total wages paid to non-clergy employees. **THE PASTOR'S W-2 MUST BE BLANK IN THIS BOX. DO NOT ENTER ZERO.**
- BOX 4: Enter the amount of social security tax withheld. **THE PASTOR'S W-2 MUST BE BLANK IN THIS BOX. DO NOT ENTER ZERO.**
- BOX 5: Enter the amount of the total wages paid to non-clergy employees. **THE PASTOR'S W-2 MUST BE BLANK IN THIS BOX. DO NOT ENTER ZERO.**
- BOX 6: Enter the amount of medicare tax withheld. **THE PASTOR'S W-2 MUST BE BLANK IN THIS BOX. DO NOT ENTER ZERO**
- BOX 7: Boxes 7, 8, 9, 10 and 11 should be blank. For further information on these boxes please see the Internal Revenue Service instructions on the internet at [irs.gov](http://irs.gov).

**ANY UNITED METHODIST CHURCH**  
**YEAR END PAYROLL SUMMARY**  
**December 31, 2006**

NAME	SALARY	HOUSING ALLOWANCE	INCOME TAX	SOCIAL SECURITY TAX			PENNA TAX	LOCAL TAX	NET WAGES
				SECURITY TAX	MEDICARE TAX	TOTAL TAX			
SECRETARY	\$18,000.00		\$1,440.00	\$1,116.00	\$261.00	\$552.60	\$180.00	\$14,450.40	
CUSTODIAN	\$16,000.00		\$1,280.00	\$992.00	\$232.00	\$491.20	\$160.00	\$12,844.80	
ORGANIST	\$6,000.00		\$480.00	\$372.00	\$87.00	\$184.20	\$60.00	\$4,816.80	
YOUTH DIRECTOR	\$10,000.00		\$800.00	\$620.00	\$145.00	\$307.00	\$100.00	\$8,028.00	
SUBTOTAL	\$50,000.00	\$0.00	\$4,000.00	\$3,100.00	\$725.00	\$1,535.00	\$500.00	\$40,140.00	
PASTOR	\$32,000.00	\$6,000.00	\$2,000.00	\$0.00	\$0.00	\$982.40	\$320.00	\$34,697.60	
GRAND TOTAL	\$82,000.00	\$6,000.00	\$6,000.00	\$3,100.00	\$725.00	\$2,517.40	\$820.00	\$74,837.60	

a Control number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a> .				
b Employer identification number (EIN) 12-3456789				1 Wages, tips, other compensation 18000.00	2 Federal income tax withheld 1440.00					
c Employer's name, address, and ZIP code ANY UNITED METHODIST CHURCH 123 MAIN STREET ANYTOWN, PA 15999				3 Social security wages 18000.00	4 Social security tax withheld 1116.00					
				5 Medicare wages and tips 18000.00	6 Medicare tax withheld 261.00					
				7 Social security tips	8 Allocated tips					
d Employee's social security number 345-67-8912				9 Advance EIC payment		10 Dependent care benefits				
e Employee's first name and initial Last name Suff. SUSAN SECRETARY 3 MAW ST ANYTOWN, PA 15999				11 Nonqualified plans		12a See instructions for box 12				
				13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	12b			
				14 Other			12c			
							12d			
f Employee's address and ZIP code				15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
PA		2222 4444				18000.00	552.60	18000.00	180.00	ANY

Form **W-2** Wage and Tax Statement

2006

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

Safe, accurate, FAST! Use **INS e-file** Visit the IRS website at [www.irs.gov/efile](http://www.irs.gov/efile).

a Control number		OMB No. 1545-0008		1 Wages, tips, other compensation <b>32000.00</b>		2 Federal income tax withheld <b>2000.00</b>	
b Employer identification number (EIN) <b>12-3456789</b>				3 Social security wages		4 Social security tax withheld	
c Employer's name, address, and ZIP code <b>ANY UNITED METHODIST CHURCH 123 MAIN STREET ANYTOWN, PA 15999</b>				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
				9 Advance EIC payment		10 Dependent care benefits	
d Employee's social security number <b>567-89-1234</b>				11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial <b>ROBERT PASTOR</b>		Last name <b>PASTOR</b>		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
f Employee's address and ZIP code <b>121 MAIN STREET ANYTOWN, PA 15999</b>		14 Other <b>HOUSING 6000.00</b>		12c		12d	
15 State Employer's state ID number <b>PA 2222 4444</b>		16 State wages, tips, etc. <b>38000.00</b>	17 State income tax <b>982.40</b>	18 Local wages, tips, etc. <b>32000.00</b>	19 Local income tax <b>320.00</b>	20 Locality name <b>ANY</b>	

Form **W-2** Wage and Tax Statement

**2006**

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

BOX 12: This box is used to show codes and amounts of benefits or contributions. The most commonly used codes are:

**CODE C:** If the pastor or any lay employee is provided more than \$50,000 in CPP and BPP death benefits or group term life insurance, you need to show the premiums attributed to benefits in excess of \$50,000. If CPP and BPP together provide more than \$50,000 in death benefits, the General Board of Pension and Health Benefits will supply this information on request of your conference treasurer who, in turn, should make this available to the local church. If the pastor has served more than one church during the year, typically this information is only included in the W-2 of the last church served. **THE AMOUNT LABELED CODE C IN BOX 12 MUST BE ADDED TO BOX 1.**

**CODE E:** Any amount contributed by the employee to the pension plan out of his own wages that is designated as a pretax pension plan contribution. **THE AMOUNT ENTERED HERE MUST BE SUBTRACTED FROM THE TOTAL WAGES IN BOX 1.**

**CODE P:** Qualified moving expense reimbursements paid directly to the pastor or employee.

BOX 13: Check the retirement plan box if the pastor or lay employee is enrolled in the General Board of Pension and Health pension plan.

BOX 14: Enter the pastor's housing allowance in box 14 with the description **HOUSING** or **PARSONAGE**.

BOX 15: Enter PA followed by the employer number issued to your church by the state.

BOX 16: Enter total wages paid to the employee. **THE PASTOR'S HOUSING ALLOWANCE MUST BE INCLUDED IN THE STATE TOTAL WAGES.**

BOX 17: Enter the state income tax withheld for the employee.

BOX 18: Boxes 18, 19 and 20 are used to report local wages and withholding. As this varies by municipality, please contact your local tax collector for additional information.

## COMPLETING FORM W-3

The Form W-3 – Transmittal of Wage and Tax Statements must be filed annually by employers together with Copy A of the Forms W-2. Basically, the information contained in the Forms W-2 and Forms 941 (filed quarterly) is the basis for the information to be supplied on Form W-3. The Form W-3 must be filed with the Social Security Administration by February 28.

The employer should make sure the Form W-3 wage and withholding information agrees with the total amounts from the Forms W-2 and that the Form W-3 is reconciled with the quarterly Form 941 returns.

### SPECIFIC INSTRUCTIONS:

- BOX A: A control number is not necessary.
- BOX B: Check the box marked 941. **IF YOU WERE NOT REQUIRED TO FILE QUARTERLY FORMS 941 BECAUSE YOUR PASTOR WAS THE ONLY EMPLOYEE TO WHOM YOU PAID WAGES, DO NOT CHECK ANY OF THE BOXES IN PART B.**
- BOX C: Enter the total number of forms W-2. Show the number of completed forms W-2 that you are sending. Do not include "VOID" forms in the total.
- BOX D: Not applicable
- BOX E: Enter the Church's Federal Employment Identification number.
- BOX F: Enter the Church name.
- BOX G: Enter the full Church address including zip code.
- BOX H: Not applicable.
- BOX 1: Add together all the amounts from box 1 of each of the W-2 forms you have prepared. Enter this total in box 1 of Form W-3.
- BOX 2: Add together all the amounts from box 2 of each of the W-2 forms you have prepared. Enter this total in box 2 of Form W-3.
- BOX 3: Add together all the amounts from box 3 of each of the W-2 forms you have prepared. Enter this total in box 3 of Form W-3.

**ANY UNITED METHODIST CHURCH**  
**YEAR END PAYROLL SUMMARY**  
**December 31, 2006**

NAME	SALARY	HOUSING ALLOWANCE	INCOME TAX	SOCIAL SECURITY TAX		MEDICARE TAX	PENNA TAX	LOCAL TAX	NET WAGES
				SECURITY TAX	TAX				
SECRETARY	\$18,000.00		\$1,440.00	\$1,116.00	\$261.00	\$552.60	\$180.00	\$14,450.40	
CUSTODIAN	\$16,000.00		\$1,280.00	\$992.00	\$232.00	\$491.20	\$160.00	\$12,844.80	
ORGANIST	\$6,000.00		\$480.00	\$372.00	\$87.00	\$184.20	\$60.00	\$4,816.80	
YOUTH DIRECTOR	\$10,000.00		\$800.00	\$620.00	\$145.00	\$307.00	\$100.00	\$8,028.00	
SUBTOTAL	\$50,000.00	\$0.00	\$4,000.00	\$3,100.00	\$725.00	\$1,535.00	\$500.00	\$40,140.00	
PASTOR	\$32,000.00	\$6,000.00	\$2,000.00	\$0.00	\$0.00	\$982.40	\$320.00	\$34,697.60	
GRAND TOTAL	\$82,000.00	\$6,000.00	\$6,000.00	\$3,100.00	\$725.00	\$2,517.40	\$820.00	\$74,837.60	

DO NOT STAPLE

a Control number <b>33333</b>		For Official Use Only ▶ OMB No. 1545-0008				
b Kind of Payer ▶	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	944 <input type="checkbox"/>	1 Wages, tips, other compensation <b>82000.00</b>	2 Federal income tax withheld <b>6000.00</b>
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	3 Social security wages <b>50000.00</b>	4 Social security tax withheld <b>3100.00</b>
c Total number of Forms W-2 <b>5</b>		d Establishment number		5 Medicare wages and tips <b>50000.00</b>	6 Medicare tax withheld <b>725.00</b>	
e Employer identification number (EIN) <b>12-3456789</b>				7 Social security tips	8 Allocated tips	
f Employer's name <b>ANY UNITED METHODIST CHURCH</b>				9 Advance EIC payments	10 Dependent care benefits	
g Employer's address and ZIP code <b>123 MAIN STREET ANYTOWN, PA 15999</b>				11 Nonqualified plans	12 Deferred compensation	
				13 For third-party sick pay use only		
h Other EIN used this year						
15 State <b>PA</b>	Employer's state ID number <b>2222 4444</b>			16 State wages, tips, etc. <b>88060.06</b>	17 State income tax <b>2517.40</b>	
				18 Local wages, tips, etc. <b>82000.00</b>	19 Local income tax <b>820.00</b>	
Contact person <b>SALLY MEMBER</b>				Telephone number <b>(664) 000-6666</b>	For Official Use Only	
Email address <b>member@church.org</b>				Fax number <b>(777) 777-7777</b>		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶ Sally Member Title ▶ Treasurer Date ▶ 2-28-07

Form **W-3 Transmittal of Wage and Tax Statements 2006** Department of the Treasury Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

**What's New**

**New checkbox for box b on Form W-3.** Use the "944" checkbox in box b if you file Form 944, Employer's Annual Federal Tax Return. Form 944 for 2006 is a newly developed form.

**Magnetic media filing is discontinued.** The Social Security Administration (SSA) will no longer accept any magnetic media reporting of Forms W-2.

**Reminder**

**Separate instructions.** See the 2006 Instructions for Forms W-2 and W-3 for information on completing this form.

**Purpose of Form**

Use Form W-3 to transmit Copy A of Form(s) W-2, Wage and Tax Statement. Make a copy of Form W-3 and keep it with Copy D (For Employer) of Form(s) W-2 for your records. Use Form W-3 for the correct year. **File Form W-3 even if only one Form W-2 is being filed.** If you are filing Form(s) W-2 electronically, do not file Form W-3.

**When To File**

File Form W-3 with Copy A of Form(s) W-2 by February 28, 2007.

**Where To File**

Send this entire page with the entire Copy A page of Form(s) W-2 to:

**Social Security Administration  
Data Operations Center  
Wilkes-Barre, PA 18769-0001**

**Note.** If you use "Certified Mail" to file, change the ZIP code to "18769-0002." If you use an IRS-approved private delivery service, add "ATTN: W-2 Process, 1150 E. Mountain Dr." to the address and change the ZIP code to "18702-7997." See Publication 15 (Circular E), Employer's Tax Guide, for a list of IRS-approved private delivery services.

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D of Form W-2.

- BOX 4: Add together all the amounts from box 4 of each of the W-2 forms you have prepared. Enter this total in box 4 of Form W-3.
- BOX 5: Add together all the amounts from box 5 of each of the W-2 forms you have prepared. Enter this total in box 5 of Form W-3.
- BOX 6: Add together all the amounts from box 6 of each of the W-2 forms you have prepared. Enter this total in box 6 of Form W-3.
- BOX 7: Boxes 7, 8, 9, 10 and 11 are not applicable.
- BOX 12: Add together all the amounts from box 12 **that are marked CODE E** of each of the W-2 forms you have prepared. Enter this total in box 12 of Form W-3.
- BOX 13: Not Applicable.
- BOX 14: Not Applicable.
- BOX 15: This entry must be identical to the entry in Box 15 of each of the forms W-2 you prepared.
- BOX 16: Add together all the amounts from box 16 of each of the W-2 forms you have prepared. Enter this total in box 16 of Form W-3.
- BOX 17: Add together all the amounts from box 17 of each of the W-2 forms you have prepared. Enter this total in box 17 of Form W-3.
- BOX 18: Add together all the amounts from box 18 of each of the W-2 forms you have prepared. Enter this total in box 18 of Form W-3.
- BOX 19: Add together all the amounts from box 19 of each of the W-2 forms you have prepared. Enter this total in box 19 of Form W-3.

Fill in the boxes at the bottom of the form for Contact person, Email address, Telephone number and Fax number.

Be sure to **SIGN AND DATE** the return.

Mail Form W-3 and all Forms W-2 to the Social Security Administration at the address shown in the lower section of the form.

# Form W-4 (2010)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2010 expires February 16, 2011. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** You cannot claim exemption from withholding if (a) your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on his or her tax return.

**Basic instructions.** If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

**Head of household.** Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax

payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

**Two earners or multiple jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

**Nonresident alien.** If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2010. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

## Personal Allowances Worksheet (Keep for your records.)

<b>A</b> Enter "1" for yourself if no one else can claim you as a dependent . . . . .	<b>A</b> _____
<b>B</b> Enter "1" if: { • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. } . . . . .	<b>B</b> _____
<b>C</b> Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . .	<b>C</b> _____
<b>D</b> Enter number of dependents (other than your spouse or yourself) you will claim on your tax return . . . . .	<b>D</b> _____
<b>E</b> Enter "1" if you will file as head of household on your tax return (see conditions under <b>Head of household</b> above) . . . . .	<b>E</b> _____
<b>F</b> Enter "1" if you have at least \$1,800 of child or dependent care expenses for which you plan to claim a credit . . . . .	<b>F</b> _____
<b>(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)</b>	
<b>G</b> <b>Child Tax Credit</b> (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three or more eligible children. • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have six or more eligible children.	<b>G</b> _____
<b>H</b> Add lines A through G and enter total here. ( <b>Note.</b> This may be different from the number of exemptions you claim on your tax return.) ▶	<b>H</b> _____
For accuracy, complete all worksheets that apply. { • If you plan to <b>itemize or claim adjustments to income</b> and want to reduce your withholding, see the <b>Deductions and Adjustments Worksheet</b> on page 2. • If you have <b>more than one job</b> or are married and you and your spouse both work and the combined earnings from all jobs exceed \$18,000 (\$32,000 if married), see the <b>Two-Earners/Multiple Jobs Worksheet</b> on page 2 to avoid having too little tax withheld. • If <b>neither</b> of the above situations applies, <b>stop here</b> and enter the number from line H on line 5 of Form W-4 below.	

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form <b>W-4</b> Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0;">▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>	OMB No. 1545-0074  <div style="font-size: 2em; font-weight: bold; text-align: center;">2010</div>
1 Type or print your first name and middle initial. Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <small>Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.</small>
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)	5 _____	
6 Additional amount, if any, you want withheld from each paycheck	6 \$ _____	
7 I claim exemption from withholding for 2010, and I certify that I meet both of the following conditions for exemption. • Last year I had a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here . . . . . ▶		7 _____
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (Form is not valid unless you sign it.) ▶		Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

**Deductions and Adjustments Worksheet**

**Note.** Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

- 1 Enter an estimate of your 2010 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions . . . . . **1** \$ \_\_\_\_\_
- 2 Enter: 

{	\$11,400 if married filing jointly or qualifying widow(er)	}	. . . . .	<b>2</b>	\$	
\$8,400 if head of household						
\$5,700 if single or married filing separately						
- 3 **Subtract** line 2 from line 1. If zero or less, enter "-0-" . . . . . **3** \$ \_\_\_\_\_
- 4 Enter an estimate of your 2010 adjustments to income and any additional standard deduction. (Pub. 919) . . . . . **4** \$ \_\_\_\_\_
- 5 **Add** lines 3 and 4 and enter the total. (Include any amount for credits from *Worksheet 6* in Pub. 919.) . . . . . **5** \$ \_\_\_\_\_
- 6 Enter an estimate of your 2010 nonwage income (such as dividends or interest) . . . . . **6** \$ \_\_\_\_\_
- 7 **Subtract** line 6 from line 5. If zero or less, enter "-0-" . . . . . **7** \$ \_\_\_\_\_
- 8 **Divide** the amount on line 7 by \$3,650 and enter the result here. Drop any fraction . . . . . **8** \_\_\_\_\_
- 9 Enter the number from the **Personal Allowances Worksheet**, line H, page 1 . . . . . **9** \_\_\_\_\_
- 10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet**, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 **10** \_\_\_\_\_

**Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)**

**Note.** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

- 1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) **1** \_\_\_\_\_
  - 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However**, if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than "3." . . . . . **2** \_\_\_\_\_
  - 3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet . . . . . **3** \_\_\_\_\_
- Note.** If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4-9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.
- 4 Enter the number from line 2 of this worksheet . . . . . **4** \_\_\_\_\_
  - 5 Enter the number from line 1 of this worksheet . . . . . **5** \_\_\_\_\_
  - 6 **Subtract** line 5 from line 4 . . . . . **6** \_\_\_\_\_
  - 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . . . **7** \$ \_\_\_\_\_
  - 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed . . . . . **8** \$ \_\_\_\_\_
  - 9 Divide line 8 by the number of pay periods remaining in 2010. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2009. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . . . **9** \$ \_\_\_\_\_

**Table 1**

**Table 2**

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above	If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above	If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above	If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above
\$0 - \$7,000 -	0	\$0 - \$6,000 -	0	\$0 - \$65,000	\$550	\$0 - \$35,000	\$550
7,001 - 10,000 -	1	6,001 - 12,000 -	1	65,001 - 120,000	910	35,001 - 90,000	910
10,001 - 16,000 -	2	12,001 - 19,000 -	2	120,001 - 185,000	1,020	90,001 - 165,000	1,020
16,001 - 22,000 -	3	19,001 - 26,000 -	3	185,001 - 330,000	1,200	165,001 - 370,000	1,200
22,001 - 27,000 -	4	26,001 - 35,000 -	4	330,001 and over	1,280	370,001 and over	1,280
27,001 - 35,000 -	5	35,001 - 50,000 -	5				
35,001 - 44,000 -	6	50,001 - 65,000 -	6				
44,001 - 50,000 -	7	65,001 - 80,000 -	7				
50,001 - 55,000 -	8	80,001 - 90,000 -	8				
55,001 - 65,000 -	9	90,001 -120,000 -	9				
65,001 - 72,000 -	10	120,001 and over	10				
72,001 - 85,000 -	11						
85,001 -105,000 -	12						
105,001 -115,000 -	13						
115,001 -130,000 -	14						
130,001 - and over	15						

**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. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws, and using it in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

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 Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

# Instructions for Form 941

(Rev. February 2010)

## Employer's QUARTERLY Federal Tax Return



Department of the Treasury  
Internal Revenue Service

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

## What's New

**COBRA premium assistance credit extended.** The credit for COBRA premium assistance payments has been extended. It now applies to premiums paid for employees terminated before March 1, 2010, and to premiums paid for 15 months. See *COBRA premium assistance credit* on page 6.

**Employers can choose to file Forms 941 instead of Form 944 for 2010.** Beginning with tax year 2010, employers that would otherwise be required to file Form 944 can notify the IRS if they want to file quarterly Forms 941 instead of annual Form 944. See Revenue Procedure 2009-51 2009-45 I.R.B. 625, available at [www.irs.gov/irb/2009-45\\_IRB/ar12.html](http://www.irs.gov/irb/2009-45_IRB/ar12.html).

**Social security wage base for 2010.** Do not withhold social security tax after an employee reaches \$106,800 in social security wages in 2010.

## Reminders

**Correcting a previously filed Form 941.** If you discover an error on a previously filed Form 941, make the correction using Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund. Form 941-X is filed separately from Form 941. For more information, see section 13 of Pub. 15 (Circular E) or visit the IRS website at [www.irs.gov](http://www.irs.gov) and enter the keywords *Correcting Employment Taxes*.

**Paid preparers must sign Form 941.** Paid preparers must complete and sign the paid preparer's section of Form 941.

**Electronic filing and payment.** Now, more than ever before, businesses can enjoy the benefits of filing and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, the IRS offers you convenient programs to make filing and paying easier. Spend less time and worry on taxes and more time running your business. Use e-file and the Electronic Federal Tax Payment System (EFTPS) to your benefit.

- For e-file, visit [www.irs.gov](http://www.irs.gov) for additional information.
- For EFTPS, visit [www.eftps.gov/eftps](http://www.eftps.gov/eftps) or call EFTPS Customer Service at 1-800-555-4477, 1-800-733-4829 (TDD), or 1-800-244-4829 (Spanish).

**Electronic funds withdrawal (EFW).** If you file Form 941 electronically, you can e-file and e-pay (electronic funds withdrawal) the balance due in a single step using tax preparation software or through a tax professional. However, **do not** use EFW to make federal tax deposits. For more information on paying your taxes using EFW, visit the IRS website at [www.irs.gov](http://www.irs.gov) and type *e-pay* in the search box. A fee may be charged to file electronically.

**Credit card payments.** Employers can pay the balance due shown on Form 941 by credit card. **Do not** use a credit card to make federal tax deposits. For more information on paying your taxes with a credit card, visit the IRS website at [www.irs.gov](http://www.irs.gov) and type *e-pay* in the search box.

**Employer's liability.** Employers are responsible to ensure that tax returns are filed and deposits and payments are made, even if the employer contracts with a third party. The

employer remains liable if the third party fails to perform a required action.

**Where can you get telephone help?** You can call the IRS Business and Specialty Tax Line toll free at 1-800-829-4933, Monday through Friday from 7 a.m. to 10 p.m. local time (Alaska and Hawaii follow Pacific time) to order tax deposit coupons (Form 8109) and for answers to your questions about completing Form 941, tax deposit rules, or obtaining an employer identification number (EIN).

**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.

## General Instructions:

### Purpose of Form 941

These instructions give you some background information about Form 941. They tell you who must file Form 941, how to complete it line by line, and when and where to file it.

If you want more in-depth information about payroll tax topics relating to Form 941, see Pub. 15 (Circular E), Employer's Tax Guide, or visit the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and click on the *Employment Taxes* link.

Federal law requires you, as an employer, to withhold taxes from your employees' paychecks. Each time you pay wages, you must withhold – or take out of your employees' paychecks – certain amounts for federal income tax, social security tax, and Medicare tax. Under the withholding system, taxes withheld from your employees are credited to your employees in payment of their tax liabilities.

Federal law also requires you to pay any liability for the employer's portion of social security and Medicare taxes. This portion of social security and Medicare taxes is not withheld from employees.

### Who Must File Form 941?

Use Form 941 to report the following amounts.

- Wages you have paid.
- Tips your employees have received.
- Federal income tax you withheld.
- Both the employer's and the employee's share of social security and Medicare taxes.
- Current quarter's adjustments to social security and Medicare taxes for fractions of cents, sick pay, tips, and group-term life insurance.
- Advance earned income tax credit (EIC) payments.
- Credit for COBRA premium assistance payments.

**Do not** use the Form 941 to report backup withholding or income tax withholding on **nonpayroll** payments such as pensions, annuities, and gambling winnings. Report these types of withholding on Form 945, Annual Return of Withheld Federal Income Tax.

After you file your first Form 941, you must file a return for each quarter, even if you have no taxes to report, unless

you filed a **final return** or one of the exceptions listed below applies.

## Exceptions

Special rules apply to some employers.

- **Seasonal employers** do not have to file a Form 941 for quarters in which they have no tax liability because they have paid no wages. To tell the IRS that you will not file a return for one or more quarters during the year, check the box on line 19 **every quarter** you file Form 941. See section 12 of Pub. 15 (Circular E) for more information.
- Employers of **household employees** do not usually file Form 941. See Pub. 926, Household Employer's Tax Guide, and Schedule H (Form 1040), Household Employment Taxes, for more information.
- Employers of **farm employees** do not usually file Form 941. See Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, and Pub. 51 (Circular A), Agricultural Employer's Tax Guide.

**TIP** *If none of the above exceptions applies and you have not filed a final return, you **must** file Form 941 each quarter even if you did not pay wages during the quarter. Use IRS e-file, if possible.*

## What if you reorganize or close your business?

### If you sell or transfer your business . . .

If you sell or transfer your business, you and the new owner must each file a Form 941 for the quarter in which the transfer occurred. Report only the wages you paid.

When two businesses merge, the continuing firm must file a return for the quarter in which the change took place and the other firm should file a **final return**.

Changing from one form of business to another—such as from a sole proprietorship to a partnership or corporation—is considered a transfer. If a transfer occurs, you may need a new EIN. See section 1 of Pub. 15 (Circular E). Attach a statement to your return with:

- The new owner's name (or the new name of the business);
- Whether the business is now a sole proprietorship, partnership, or corporation;
- The kind of change that occurred (a sale or transfer);
- The date of the change; and
- The name of the person keeping the payroll records and the address where those records will be kept.

### If your business has closed . . .

If you go out of business or stop paying wages to your employees, you must file a **final return**. To tell the IRS that Form 941 for a particular quarter is your final return, check the box on line 18 and enter the date you last paid wages. Also attach a statement to your return showing the name of the person keeping the payroll records and the address where those records will be kept.

See the Instructions for Forms W-2, Wage and Tax Statement, and W-3, Transmittal of Wage and Tax Statement, for information about earlier dates for the expedited furnishing and filing of Forms W-2 when a final Form 941 is filed.

If you participated in a statutory merger or consolidation, or qualify for predecessor-successor status due to an acquisition, you should generally file Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations. See the Instructions for Schedule D (Form 941) to determine whether you should file Schedule D (Form 941) and when you should file it.

## When Must You File?

File your initial Form 941 for the quarter in which you first paid wages that are subject to social security and Medicare

taxes or subject to federal income tax withholding. See the table below titled, *When To File Form 941*.

Then you must file for every quarter after that—every 3 months—even if you have no taxes to report, unless you are a seasonal employer or are filing your final return. See *Seasonal employers* and *If your business has closed . . .* above.

File Form 941 only once for each quarter. If you filed electronically, do not file a paper Form 941. For more information about filing Form 941 electronically, see *Electronic filing and payment* on page 1.

### When To File Form 941

Your Form 941 is due by the last day of the month that follows the end of the quarter.		
The Quarter Includes . . .	Quarter Ends	Form 941 Is Due
1. January, February, March	March 31	April 30
2. April, May, June	June 30	July 31
3. July, August, September	September 30	October 31
4. October, November, December	December 31	January 31

For example, generally you must report wages you pay during the first quarter—which is January through March—by April 30th. If you made timely deposits in full payment of your taxes for a quarter, you have 10 more days after the due dates shown above to file your Form 941.

If we receive Form 941 after the due date, we will treat Form 941 as filed on time if the envelope containing Form 941 is properly addressed, contains sufficient postage, and is postmarked by the U.S. Postal Service on or before the due date, or sent by an IRS-designated private delivery service on or before the due date. If you do not follow these guidelines, we will consider Form 941 filed when it is actually received. See Pub. 15 (Circular E) for more information on IRS-designated private delivery services.

If any due date for filing shown above falls on a Saturday, Sunday, or legal holiday, you may file your return on the next business day.

## How Should You Complete Form 941?

### Review Your Business Information at the Top of the Form

If you are using a copy of Form 941 that has your business name and address preprinted at the top of the form, check to make sure the information is correct. Carefully review your EIN to make sure it exactly matches the EIN assigned to your business by the IRS. If any information is incorrect, cross it out and type or print the correct information. See *If you change your name or address . . .* on page 3.

If you use a tax preparer to fill out Form 941, make sure the preparer uses your business name and EIN **exactly** as they appear on the preprinted form we sent you.

If you are not using a preprinted Form 941, type or print your EIN, name, and address in the spaces provided. Also enter your name and EIN on the top of page 2. **Do not** use your social security number (SSN) or individual taxpayer identification number (ITIN). Generally, enter the business (legal) name you used when you applied for your EIN on Form SS-4, Application for Employer Identification Number. For example, if you are a sole proprietor, enter "Haleigh Smith" on the "Name" line and "Haleigh's Cycles" on the "Trade name" line. Leave the "Trade name" line blank if it is the same as your "Name."

**Employer identification number (EIN).** To make sure businesses comply with federal tax laws, the IRS monitors tax filings and payments by using a numerical system to identify taxpayers. A unique 9-digit employer identification

number (EIN) is assigned to all corporations, partnerships, and some sole proprietors. Businesses needing an EIN must apply for a number and use it throughout the life of the business on all tax returns, payments, and reports.

Your business should have only one EIN. If you have more than one and are not sure which one to use, write to the IRS office where you file your returns (using the *Without a payment* address on page 4) or call the IRS at 1-800-829-4933.

If you do not have an EIN, you may apply for one online. Go to the IRS website at [www.irs.gov](http://www.irs.gov) and click on the *Apply for an Employer Identification Number (EIN) Online* link. You may also apply for an EIN by calling 1-800-829-4933, or you can fax or mail Form SS-4 to the IRS. If you have applied for an EIN but do not have your EIN by the time a return is due, write "Applied For" and the date you applied in the space shown for the number.

**TIP** *Always be sure the EIN on the form you file exactly matches the EIN the IRS assigned to your business. Do not use your social security number on forms that ask for an EIN. Filing a Form 941 with an incorrect EIN or using another business's EIN may result in penalties and delays in processing your return.*

**If you change your name or address...** Notify the IRS immediately if you change your business name or address.

- Write to the IRS office where you file your returns (using the *Without a payment* address on page 4) to notify the IRS of any name change. Get Pub. 1635, *Understanding Your Employer Identification Number (EIN)*, to see if you need to apply for a new EIN.
- Complete and mail Form 8822, *Change of Address*, for any address change.

### Check the Box for the Quarter

Under "Report for this Quarter of 2010" at the top of Form 941, check the appropriate box of the quarter for which you are filing. Make sure the quarter checked is the same as shown on any attached Schedule B (Form 941), *Report of Tax Liability for Semiweekly Schedule Depositors*.

### Completing and Filing Form 941

Make entries on Form 941 as follows to enable accurate scanning and processing.

- Use 12-point Courier font (if possible) for all entries if you are typing or using a computer to fill out your form.
- Omit dollar signs and decimal points. Commas are optional. Report dollars to the left of the preprinted decimal point and cents to the right of it.
- Leave blank any data field (except lines 1, 2, and 10) with a value of zero.
- Enter negative amounts using a minus sign (if possible). Otherwise, use parentheses.
- Enter your name and EIN on all pages and attachments. Filers using the IRS-preaddressed Form 941 do not have to enter their name and EIN on page 2.
- Staple multiple sheets in the upper left corner when filing.

### Other Forms You Must Use

To notify employees about the earned income credit (EIC), you must give the employees one of the following:

- The IRS Form W-2, which has the required information about the EIC on the back of Copy B.
- A substitute Form W-2 with the same EIC information on the back of the employee's copy that is on Copy B of the IRS Form W-2.
- Notice 797, *Possible Federal Tax Refund Due to the Earned Income Credit (EIC)*.
- Your written statement with the same wording as Notice 797.

Each eligible employee who wishes to receive any advance earned income credit payments must give you a completed Form W-5, *Earned Income Credit Advance*

*Payment Certificate*. For more information, see section 10 of Pub. 15 (Circular E) and Pub. 596, *Earned Income Credit*.

### Reconciling Forms 941 and Form W-3

The IRS matches amounts reported on your four quarterly Forms 941 with Form W-2 amounts totaled on your yearly Form W-3, *Transmittal of Wage and Tax Statements*. If the amounts do not agree, you may be contacted by the IRS or the Social Security Administration (SSA). The following amounts are reconciled.

- Federal income tax withholding.
- Social security wages.
- Social security tips.
- Medicare wages and tips.
- Advance earned income credit (EIC) payments.

For more information, see section 12 of Pub. 15 (Circular E) and the Instructions for Schedule D (Form 941).

### Depositing Your Taxes: When Must You Deposit Your Taxes?

#### Determine if you are a monthly or semiweekly schedule depositor for the quarter.

The IRS uses two different sets of deposit rules to determine when businesses must deposit their social security, Medicare, and withheld federal income taxes. These schedules tell you when a deposit is due after you have a payday.

Your deposit schedule is not determined by how often you pay your employees. Your deposit schedule depends on the total tax liability you reported on Form 941 during the previous four-quarter **lookback period** (July 1 of the second preceding calendar year through June 30 of last year). See section 11 of Pub. 15 (Circular E) for details. If you filed Form 944 in either 2008 or 2009, your lookback period is the 2008 calendar year.

Before the beginning of each calendar year, determine which type of deposit schedule you must use. If you reported:

- \$50,000 or less in taxes during the lookback period, you are a **monthly schedule depositor**.
- More than \$50,000 of taxes for the lookback period, you are a **semiweekly schedule depositor**.

**TIP** *See section 11 of Pub. 15 (Circular E) for the Next Day Deposit Rule on taxes of \$100,000 or more accumulated on any day during the deposit period.*

### How Must You Deposit Your Taxes?

You may have to deposit the federal income taxes you withheld and both the employer and employee social security taxes and Medicare taxes. If your total taxes after adjustment for advance EIC (line 10) are:

- **Less than \$2,500 for the current quarter or the preceding quarter, and you did not incur a \$100,000 next-day deposit obligation during the current quarter.** You do not have to make a deposit. To avoid a penalty, you must pay the amount in full with a timely filed return or you must deposit the amount timely. However, if your taxes for the preceding quarter were less than \$2,500, you are unsure whether you will incur a \$100,000 next-day deposit obligation in the current quarter, and you are unsure your taxes will be less than \$2,500 in the current quarter, deposit your taxes using the appropriate rules (above) to avoid failure to deposit penalties.
- **\$2,500 or more for the current quarter and the preceding quarter.** You must deposit your taxes by using EFTPS or by depositing them at a financial institution that is authorized to accept federal tax deposits (that is, authorized

depository) with Form 8109, Federal Tax Deposit Coupon. See section 11 of Pub. 15 (Circular E).

You may reduce your deposits during the quarter by the amount of COBRA premium assistance payments reported on line 12a. See the instructions for line 12a on page 6.

**TIP** EFTPS is an easy, safe, and convenient way for all employers to make their tax deposits. Using EFTPS helps eliminate errors commonly made on federal tax deposit (FTD) coupons. **Some taxpayers are required to use EFTPS to deposit their taxes.** See section 11 of Pub. 15 (Circular E) for details.

## What About Penalties and Interest?

### Avoiding penalties and interest

You can avoid paying penalties and interest if you do all of the following:

- Deposit or pay your taxes when they are due, using EFTPS if required.
- File your fully completed Form 941 on time.
- Report your tax liability accurately.
- Submit valid checks for tax payments.
- Furnish accurate Forms W-2 to employees.
- File Form W-3 and Copies A of Form W-2 with the Social Security Administration (SSA) on time and accurately.

Penalties and interest are charged on taxes paid late and returns filed late at a rate set by law. See sections 11 and 12 of Pub. 15 (Circular E) for details.

Use Form 843, Claim for Refund and Request for Abatement, to request abatement of assessed penalties or interest. **Do not** request abatement of assessed penalties or interest on Form 941 or Form 941-X.

**CAUTION** A trust fund recovery penalty may apply if federal income, social security, and Medicare taxes that must be withheld are not withheld or paid. The penalty is the full amount of the unpaid trust fund tax. This penalty may apply when these unpaid taxes cannot be collected from the employer. The trust fund recovery penalty may be imposed on all people the IRS determines to be responsible for collecting, accounting for, and paying these taxes, and who acted willfully in not doing so. For details, see section 11 of Pub. 15 (Circular E).

## Where Should You File?

Where you file depends on whether you include a payment with Form 941.

If you are in . . .	Without a payment . . .	With a payment . . .
<b>Special filing addresses</b> for exempt organizations; federal, state, and local governmental entities; and Indian tribal governmental entities; regardless of location	Department of the Treasury Internal Revenue Service Ogden, UT 84201-0005	Internal Revenue Service P.O. Box 105083 Atlanta, GA 30348-5083
Connecticut	New Jersey	Department of the Treasury
Delaware	New York	Internal Revenue Service
District of Columbia	North Carolina	Internal Revenue Service
Georgia	Ohio	Cincinnati, OH
Illinois	Pennsylvania	45999-0005
Indiana	Rhode Island	
Kentucky	South Carolina	
Maine	Tennessee	
Maryland	Vermont	Internal Revenue Service
Massachusetts	Virginia	P.O. Box 804522
Michigan	West Virginia	Cincinnati, OH
New Hampshire	Wisconsin	45280-4522

If you are in . . .	Without a payment . . .	With a payment . . .
Alabama	Missouri	Department of the Treasury
Alaska	Montana	Internal Revenue Service
Arizona	Nebraska	Ogden, UT
Arkansas	Nevada	84201-0005
California	New Mexico	
Colorado	North Dakota	
Florida	Oklahoma	
Hawaii	Oregon	
Idaho	South Dakota	
Iowa	Texas	
Kansas	Utah	
Louisiana	Washington	
Minnesota	Wyoming	
Mississippi		

No legal residence or principal place of business in any state	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 105273 Atlanta, GA 30348-5273
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**CAUTION** Your filing or payment address may have changed from prior years. If you are using an IRS-provided envelope, use only the labels and envelope provided with the tax package. Do not send Form 941 or any payments to the SSA.

## Specific Instructions:

### Part 1: Answer these questions for this quarter.

#### 1. Number of employees who received wages, tips, or other compensation this quarter

Enter the number of employees on your payroll for the pay period including March 12, June 12, September 12, or December 12, **for the quarter indicated** at the top of Form 941. Do not include:

- Household employees,
- Employees in nonpay status for the pay period,
- Farm employees,
- Pensioners, or
- Active members of the Armed Forces.

**TIP** If you enter "250" or more on line 1, you must file Forms W-2 electronically. For details, call the SSA at 1-800-772-6270 or visit SSA's Employer W-2 Filing Instructions and Information website at [www.socialsecurity.gov/employer](http://www.socialsecurity.gov/employer).

#### 2. Wages, tips, and other compensation

Enter amounts on line 2 that would also be included in box 1 of your employees' Forms W-2. Include sick pay paid by a third party if you were given timely notice of the payments and transferred liability for the employees' taxes. See the instructions for Forms W-2 and W-3 for details.

If you are a third-party payer of sick pay, do not include sick pay that you paid to policyholders' employees here if you gave the policyholders timely notice of the payments.

#### 3. Income tax withheld from wages, tips, and other compensation

Enter the federal income tax you withheld (or were required to withhold) from your employees on this quarter's wages, tips, taxable fringe benefits, and supplemental unemployment compensation benefits. Do not include any income tax withheld by a third-party payer of sick pay even if you reported it on Form W-2. You will reconcile this difference on Form W-3. Also include here any excise taxes you were required to withhold on golden parachute payments (section 4999).

If you are a third-party payer of sick pay, enter the federal income tax you withheld (or were required to withhold) on third-party sick pay here.

#### 4. If no wages, tips, and other compensation are subject to social security or Medicare tax . . .

If no wages, tips, and other compensation on line 2 are subject to social security or Medicare tax, check the box on line 4. If this question does not apply to you, leave the box blank. For more information about exempt wages, see section 15 of Pub. 15 (Circular E) and section 4 of Pub. 15-A.



*If you are a government employer, wages you pay are not automatically exempt from social security and Medicare taxes. Your employees may be covered by law or by a voluntary Section 218 Agreement with the SSA. For more information, see Pub. 963, Federal-State Reference Guide.*

#### 5. Taxable social security and Medicare wages and tips

**5a. Taxable social security wages.** Report the total wages, sick pay, and fringe benefits subject to social security taxes you paid to your employees during the quarter. For this purpose, sick pay includes payments made by an insurance company to your employees for which you received timely notice from the insurance company. See Section 6 in Pub. 15-A for more information about sick pay reporting.

Enter the amount before deductions. **Do not** include tips on this line. For information on types of wages subject to social security taxes, see section 5 of Pub. 15 (Circular E).

The rate of social security tax on taxable wages is 6.2 percent (.062) each for the employer and employee or 12.4 percent (.124) for both. Stop paying social security tax on and reporting an employee's wages on line 5a when the employee's taxable wages (including tips) reach \$106,800 during 2010, unchanged from 2009. However, continue to withhold income and Medicare taxes for the whole year on wages and tips even when the social security wage base of \$106,800 has been reached.

$$\begin{array}{r} \text{line 5a (column 1)} \\ \times \quad .124 \\ \hline \text{line 5a (column 2)} \end{array}$$

**5b. Taxable social security tips.** Enter all tips your employees reported to you during the quarter until the total of the tips and wages for an employee reach \$106,800 in 2010. Do this even if you were unable to withhold the employee tax of 6.2%.

An employee must report cash tips to you, including tips you paid the employee for charge customers, totaling \$20 or more in a month by the 10th of the next month. Employees may use Form 4070, Employee's Report of Tips to Employer (available only in Pub. 1244, Employee's Daily Record of Tips and Report to Employer), or submit a written statement or electronic tip record.

Do not include allocated tips on this line. Instead, report them on Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips. Allocated tips are not reportable on Form 941 and are not subject to withholding of federal income, social security, or Medicare taxes.

$$\begin{array}{r} \text{line 5b (column 1)} \\ \times \quad .124 \\ \hline \text{line 5b (column 2)} \end{array}$$

**5c. Taxable Medicare wages & tips.** Report all wages, tips, sick pay, and taxable fringe benefits that are subject to Medicare tax. Unlike social security wages, there is no limit on the amount of wages subject to Medicare tax.

Include all tips your employees reported during the quarter, even if you were unable to withhold the employee tax of 1.45%.

$$\begin{array}{r} \text{line 5c (column 1)} \\ \times \quad .029 \\ \hline \text{line 5c (column 2)} \end{array}$$

For more information on tips, see section 6 of Pub. 15 (Circular E).

**5d. Total social security and Medicare taxes.** Add the social security tax (line 5a), social security tips tax (line 5b), and Medicare tax (line 5c) and enter the result on line 5d.

#### 6. Total taxes before adjustments

Add the total federal income tax withheld from wages, tips, and other compensation (line 3) and the total social security and Medicare taxes before adjustments (line 5d).

#### 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.

**7b. Current quarter's sick pay.** Enter the adjustment for the employee share of social security and Medicare taxes that were withheld by your third-party sick pay payer.

**7c. Current quarter's adjustments for tips and group-term life insurance.** Enter adjustments for:

- Any uncollected employee share of social security and Medicare taxes on tips and
- The uncollected employee share of social security and Medicare taxes on group-term life insurance premiums paid for former employees.

**7d. TOTAL ADJUSTMENTS.** Combine all adjustments shown on lines 7a through 7c and enter the result here.

#### 8. Total taxes after adjustments

Combine the amounts shown on lines 6 and 7d and enter the result here.

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

Enter the amount of the advance earned income credit (EIC) payments that you made to your employees. Eligible employees may choose to receive part of the EIC as an advance payment. Those who expect to have a qualifying child must give you a completed Form W-5 stating they expect to qualify for the EIC. Once the employee gives you a signed and completed Form W-5 you must make the advance EIC payments starting with the employee's next

wage payment. Advance EIC payments are generally made from withheld federal income tax and employee and employer social security and Medicare taxes.

If the amount of your advance EIC payments is more than your total taxes after adjustments (line 8) for the quarter, you may claim a refund of the overpayment or elect to have the credit applied to your return for the next quarter. Attach a statement to Form 941 identifying the amount of excess payments and the pay periods in which you paid it.

For more information on advance EIC, see section 10 of Pub. 15 (Circular E) and Pub. 596.

## 10. Total taxes after adjustment for advance EIC

Subtract line 9 from line 8.

- **Line 10 is less than \$2,500 or line 10 on the preceding quarterly return was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter.** You may pay the amount with Form 941 or you may deposit the amount. To avoid a penalty, you must pay the amount in full with a timely filed return or you must deposit the amount timely.
- **If line 10 is \$2,500 or more and line 10 on the preceding quarterly return was \$2,500 or more, or if you incurred a \$100,000 next-day deposit obligation during the current quarter.** You must deposit the amount by using EFTPS or at an authorized financial institution with Form 8109. The amount shown on line 10 must equal the "Total liability for quarter" shown on Form 941, line 17 or the "Total liability for the quarter" shown on Schedule B (Form 941).

For more information on federal tax deposits, see *Depositing Your Taxes* on page 3 of these instructions and section 11 of Pub. 15 (Circular E).



**If you are a semiweekly depositor, you must complete Schedule B (Form 941). If you fail to complete and submit Schedule B (Form 941), the IRS will assert deposit penalties based on available information.**

## 11. Total deposits for this quarter...

Enter your deposits for this quarter, including any overpayment that you applied from filing Form 941-X or Form 944-X in the current quarter. Also include in the amount shown any overpayment from a previous period that you applied to this return.

## 12a. COBRA premium assistance payments

Report on this line 65% of the COBRA premiums for assistance eligible individuals. Take the COBRA premium assistance credit on this line only after the assistance eligible individual's 35% share of the premium has been paid. For COBRA coverage provided under a self-insured plan, COBRA premium assistance is treated as having been made for each assistance eligible individual who pays 35% of the COBRA premium. Do not include the assistance eligible individual's 35% of the premium in the amount entered on this line. For more information on the COBRA premium assistance credit visit the IRS website at [www.irs.gov](http://www.irs.gov) and enter the keyword *COBRA*.

If you provided premium assistance in a prior quarter of the current year and did not report the amount of that premium assistance on Form 941 for that quarter, you may include the amount of that premium assistance in the amount entered on this line, or file form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, to report the amount for the prior quarter of the current year.

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

Enter the total number of assistance eligible individuals provided COBRA premium assistance reported on line 12a. Count each assistance eligible individual who paid a reduced COBRA premium in the quarter as one individual, whether or not the reduced premium was for insurance that covered more than one assistance eligible individual. For example, if the reduced COBRA premium was for coverage for a former employee, spouse, and two children, you would include one individual in the number entered on line 12b for the premium assistance. Further, each individual is reported only once per quarter. For example, an assistance eligible individual who made monthly premium payments during the quarter would only be reported as one individual.

## 13. Total deposits and COBRA credit

Add lines 11 and 12a.

## 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 (line 10), for the current quarter or preceding quarter are less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter. 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](http://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 only one box in line 15. If you do not check either box or if you check both boxes, generally we will apply the overpayment to your account. 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.

## Complete both pages.

You must complete both pages of Form 941 and sign on page 2. An incomplete return may delay processing.

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## Part 2: Tell us about your deposit schedule and tax liability for this quarter.

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### 16. State abbreviation

In the spaces provided, write the two-letter U.S. Postal Service abbreviation for the bank branch in the state where you deposit your taxes using Form 8109 or initiate EFTPS transfers. The IRS uses the state shown to determine banking days for purposes of deposit due dates. Official state holidays for the state shown are not counted as banking days. If you deposit in multiple states, enter "MU" in the spaces provided.

When you deposit in multiple states, the IRS cannot determine what portion of your liability was affected by a state holiday and may propose a deposit penalty for one or more of the states where you made deposits. If you receive a notice and your deposit due date was extended because of a state bank holiday, respond to the notice citing the state holiday and applicable deposit amount.

### 17. Check one

- If line 10 is less than \$2,500 or line 10 on the preceding quarterly return was less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation during the current quarter, check the appropriate box in line 17 and go to Part 3.
- If you reported \$50,000 or less in taxes during the lookback period (see below), you are a **monthly schedule depositor** unless the *\$100,000 Next-Day Deposit Rule* discussed in section 11 of Pub. 15 (Circular E) applies. Check the appropriate box on line 17 and enter your tax liability for each month in the quarter. Add the amounts for each month. Enter the result in the *Total liability for quarter* box.

Note that your total tax liability for the quarter must equal your total taxes shown on line 10. If it does not, your tax deposits and payments may not be counted as timely. **Do not** change your tax liability on line 17 by adjustments reported on any Forms 941-X.

You are a **monthly schedule depositor** for the calendar year if the amount of your Form 941 taxes reported for the lookback period is \$50,000 or less. The **lookback period** is the four consecutive quarters ending on June 30 of the prior year. For 2010, the lookback period begins July 1, 2008, and ends June 30, 2009. For details on the deposit rules, see section 11 of Pub. 15 (Circular E). If you filed Form 944 in either 2008 or 2009, your lookback period is the 2008 calendar year.



*The amounts reported on line 17 are a summary of your monthly tax liability, not a summary of deposits you made. If you do not properly report your liabilities when required or if you are a semiweekly schedule depositor and report your liabilities on line 17 instead of on Schedule B (Form 941), you may be assessed an "averaged" failure-to-deposit (FTD) penalty. See Deposit Penalties in section 11 of Pub. 15 (Circular E) for more information.*

- If you reported more than \$50,000 of taxes for the lookback period (see above), you are a **semiweekly schedule depositor**. Check the appropriate box on line 17.

You **must** complete Schedule B (Form 941) and submit it with your Form 941. **Do not** use Schedule B (Form 941) if you are a monthly schedule depositor.

**Do not** change your tax liability on Schedule B (Form 941) by adjustments reported on any Forms 941-X.

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## Part 3: Tell us about your business.

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In Part 3, answer only those questions that apply to your business. If the questions do not apply, leave them blank and go to Part 4.

### 18. If your business has closed . . .

If you go out of business or stop paying wages, you must file a **final return**. To tell the IRS that a particular Form 941 is your final return, check the box on line 18 and enter the date you last paid wages in the space provided. For additional filing requirements, see *If your business has closed...* on page 2.

### 19. If you are a seasonal employer . . .

If you hire employees seasonally—such as for summer or winter only—check the box on line 19. Checking the box tells the IRS not to expect four Forms 941 from you throughout the year because you have not paid wages regularly.

Generally, we will not ask about unfiled returns if you file at least one return showing tax due each year. However, you must check the box **every time** you file a Form 941.

Also, when you fill out Form 941, be sure to check the box on the top of the form that corresponds to the quarter reported.

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## Part 4: May we speak with your third-party designee?

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If you want to allow an employee, a paid tax preparer, or another person to discuss your Form 941 with the IRS, check the "Yes" box in Part 4. Then tell us the name, phone number, and the five-digit personal identification number (PIN) of the specific person to speak with—not the name of the firm who prepared your tax return. The designee may choose any five numbers as his or her PIN.

By checking "Yes," you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your return. You also authorize your designee to:

- give us any information that is missing from your return,
  - call us for information about processing your return, and
  - respond to certain IRS notices that you have shared with your designee about math errors and return preparation.
- The IRS will not send notices to your designee.

You are not authorizing your designee to bind you to anything (including additional tax liability) or to otherwise represent you before the IRS. If you want to expand your designee's authorization, see Pub. 947, *Practice Before the IRS and Power of Attorney*.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your Form 941. If you or your designee want to terminate the authorization, write to the IRS office for your locality using the *Without a payment address under Where Should You File?* on page 4.

## Part 5: Sign Here

Complete all information in Part 5 and sign Form 941 as follows.

- **Sole proprietorship**— The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)**— The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**— A responsible and duly authorized member or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes**— The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate**— The fiduciary.

Form 941 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Alternative signature method.** Corporate officers or duly authorized agents may sign Form 941 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, at [www.irs.gov/pub/irb/2005-28\\_IRB/ar16.pdf](http://www.irs.gov/pub/irb/2005-28_IRB/ar16.pdf).

### Paid Preparer's Use Only

A paid preparer must sign Form 941 and provide the information in the *Paid preparer's use only* section of Part 5 if the preparer was paid to prepare Form 941 and is not an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you are a paid preparer, write your SSN or your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, write the firm's name and the EIN of the firm. You can apply for a PTIN using Form W-7P, Application for Preparer Tax Identification Number. You cannot use your PTIN in place of the EIN of the tax preparation firm.

Generally, do not complete this section if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, advising the client on determining whether its workers are employees or independent contractors for Federal tax purposes.

## How to Order Forms and Publications from the IRS



Call 1-800-829-3676.



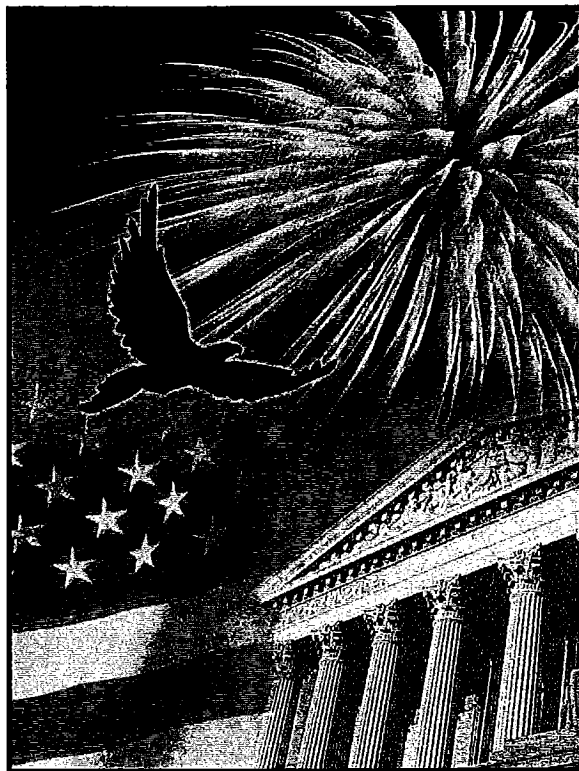
Visit the IRS website at [www.irs.gov](http://www.irs.gov).

## Other IRS Products You May Need

- Form SS-4, Application for Employer Identification Number
- Form W-2, Wage and Tax Statement
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Form W-4, Employee's Withholding Allowance Certificate
- Form W-5, Earned Income Credit Advance Payment Certificate
- Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees
- Form 944, Employer's ANNUAL Federal Tax Return
- Form 4070, Employee's Report of Tips to Employer
- Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips
- Form 8655, Reporting Agent Authorization
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit (EIC)
- Pub. 15 (Circular E), Employer's Tax Guide
- Pub. 15-A, Employer's Supplemental Tax Guide
- Pub. 15-B, Employer's Tax Guide to Fringe Benefits
- Pub. 596, Earned Income Credit
- Pub. 926, Household Employer's Tax Guide
- Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors
- Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations
- Schedule H (Form 1040), Household Employment Taxes

# Social Security and Other Information for Members of the Clergy and Religious Workers

For use in preparing  
**2009** Returns



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## What's New

**Increased earnings subject to social security.** For 2009, the maximum wages and self-employment income subject to social security tax (6.2%) is increased to \$106,800. All wages and self-employment income are subject to Medicare tax (1.45%).

**Modified AGI limit for retirement savings contribution credit increased.** For 2009, you may be able to claim the retirement savings contribution credit if your modified adjusted gross income (AGI) is not more than:

- \$55,500 if your filing status is married filing jointly,
- \$41,625 if your filing status is head of household, or
- \$27,750 if your filing status is single, married filing separately, or qualifying widow(er).

See Publication 590, Individual Retirement Arrangements (IRAs), for more information.

**Modified AGI limit for traditional IRA contributions increased.** For 2009, you may be able to take an IRA deduction if you were covered by a retirement plan at work and your modified AGI is:

- Less than \$109,000 if married filing jointly or qualifying widow(er), or
- Less than \$65,000 if single or head of household.

If you file a joint return and either you or your spouse was not covered by a retirement plan at work, you may be able to take an IRA deduction if your modified AGI is less than \$176,000.

**Modified AGI limit for Roth IRA contributions increased.** For 2009, you may be able to contribute to your Roth IRA if your modified AGI is:

- Less than \$176,000 if married filing jointly or qualifying widow(er), or
- Less than \$120,000 if single, head of household, or married filing separately and did not live with your spouse at any time during the year.

**Increased earned income credit (EIC).** For 2009, your EIC may increase if you have three or more qualifying children.

## Reminder

**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 this publication 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.

## Introduction

Social security and Medicare taxes are collected under two systems. Under the Self-Employment Contributions Act (SECA), the self-employed person pays all the taxes. Under the Federal Insurance Contributions Act (FICA), the employee and the employer each pay half of the taxes. No earnings are subject to both systems.

This publication covers the following topics about the collection of social security and Medicare taxes from members of the clergy and religious workers.

- Which earnings are taxed under FICA and which under SECA. See [Table 1](#).
- How a member of the clergy (minister, member of a religious order, or Christian Science practitioner) can apply for an exemption from self-employment tax.
- How to figure net earnings from self-employment.

This publication also covers certain income tax rules of interest to the clergy.

A [Comprehensive Example](#) shows filled-in forms for a minister who has income taxed under SECA, other income taxed under FICA, and income tax reporting of items specific to the clergy.



In the back of Publication 517 is a set of Worksheets that you can use to figure the amount of your taxable ministerial income and allowable deductions. You will find these worksheets right after the [Comprehensive Example](#).

**Note.** In this publication, the term "church" is generally used in its generic sense and not in reference to any particular religion.

**Comments and suggestions.** We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

**Table 1. Are You Covered Under FICA or SECA?**

Find your occupation in the left column and read across the table to find if you are covered under FICA or SECA. Do not rely on this table alone. Also read the discussion for your occupation in the following pages.

Occupation	Covered under FICA?	Covered under SECA?
Minister	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS.  NO, if you have an approved exemption.*
Member of a religious order who has not taken a vow of poverty	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS.  NO, if you have an approved exemption.*
Member of a religious order who has taken a vow of poverty	YES, if: <ul style="list-style-type: none"> <li>• Your order elected FICA coverage for its members, or</li> <li>• You worked outside the order and the work was not required by, or done on behalf of, the order.</li> </ul> NO, if neither of the above applies.*	NO. You are exempt.*
Christian Science practitioner or reader	NO. You are exempt.*	YES, if you do not have an approved exemption from the IRS.  NO, if you have an approved exemption.*
Religious worker (church employee)	YES, if your employer did not elect to exclude you.  NO, if your employer elected to exclude you.	YES, if your employer elected to exclude you from FICA.  NO, if you are covered under FICA.
Member of a recognized religious sect	YES, if you are an employee and do not have an approved exemption from the IRS.  NO, if you have an approved exemption.	YES, if you are self-employed and do not have an approved exemption from the IRS.  NO, if you have an approved exemption.

\* The exemption applies only to qualified services, as defined later under [Qualified Services](#).

Internal Revenue Service  
Individual Forms and Publications Branch  
SE:W:CAR:MP:T:I  
1111 Constitution Ave. NW, IR-6526  
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at [taxforms@irs.gov](mailto:taxforms@irs.gov). (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

**Ordering forms and publications.** Visit [www.irs.gov/formspubs](http://www.irs.gov/formspubs) to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service  
1201 N. Mitsubishi Motorway  
Bloomington, IL 61705-6613

**Tax questions.** If you have a tax question, check the information available on [www.irs.gov](http://www.irs.gov) or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

### Useful Items

You may want to see:

#### Publication

- 54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- 525** Taxable and Nontaxable Income
- 529** Miscellaneous Deductions
- 535** Business Expenses
- 590** Individual Retirement Arrangements (IRAs)

- ❑ **596** Earned Income Credit (EIC)

#### Form (and instructions)

- ❑ **SS-8** Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding
- ❑ **SS-16** Certificate of Election of Coverage Under the Federal Insurance Contributions Act
- ❑ **Schedule SE (Form 1040)** Self-Employment Tax
- ❑ **1040-ES** Estimated Tax for Individuals
- ❑ **1040X** Amended U.S. Individual Income Tax Return
- ❑ **4029** Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits
- ❑ **4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- ❑ **8274** Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes

**Ordering publications and forms.** See *How To Get Tax Help*, near the end of this publication, for information about getting these publications and forms.

## Social Security Coverage

The services you perform in the exercise of your ministry are covered by social security and Medicare under SECA. Your earnings for these services are subject to self-employment (SE) tax unless one of the following applies.

- You are a member of a religious order who has taken a vow of poverty.
- You ask the Internal Revenue Service (IRS) for an exemption from SE tax for your services and the IRS approves your request. See *Exemption From Self-Employment (SE) Tax*, later.
- You are subject only to the social security laws of a foreign country under the provisions of a social security agreement between the United States and that country. For more information, see *Binational Social Security (Totalization) Agreements* in Publication 54.

Your earnings that are not from the exercise of your ministry may be subject to social security tax under FICA or SECA according to the rules that apply to taxpayers in general. See *Qualified Services*, later.

### Ministers

If you are a minister of a church, your earnings for the services you perform in your capacity as a minister are subject to SE tax unless you have requested and received an exemption. See *Exemption From Self-Employment (SE) Tax*, later.

These earnings are subject to SE tax whether you are an employee of your church or a self-employed person under the common law rules. For the specific services covered, see *Qualified Services*, later.

### Ministers Defined

Ministers are individuals who are duly ordained, commissioned, or licensed by a religious body constituting a church or church denomination. They are given the authority to conduct religious worship, perform sacerdotal functions, and administer ordinances or sacraments according to the prescribed tenets and practices of that church or denomination.

If a church or denomination ordains some ministers and licenses or commissions others, anyone licensed or commissioned must be able to perform substantially all the religious functions of an ordained minister to be treated as a minister for social security purposes.

### Employment Status for Other Tax Purposes

Even though, for social security tax purposes, you are considered a self-employed individual in performing your ministerial services, you may be considered an employee for income tax or retirement plan purposes. For income tax or retirement plan purposes, some of your income may be considered self-employment income and other income may be considered wages.

**Common-law employee.** Depending on all the facts and circumstances, under common-law rules you are considered either an employee or a self-employed person. Generally, you are an employee if your employer has the legal right to control both what you do and how you do it, even if you have considerable discretion and freedom of action. For more information about the common-law rules, see Publication 15-A, Employer's Supplemental Tax Guide.

If you are employed by a congregation for a salary, you are generally a common-law employee and income from the exercise of your ministry is considered wages for income tax purposes. However, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, are considered self-employment income.

**Example.** A church hires and pays you a salary to perform ministerial services subject to its control. Under the common-law rules, you are an employee of the church while performing those services.

**Form SS-8.** If you are not certain whether you are an employee or a self-employed person, you can get a determination from the IRS by filing Form SS-8.

### Members of Religious Orders

If you are a member of a religious order who has not taken a vow of poverty, your earnings for qualified services you performed as a member of the order are subject to SE tax. See *Qualified Services*, later. This does not apply if you have

requested and received an exemption as discussed under *Exemption From Self-Employment (SE) Tax*, later.

**Vow of poverty.** If you are a member of a religious order who has taken a vow of poverty, you are exempt from paying SE tax on your earnings for qualified services (defined later) you perform as an agent of your church or its agencies. For income tax purposes, the earnings are tax free to you. Your earnings are considered the income of the religious order.

**Services covered under FICA at the election of the order.** Even if you have taken a vow of poverty, the services you perform for your church or its agencies may be covered under social security. Your services are covered if your order, or an autonomous subdivision of the order, elects social security coverage for its current and future vow-of-poverty members.

The order or subdivision elects coverage by filing Form SS-16. It can elect coverage for certain vow-of-poverty members for a retroactive period of up to 20 calendar quarters before the quarter in which it files the certificate. If the election is made, the order or subdivision pays both the employer's and employee's share of the tax. You do not pay any of the FICA tax.

**Services performed outside the order.** Even if you are a member of a religious order who has taken a vow of poverty and are required to turn over to the order amounts you earn, your earnings are subject to federal income tax withholding and employment (FICA) tax if you:

- Work for an organization outside your religious community, and
- Perform work that is not required by, or done on behalf of, the order.

In this case, you are considered an employee of that outside organization. You may, however, be able to take a charitable deduction for the amount you turn over to the order. See Publication 526, Charitable Contributions.

**Lay employees.** Lay employees generally are covered by social security. However, see *Election by Church To Exclude Their Employees From FICA Coverage*, later, under *Religious Workers (Church Employees)*.

**Rulings.** Organizations and individuals may request rulings from the IRS on whether they are religious orders, or members of a religious order, respectively, for FICA tax, SE tax, and federal income tax withholding purposes. To request a ruling, follow the procedures in Revenue Procedure 2009-1, 2009-1 I.R.B. 1, available at [www.irs.gov/irb/2009-01\\_IRB/ar06.html](http://www.irs.gov/irb/2009-01_IRB/ar06.html).

### Christian Science Practitioners and Readers

Your earnings from services you performed in your profession as a Christian Science practitioner or reader are generally subject to SE tax. However, you can request an exemption as discussed under *Exemption From Self-Employment (SE) Tax*, later.

**Practitioners.** Christian Science practitioners are members in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practice healing according to the teachings of Christian Science. Christian Science practitioners are specifically exempted from licensing by state laws.

Some Christian Science practitioners also are Christian Science teachers or lecturers. Income from teaching or lecturing is considered the same as income from their work as practitioners.

**Readers.** Christian Science readers are considered the same as ordained, commissioned, or licensed ministers.

## Religious Workers (Church Employees)

If you are a religious worker (a church employee) and are not in one of the classes already discussed, your wages are generally subject to social security and Medicare tax (FICA) and not to SE tax. Some exceptions are discussed next.

## Election by Church To Exclude Their Employees From FICA Coverage

Churches and qualified church-controlled organizations (church organizations) that are opposed for religious reasons to the payment of social security and Medicare taxes can elect to exclude their employees from FICA coverage. If you are an employee of a church or church organization that makes this election and pays you \$108.28 or more in wages during the tax year, you must pay SE tax on those wages.

Churches and church organizations make this election by filing two copies of Form 8274. For more information about making this election, see Form 8274.

## Election by Church Employees Who Are Opposed to Social Security and Medicare

You may be able to choose to be exempt from social security and Medicare taxes, including the SE tax, if you work for a church (or church-controlled nonprofit division) that does not pay the employer's part of the social security tax on wages. You can make the choice if you are a member of a religious sect or division opposed to social security and Medicare. This exemption does not apply to your service, if any, as a minister of a church or as a member of a religious order.

You can make this choice by filing Form 4029. See *Requesting Exemption—Form 4029*, later, under *Members of Recognized Religious Sects*.

## U.S. Citizens and Resident and Nonresident Aliens

To be covered under the SE tax provisions (SECA), individuals generally must be citizens or resident aliens of the United States. Nonresident aliens are not covered under SECA.

To determine your alien status, see Publication 519, U.S. Tax Guide for Aliens.

**Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa.** If you are a resident of one of these U.S. possessions but not a U.S. citizen, for SE tax purposes you are treated the same as a citizen

or resident alien of the United States. For information on figuring the tax, see *Self-Employment Tax: Figuring Net Earnings*, later.

## Exemption From Self-Employment (SE) Tax

You can request an exemption from SE tax if you are one of the following.

- A minister.
- A member of a religious order who has not taken a vow of poverty.
- A Christian Science practitioner.
- A member of a recognized religious sect.



**Generally, members of religious orders who have taken a vow of poverty are exempt from paying SE tax, as discussed earlier under Members of Religious Orders. They do not have to request the exemption.**

**Who cannot be exempt.** You cannot be exempt from SE tax if you made one of the following elections to be covered under social security. These elections are irrevocable.

- You elected to be covered under social security by filing Form 2031, Revocation of Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders, and Christian Science Practitioners, for your 1986, 1987, 2000, or 2001 tax year.
- You elected before 1968 to be covered under social security for your ministerial services.

**Requesting exemption.** Table 2 briefly summarizes the procedure for requesting exemption from the SE tax. More detailed explanations follow.

Table 2. **The Self-Employment Tax Exemption Application and Approval Process**

	Who Can Apply	
	Ministers, Members of Religious Orders, and Christian Science Practitioners	Members of Recognized Religious Sects
<b>How</b>	File Form 4361	File Form 4029
<b>When</b>	File by the due date (including extensions) of your income tax return for the second tax year in which you had at least \$400 of net earnings from self-employment (at least part from qualified services)	File anytime
<b>Approval</b>	If approved, you will receive an approved copy of Form 4361	If approved, you will receive an approved copy of Form 4029
<b>Effective Date</b>	For all tax years after 1967 in which you have at least \$400 of net earnings from self-employment	First day of first quarter after the quarter in which Form 4029 was filed



**If you are a minister, member of a religious order, or Christian Science practitioner, an approved exemption only applies to earnings you receive for qualified services, discussed later. It does not apply to any other self-employment income.**

## Ministers, Members of Religious Orders, and Christian Science Practitioners

To claim the exemption from SE tax, you must meet all of the following conditions.

- You file Form 4361, described later under *Requesting Exemption—Form 4361*.
- You are conscientiously opposed to public insurance because of your individual religious considerations (not because of your general conscience), or you are opposed because of the principles of your religious denomination.
- You file for other than economic reasons.
- You inform the ordaining, commissioning, or licensing body of your church or order that you are opposed to public insurance if you are a minister or a member of a religious order (other than a vow-of-poverty member). This requirement does not apply to Christian Science practitioners.
- You establish that the organization that ordained, commissioned, or licensed you, or your religious order, is a tax-exempt religious organization.
- You establish that the organization is a church or a convention or association of churches.
- You did not make an election discussed earlier under *Who cannot be exempt*.
- You sign and return the statement the IRS mails to you to certify that you are requesting an exemption based on the grounds listed on the statement.

## Requesting Exemption—Form 4361

To request exemption from SE tax, file Form 4361 in triplicate (original and two copies) with the IRS.



The IRS will return to you a copy of the Form 4361 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

**When to file.** File Form 4361 by the date your income tax return is due, including extensions, for the second tax year in which you have net earnings from self-employment of at least \$400. This rule applies if any part of your net earnings for each of the 2 years came from your services as a:

- Minister,
- Member of a religious order, or
- Christian Science practitioner.

The 2 years do not have to be consecutive tax years.



*The approval process can take some time, so you should file Form 4361 as soon as possible.*

**Example 1.** Rev. Lawrence Jaeger, a clergyman ordained in 2009, has net self-employment earnings of \$450 in 2009 and \$500 in 2010. He must file his application for exemption by the due date, including extensions, for his 2010 income tax return. However, if Rev. Jaeger does not receive IRS approval for an exemption by April 15, 2011, his SE tax for 2010 is due by that date.

**Example 2.** Rev. Louise Wolfe has \$300 in net self-employment earnings as a minister in 2009, but earned more than \$400 in 2008 and expects to earn more than \$400 in 2010. She must file her application for exemption by the due date, including extensions, for her 2010 income tax return. However, if she does not receive IRS approval for an exemption by April 15, 2011, her SE tax for 2010 is due by that date.

**Example 3.** In 2007, Rev. David Moss was ordained a minister and had \$700 in net self-employment earnings as a minister. In 2008, he received \$1,000 as a minister, but his related expenses were over \$1,000. Therefore, he had no net self-employment earnings as a minister in 2008. Also in 2008, he opened a book store and had \$8,000 in net self-employment earnings from the store. In 2009, he had net earnings of \$1,500 as a minister and \$10,000 net self-employment earnings from the store.

Rev. Moss had net earnings from self-employment in 2007 and 2009 that were \$400 or more each year, and part of the earnings in each of those years was for his services as a minister, so he must file his application for exemption by the due date, including extensions, for his 2009 income tax return.

**Death of individual.** The right to file an application for exemption ends with an individual's death. A surviving spouse, executor, or administrator cannot file an exemption application for a deceased clergy member.

**Effective date of exemption.** An approved exemption is effective for all tax years after 1967

in which you have \$400 or more of net earnings from self-employment and any part of the earnings is for services as a member of the clergy. Once the exemption is approved, it is irrevocable.

**Example.** Rev. Trudy Austin, ordained in 2006, had \$400 or more in net self-employment earnings as a minister in both 2006 and 2009. She files an application for exemption on February 19, 2010. If an exemption is granted, it is effective for 2006 and the following years.

**Refunds of SE tax.** If, after receiving an approved Form 4361, you find that you overpaid SE tax, you can file a claim for refund on Form 1040X before the period of limitations ends. This is generally within 3 years from the date you filed the return or within 2 years from the date you paid the tax, whichever is later. A return you filed, or tax you paid, before the due date is considered to have been filed or paid on the due date.

If you file a claim after the 3-year period but within 2 years from the time you paid the tax, the credit or refund will not be more than the tax you paid within the 2 years immediately before you file the claim.

## Members of Recognized Religious Sects

If you are a member of a recognized religious sect, or a division of a recognized religious sect, you can apply for an exemption from payment of social security and Medicare taxes on both your wages and self-employment income.

**Exception.** If you received social security benefits or payments, or anyone else received these benefits or payments based on your wages or self-employment income, you cannot apply. However, if you pay your benefits back, you may be considered for exemption. Contact your local Social Security Administration office to find out the amount to be paid back.

**Eligibility requirements.** To claim this exemption from SE tax, all the following requirements must be met.

1. You must file Form 4029, discussed later on this page under *Requesting Exemption—Form 4029*.
2. As a follower of the established teachings of the sect or division, you must be conscientiously opposed to accepting benefits of any private or public insurance that makes payments for death, disability, old age, retirement, or medical care, or provides services for medical care.
3. You must waive all rights to receive any social security payment or benefit and agree that no benefits or payments will be made to anyone else based on your wages and self-employment income.
4. The Commissioner of Social Security must determine that:
  - a. Your sect or division has the established teachings as in (2) above,
  - b. It is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living, and

- c. The sect or division has existed at all times since December 31, 1950.

## Requesting Exemption—Form 4029

To request the exemption, file Form 4029 in triplicate with the Social Security Administration at the address shown on the form. The sect or division must complete part of the form.



The IRS will return to you a copy of the Form 4029 that you filed indicating whether your exemption has been approved. If it is approved, keep the approved copy in your permanent records.

**When to file.** You can file Form 4029 at any time.

If you have an approved exemption from SE tax and for some reason that approved exemption ended, you must file a new Form 4029 if you subsequently meet the eligibility requirements, discussed earlier. See *Effective date of exemption*, below, for information on when the newly approved exemption would become effective.

If you have a previously approved exemption from SE tax and you change membership to another recognized religious sect, without any change to your eligibility requirements, then you do not need to file a new Form 4029.

**Effective date of exemption.** An approved exemption generally is effective on the first day of the first quarter after the quarter in which Form 4029 is filed. For example, if you meet all eligibility requirements and file Form 4029 on January 30, 2010, and your exemption is approved, it will become effective on April 1, 2010.

The exemption does not apply to any tax year beginning before you meet the eligibility requirements discussed earlier.

The exemption will end if you fail to meet the eligibility requirements or if the Commissioner of Social Security determines that the sect or division fails to meet them. You must notify the IRS within 60 days if you are no longer a member of the religious group, or if you no longer follow the established teachings of this group. The exemption will end on the date you notify the IRS.

**Refunds of SE tax paid.** To get a refund of any SE tax you paid while the exemption was in effect, file Form 1040X. For information on filing this form, see *Refunds of SE tax*, under *Requesting Exemption—Form 4361*, earlier.

## Exemption From FICA Taxes

Generally, under FICA, the employer and the employee each pay half of the social security and Medicare tax. Both the employee and the employer, if they meet the eligibility requirements discussed earlier, can apply to be exempt from their share of FICA taxes on wages paid by the employer to the employee.

A partnership in which each partner holds a religious exemption from social security and Medicare is an employer for this purpose.



*If the employer's application is approved, the exemption will apply only to FICA taxes on wages paid to employees who also received an approval of identical applications.*

**Information for employers.** If you have an approved Form 4029 and you have an employee who has an approved Form 4029, do not report wages you paid to the employee as social security and Medicare wages.

If you have an employee who does not have an approved Form 4029, you must withhold the employee's share of social security and Medicare taxes and pay the employer's share.

**Form W-2.** When preparing a Form W-2 for an employee with an approved Form 4029, enter "Form 4029" in box 14, "Other." Do not make any entries in boxes 3, 4, 5, or 6.

**Forms 941, 943, and 944.** If both you and your employee have received approved Forms 4029, do not include these exempt wages on the following forms. Instead, follow the instructions given below.

- Form 941, Employer's QUARTERLY Federal Tax Return: check the box on line 4 and enter "Form 4029" in the empty space below the check box.
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees: enter "Form 4029" to the right of the wage entry spaces on lines 2 and 4.
- Form 944, Employer's ANNUAL Federal Tax Return: check the box on line 3 and enter "Form 4029" in the empty space below the check box.

**Effective date.** An approved exemption from FICA becomes effective on the first day of the first calendar quarter after the quarter in which Form 4029 is filed. The exemption will end on the last day of the calendar quarter before the quarter in which the employer, employee, sect, or division fails to meet the requirements.

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## Qualified Services

Qualified services, in general, are the services you perform in the exercise of your ministry or in the exercise of your duties as required by your religious order. Income you receive for performing qualified services is subject to SE tax unless you have an exemption as explained earlier. If you have an exemption, only the income you receive for performing qualified services is exempt. The exemption does not apply to any other self-employment income.

The following discussions provide more detailed information on qualified services of ministers, members of religious orders, and Christian Science practitioners and readers.

### Ministers

Most services you perform as a minister, priest, rabbi, etc., are qualified services. These services include:

- Performing sacerdotal functions,
- Conducting religious worship, and
- Controlling, conducting, and maintaining religious organizations (including the religious boards, societies, and other integral agencies of such organizations) that are under the authority of a religious body that is a church or denomination.

You are considered to control, conduct, and maintain a religious organization if you direct, manage, or promote the organization's activities.

A religious organization is under the authority of a religious body that is a church or denomination if it is organized for and dedicated to carrying out the principles of a faith according to the requirements governing the creation of institutions of the faith.

**Services for nonreligious organizations.** Your services for a nonreligious organization are qualified services if the services are assigned or designated by your church. Assigned or designated services qualify even if they do not involve performing sacerdotal functions or conducting religious worship.

If your services are not assigned or designated by your church, they are qualified services only if they involve performing sacerdotal functions or conducting religious worship.

**Services that are not part of your ministry.** Income from services that are not qualified services is generally subject to social security and Medicare tax withholding (not self-employment tax) under the rules that apply to employees in general. The following are not qualified services.

- Services you perform for nonreligious organizations other than the services stated earlier.
- Services you perform as a duly ordained, commissioned, or licensed minister of a church as an employee of the United States, the District of Columbia, a foreign government, or any of their political subdivisions. This is true even if you are performing sacerdotal functions or conducting religious worship. (For example, if you perform services as a chaplain in the Armed Forces of the United States, those services are not qualified services.)
- Services you perform in a government-owned and operated hospital. (These services are considered performed by a government employee, not by a minister as part of the ministry.) However, services that you perform at a church-related hospital or health and welfare institution, or a private nonprofit hospital, are considered to be part of the ministry and are considered qualified services.

**Books or articles.** Writing religious books or articles is considered to be in the exercise of your ministry and is considered a qualified service.

This rule also applies to members of religious orders and to Christian Science practitioners.

### Members of Religious Orders

Services you perform as a member of a religious order in the exercise of duties required by the order are qualified services. The services are qualified because you perform them as an agent of the order.

For example, if you are directed to perform services for another agency of the supervising church or an associated institution, you are considered to perform the services as an agent of the order.

However, if you are directed to work outside the order, the employment will not be considered a duty required by the order unless:

- Your services are the kind that are ordinarily performed by members of the order, and
- Your services are part of the duties that must be exercised for, or on behalf of, the religious order as its agent.

**Effect of employee status.** Ordinarily, if your services are not considered directed or required of you by the order, you and the outside party for whom you work are considered employee and employer. In this case, your earnings from the services are taxed under the rules that apply to employees in general, not under the rules for services provided as agent for the order. This is true even if you have taken a vow of poverty.

**Example.** Pat Brown and Chris Green are members of a religious order and have taken vows of poverty. They renounce all claims to their earnings. The earnings belong to the order.

Pat is a licensed attorney. The superiors of the order instructed her to get a job with a law firm. Pat joined a law firm as an employee and, as she requested, the firm made the salary payments directly to the order.

Chris is a secretary. The superiors of the order instructed him to accept a job with the business office of the church that supervises the order. Chris took the job and gave all his earnings to the order.

Pat's services are not duties required by the order. Her earnings are subject to social security and Medicare tax under FICA and to federal income tax.

Chris' services are considered duties required by the order. He is acting as an agent of the order and not as an employee of a third party. He does not include the earnings in gross income, and they are not subject to income tax withholding, social security and Medicare tax, or SE tax.

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## Christian Science Practitioners and Readers

The exemption from SE tax, discussed earlier, applies only to the services a Christian Science practitioner or reader performs in the exercise of his or her profession. If you do not have an exemption, amounts you receive for performing these qualified services are subject to SE tax.

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## Self-Employment Tax: Figuring Net Earnings

There are two methods for figuring your net earnings from self-employment as a minister, member of a religious order, Christian Science practitioner, or church employee.

- Regular method.
- Nonfarm optional method.



You may find Worksheets 1 through 4 helpful in figuring your net earnings from self-employment. Blank worksheets are in the back of this publication, after the Comprehensive Example.

## Regular Method

Most people use the regular method. Under this method, figure your net earnings from self-employment by totaling your gross income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. Then, subtract your allowable business deductions and multiply the difference by 92.35% (.9235). Use Schedule SE (Form 1040) to figure your net earnings and SE tax.

If you are an employee of a church that elected to exclude you from FICA coverage, figure net earnings by multiplying your church wages shown on Form W-2 by 92.35% (.9235). Do not reduce your wages by any business deductions when making this computation. Use Schedule SE (Form 1040), Section B, to figure your net earnings and SE tax.



*If you have an approved exemption, or you are automatically exempt, do not include the income or deductions from qualified services in figuring your net earnings from self-employment.*

**Amounts included in gross income.** To figure your net earnings from self-employment (on Schedule SE (Form 1040)), include in gross income:

1. Salaries and fees for your qualified services (discussed earlier),
2. Offerings you receive for marriages, baptisms, funerals, masses, etc.,
3. The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience,
4. The fair rental value of a parsonage provided to you (including the cost of utilities that are furnished) and the rental allowance (including an amount for payment of utilities) paid to you, and
5. Any amount a church pays toward your income tax or SE tax, other than withholding the amount from your salary. This amount is also subject to income tax.

For the income tax treatment of items (2) and (4), see *Income Tax: Income and Expenses*, later.

**Example.** Pastor Roger Adams receives an annual salary of \$39,000 as a full-time minister. The \$39,000 includes \$5,000 that is designated as a rental allowance to pay utilities. His church owns a parsonage that has a fair rental value of \$12,000 per year. Pastor Adams is given the use of the parsonage. He is not exempt from SE tax. He must include \$51,000 (\$39,000 plus \$12,000) when figuring net earnings from self-employment.

The results would be the same if, instead of the use of the parsonage and receipt of the rental allowance for utilities, Pastor Adams had received an annual salary of \$51,000 of which \$17,000 (\$5,000 plus \$12,000) per year was designated as a rental allowance.

**Overseas duty.** Your net earnings from self-employment are determined without any foreign earned income exclusion or the foreign housing exclusion or deduction if you are a U.S. citizen or resident alien serving abroad and living in a foreign country.

For information on excluding foreign earned income or the foreign housing amount, see Publication 54.

**Example.** Paul Jones was the minister of a U.S. church in Mexico. He earned \$35,000 in that position and was able to exclude it all for income tax purposes under the foreign earned income exclusion. The United States does not have a social security agreement with Mexico, so Mr. Jones is subject to U.S. SE tax and must include \$35,000 when figuring net earnings from self-employment.

**Specified U.S. possessions.** The exclusion from gross income for amounts derived from American Samoa or Puerto Rico does not apply in computing net earnings from self-employment. Also see *Residents of Puerto Rico, the U.S. Virgin Islands, Guam, the CNMI, and American Samoa*, earlier, under *U.S. Citizens and Resident and Nonresident Aliens*.

**Amounts not included in gross income.** Do not include the following amounts in gross income when figuring your net earnings from self-employment.

- Offerings that others made to the church.
- Contributions by your church to a tax-sheltered annuity plan set up for you, including any salary reduction contributions (elective deferrals) that are not included in your gross income.
- Pension payments or retirement allowances you receive for your past qualified services.
- The rental value of a parsonage or a parsonage allowance provided to you after you retire.

**Allowable deductions.** When figuring your net earnings from self-employment, deduct all your nonemployee ministerial expenses. Also, deduct all your allowable unreimbursed trade or business expenses that you incur in performing ministerial services as a common-law employee of the church. Include this net amount on Schedule SE (Form 1040), Section A, line 2, or Section B, line 2. Attach an explanation.

**Nonemployee ministerial expenses.** These are qualified expenses you incurred while not working as a common-law employee of the church. They include expenses incurred in performing marriages and baptisms, and in delivering speeches.

**Reimbursement arrangements.** If you received an advance, allowance, or reimbursement for your expenses, how you report this amount and your expenses depends on whether the reimbursement was paid to you under an accountable plan or a nonaccountable plan. If you are not sure if you are reimbursed from an accountable plan or a nonaccountable plan, ask your employer.

**Accountable plans.** To be an accountable plan, your employer's reimbursement arrangement must include all three of the following rules.

- Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.

- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

The reimbursement is not reported on your Form W-2. Generally, if your expenses equal your reimbursement, you have no deduction. If your expenses are more than your reimbursement, you can deduct your excess expenses for SE tax and income tax purposes.

**Nonaccountable plan.** A nonaccountable plan is a reimbursement arrangement that does not meet all three of the rules listed under *Accountable plans*. In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business.

Your employer will combine any reimbursement paid to you under a nonaccountable plan with your wages, salary, or other compensation and report the combined total in box 1 of your Form W-2. You can deduct your related expenses (for SE tax and income tax purposes) regardless of whether they are more than, less than, or equal to your reimbursement.

For more information on accountable and nonaccountable plans, see Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

## Husband and Wife Missionary Team

If a husband and wife are both duly ordained, commissioned, or licensed ministers of a church and have an agreement that each will perform specific services for which they are paid jointly or separately, they must divide the self-employment income according to the agreement.

If the agreement is with one spouse only and the other spouse is not paid for any specific duties, amounts received for their services are included only in the self-employment income of the spouse having the agreement.

## Maximum Earnings Subject to SE Tax

For 2009, the maximum net earnings from self-employment subject to social security (old age, survivors, and disability insurance) tax is \$106,800 minus any wages and tips you earned that were subject to social security tax. The tax rate for the social security part is 12.4%. In addition, all of your net earnings are subject to the Medicare (hospital insurance) part of the SE tax. This tax rate is 2.9%. The combined self-employment tax rate is 15.3%.

## Nonfarm Optional Method

You may be able to use the nonfarm optional method for figuring your net earnings from self-employment. In general, the nonfarm optional method is intended to permit continued

coverage for social security and Medicare purposes when your income for the tax year is low.

You may use the nonfarm optional method if you meet all the following tests.

1. You are self-employed on a regular basis. This means that your actual net earnings from self-employment were \$400 or more in at least 2 of the 3 tax years before the one for which you use this method. The net earnings can be from either farm or nonfarm earnings or both.
2. You have used this method less than 5 years. (There is a 5-year lifetime limit.) The years do not have to be consecutive.
3. Your net nonfarm profits were:
  - a. Less than \$4,721, and
  - b. Less than 72.189% of your gross nonfarm income.

If you meet the three tests, use Table 3 to figure your net earnings from self-employment under the nonfarm optional method.

**Table 3. Figuring Nonfarm Net Earnings**

IF your gross nonfarm income is ...	THEN your net earnings are equal to ...
\$6,540 or less	Two-thirds of your gross nonfarm income.
More than \$6,540	\$4,360.

**Actual net earnings.** Multiply your total earnings subject to SE tax by 92.35% (.9235) to get actual net earnings. Actual net earnings are equivalent to net earnings under the "Regular Method."

**More information.** For more information on the nonfarm optional method, see Publication 334, Tax Guide for Small Business, and the Schedule SE (Form 1040) instructions.

## Income Tax: Income and Expenses

Some income and expense items are treated the same for both income tax and SE tax purposes and some are treated differently.

### Income Items

The tax treatment of offerings and fees, outside earnings, rental allowances, rental value of parsonage, earnings of members of religious orders, and foreign earned income is discussed here.

### Offerings and Fees

If you are a member of the clergy, you must include in your income offerings and fees you receive for marriages, baptisms, funerals, masses, etc., in addition to your salary. If the offering is made to the religious institution, it is not taxable to you.

### Outside Earnings

If you are a member of a religious organization and you give your outside earnings to the organization, you still must include the earnings in your income. However, you may be entitled to a charitable contribution deduction for the amount paid to the organization. For more information, see Publication 526.

### Exclusion of Rental Allowance and Fair Rental Value of a Parsonage

Ordained, commissioned, or licensed ministers of the gospel may be able to exclude the rental allowance or fair rental value of a parsonage that is provided to them as pay for their services. Services include:

- Qualified services, discussed earlier,
- Administrative duties and teaching at theological seminaries, and
- The ordinary duties of a minister performed as an employee of the United States (other than as a chaplain in the Armed Forces), a state, possession, political subdivision, or the District of Columbia.

This exclusion applies only for income tax purposes. It does not apply for SE tax purposes, as discussed earlier under *Self-Employment Tax: Figuring Net Earnings*.

**Designation requirement.** The church or organization that employs you must officially designate the payment as a housing allowance before the payment is made. A definite amount must be designated. The amount of the housing allowance cannot be determined at a later date.

If you are employed and paid by a local congregation, a resolution by a national church agency of your denomination does not effectively designate a housing allowance for you. The local congregation must officially designate the part of your salary that is to be a housing allowance. However, a resolution of a national church agency can designate your housing allowance if you are directly employed by the national agency. If no part has been officially designated, you must include your total salary in your income.

**Rental allowances.** If you receive in your salary an amount officially designated as a rental allowance (including an amount to pay utility costs), you can exclude the allowance from your gross income if:

- The amount is used to provide or rent a home, and
- The amount is not more than reasonable pay for your services.

The amount you exclude cannot be more than the fair rental value of the home, including furnishings, plus the cost of utilities.

**Fair rental value of parsonage.** You can exclude from gross income the fair rental value of a house or parsonage, including utilities, furnished to you as part of your earnings. However, the exclusion cannot be more than the reasonable pay for your services. If you pay for the utilities, you can exclude any allowance designated for utility costs, up to your actual cost.

**Example.** Rev. Joanna Baker is a full-time minister. The church allows her to use a parsonage that has an annual fair rental value of \$24,000. The church pays her an annual salary of \$67,000, of which \$7,500 is designated for utility costs. Her actual utility costs during the year were \$7,000.

For income tax purposes, Rev. Baker excludes \$31,000 from gross income (\$24,000 fair rental value of the parsonage plus \$7,000 from the allowance for utility costs). She will report \$60,000 (\$59,500 salary plus \$500 of unused utility allowance). Her income for SE tax purposes, however, is \$91,000 (\$67,000 salary + \$24,000 fair rental value of the parsonage).

**Home ownership.** If you own your home and you receive as part of your salary a housing or rental allowance, you may exclude from gross income the smallest of:

- The amount actually used to provide a home,
- The amount officially designated as a rental allowance, or
- The fair rental value of the home, including furnishings, utilities, garage, etc.

**Excess rental allowance.** You must include in gross income the amount of any rental allowance that is more than the smallest of:

- Your reasonable salary,
- The fair rental value of the home plus utilities, or
- The amount actually used to provide a home.

Include in the total on Form 1040, line 7. On the dotted line next to line 7, enter "Excess allowance" and the amount.

**TIP** You may deduct the home mortgage interest and real estate taxes you pay on your home even though all or part of the mortgage is paid with funds you get through a tax-free rental or parsonage allowance. However, these expenses can be deducted only as itemized deductions on Schedule A (Form 1040).

**Retired ministers.** If you are a retired minister, you can exclude from your gross income the rental value of a home (plus utilities) furnished to you by your church as a part of your pay for past services, or the part of your pension that was designated as a rental allowance. However, a minister's surviving spouse cannot exclude the rental value unless the rental value is for ministerial services he or she performs or performed.

**Teachers or administrators.** If you are a minister employed as a teacher or administrator by a church school, college, or university, you are performing ministerial services for purposes of the housing exclusion. However, if you perform services as a teacher or administrator on the faculty of a nonchurch college, you cannot exclude from your income a housing allowance or the value of a home that is provided to you.

**TIP** If you live in faculty lodging as an employee of an educational institution or academic health center, all or part of the value of that lodging may be nontaxable under a different rule. In Publication 525, see Faculty lodging in the discussion on meals and lodging under Fringe Benefits.

If you serve as a minister of music or minister of education, or serve in an administrative or other function of your religious organization, but are not authorized to perform substantially all of the religious duties of an ordained minister in your church (even if you are commissioned as a minister of the gospel), the housing exclusion does not apply to you.

**Theological students.** If you are a theological student serving a required internship as a part-time or assistant pastor, you cannot exclude a parsonage or rental allowance from your income unless you are ordained, commissioned, or licensed as a minister.

**Traveling evangelists.** You can exclude a designated rental allowance from out-of-town churches if you meet all of the following requirements.

- You are an ordained minister.
- You perform qualified services at churches located away from your community.
- You actually use the rental allowance to maintain your permanent home.

**Cantors.** If you have a bona fide commission and your congregation employs you on a full-time basis to perform substantially all the religious functions of the Jewish faith, you can exclude a rental allowance from your gross income.

## Earnings—Members of Religious Orders

Your earnings may be exempt from both income tax and SE tax if you are a member of a religious order who:

- Has taken a vow of poverty,
- Receives earnings for services performed as an agent of the order and in the exercise of duties required by the order, and
- Renounces the earnings and gives them to the order.

See *Members of Religious Orders*, earlier, under *Social Security Coverage*.

## Foreign Earned Income

Certain income may be exempt from income tax if you work in a foreign country or in a specified U.S. possession. Publication 54 discusses the foreign earned income exclusion. Publication 570, *Tax Guide for Individuals With Income From U.S. Possessions*, covers the rules for taxpayers with income from U.S. possessions. You can get these free publications from the Internal Revenue Service or from most U.S. Embassies or consulates.

## Expense Items

The tax treatment of ministerial trade or business expenses, expenses allocable to tax-free income, and health insurance costs is discussed here.

## Ministerial Trade or Business Expenses as an Employee

When you figure your income tax, you must itemize your deductions on Schedule A (Form 1040) to claim allowable deductions for ministerial trade or business expenses incurred while working as an employee. You also may have to file Form 2106, *Employee Business Expenses* (or Form 2106-EZ, *Unreimbursed Employee Business Expenses*).

These expenses are claimed as miscellaneous itemized deductions and are subject to the 2%-of-adjusted-gross-income (AGI) limit. See Publication 529 for more information on this limit.

However, any of your employee business expenses that are allocable to tax-free income will not be deductible (discussed next).

## Expenses Allocable to Tax-Free Income

If you receive a rental or parsonage allowance that is exempt from income tax (tax free), you must allocate a portion of the expenses of operating your ministry to that tax-free income. You cannot deduct the portion of your expenses that is allocated to your tax-free rental or parsonage allowance.

**Exception.** This rule does not apply to your deductions for home mortgage interest or real estate taxes on your home.

**Figuring the allocation.** Figure the portion of your otherwise deductible expenses that you cannot deduct (because that portion must be allocated to tax-free income) by multiplying the expenses by the following fraction:

$$\frac{\text{Tax-free rental or parsonage allowance}}{\text{All income (taxable and tax free) earned from your ministry}}$$

When figuring the allocation, include the income and expenses related to the ministerial duties you perform both as an employee and as a self-employed person.



*Reduce your otherwise deductible expenses only in figuring your income tax, not your SE tax.*

**Example.** Rev. Charles Ashford received \$40,000 in ministerial earnings consisting of a \$28,000 salary for ministerial services, \$2,000 for weddings and baptisms, and a \$10,000 tax-free parsonage allowance. He incurred \$4,000 of unreimbursed expenses connected with his ministerial earnings. \$3,500 of the \$4,000 is related to his ministerial salary, and \$500 is related to the weddings and baptisms he performed as a self-employed person.

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's ministerial salary is figured as follows:

$$(\$10,000 + \$40,000) \times \$3,500 = \$875$$

The nondeductible (tax-free) portion of expenses related to Rev. Ashford's wedding and baptism income is figured as follows:

$$(\$10,000 + \$40,000) \times \$500 = \$125$$

**Required statement.** If you receive a tax-free rental or parsonage allowance and have ministerial expenses, attach a statement to your tax return. The statement must contain all of the following information.

- A list of each item of taxable ministerial income by source (such as wages, salary, weddings, baptisms, etc.) plus the amount.
- A list of each item of tax-free ministerial income by source (parsonage allowance) plus the amount.
- A list of each item of otherwise deductible ministerial expenses plus the amount.
- How you figured the nondeductible part of your otherwise deductible expenses.
- A statement that the other deductions claimed on your tax return are not allocable to your tax-free income.

See the *attachments* prepared for the *Comprehensive Example*, later. Following the example, you will find blank worksheets for your own use.

## Health Insurance Costs of Self-Employed Ministers

If you are self-employed, you may be able to deduct the amount you paid in 2009 for medical and dental insurance and qualified long-term care insurance for you, your spouse, and your dependents.

If you qualify, you can take this deduction as an adjustment to income on Form 1040, line 29. See the instructions for Form 1040 to figure your deduction.

The following special rules apply to the self-employed health insurance deduction.

- The expenses taken into account for purposes of this deduction are not allowed as a medical expense deduction on Schedule A.
- The deduction is not allowed for any month you are eligible to participate in a subsidized plan of your (or your spouse's) employer.
- The deduction is not used to reduce your net earnings for SE tax.
- The deduction cannot exceed your net earnings from the business under which the insurance plan is established. Your net earnings under this rule do not include the income you earned as a common-law employee (discussed earlier) of a church.

**More information.** For more information about the self-employed health insurance deduction, see chapter 6 in Publication 535.

## Deduction for SE Tax

You can deduct one-half of your SE tax in figuring adjusted gross income. This is an income tax deduction only, on Form 1040, line 27.



*This is not a deduction in figuring net earnings from self-employment subject to SE tax.*

## Income Tax Withholding and Estimated Tax

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. An employee usually has income tax withheld from his or her wages or salary. However, your salary generally is not subject to federal income tax withholding if both of the following conditions apply.

- You are a duly ordained, commissioned, or licensed minister, a member of a religious order (who has not taken a vow of poverty), or a Christian Science practitioner.
- Your salary is for qualified services (see *Qualified Services*, earlier).

If your salary is not subject to withholding, or if you do not pay enough tax through withholding, you may need to make estimated tax payments to avoid penalties for not paying enough tax as you earn your income.

You generally must make estimated tax payments if you expect to owe taxes, including SE tax, of \$1,000 or more, when you file your return.

Determine your estimated tax by using the worksheet in Form 1040-ES. Then, using the Form 1040-ES payment voucher, pay the entire estimated tax for 2010 or the first installment by April 15, 2010. The April 15 date applies whether or not your tax home and your abode are outside the United States and Puerto Rico. For more information, see chapter 2 of Publication 505, *Tax Withholding and Estimated Tax*.

If you perform your services as a common-law employee of the church and your salary is not subject to income tax withholding, you can enter into a voluntary withholding agreement with the church to cover any income and SE tax that may be due.

## Filing Your Return

You must file an income tax return for 2009 if your gross income was at least the amount shown in the third column of Table 4.

**Additional requirements.** Even if your income was less than the amount shown in Table 4, you must file an income tax return on Form 1040, and attach a completed Schedule SE (Form 1040), if:

- You are not exempt from SE tax, and you have net earnings from self-employment (discussed earlier under *Self-Employment Tax: Figuring Net Earnings*) of \$400 or more in the tax year,
- You are exempt from SE tax on earnings from qualified services and you have \$400 or more of other net earnings subject to SE tax, or
- You had wages of \$108.28 or more from an electing church or church-controlled organization (see *Religious Workers (Church Employees)*, earlier, under *Social Security Coverage*).

**Self-employment tax.** If you are liable for SE tax, you must file Schedule SE (Form 1040) with your return.

**Exemption from SE tax.** If you filed Form 4361 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter "Exempt—Form 4361" on the dotted line next to Form 1040, line 56.

If you filed Form 4029 and received IRS approval not to be taxed on those earnings, and you do not have any other income subject to SE tax, do not file Schedule SE (Form 1040). Instead, enter "Exempt—Form 4029" on the dotted line next to Form 1040, line 56.

**More information.** For more information on filing your return, including when and where to file it, see the instructions for Form 1040.

## Retirement Savings Arrangements

Retirement savings arrangements are plans that offer you a tax-favored way to save for your retirement. You generally can deduct your contributions to the plan. Your contributions and the earnings on them are not taxed until they are distributed.

**Retirement plans for the self-employed.** To set up one of the following plans you must be self-employed.

- Qualified retirement plan (also called a Keogh or H.R. 10 plan).
- SEP (simplified employee pension plan).
- SIMPLE (savings incentive match plan for employees) plan.

The common-law rules determine whether you are an employee or a self-employed person for purposes of setting up a retirement plan. See *Employment Status for Other Tax Purposes*, earlier, under *Social Security Coverage*. This is true even if your compensation for qualified services (discussed earlier) is subject to SE tax.

For example, if a congregation pays you a salary for performing qualified services, and you are subject to the congregation's control, you are a common-law employee. You are not a self-employed person for purposes of setting up a retirement plan. This is true even if your salary is subject to SE tax.

On the other hand, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services that are reported on Schedule C or C-EZ, are earnings from self-employment for all tax purposes.

For more information on establishing a SEP, SIMPLE, or qualified retirement plan, see Publication 560, *Retirement Plans for Small Business*.

### Individual retirement arrangements (IRAs).

The traditional IRA and the Roth IRA are two individual retirement arrangements you can use to save money for your retirement. Generally, your maximum contribution for 2009 to either of these plans (or to a combination of the two) is the smaller of your taxable compensation, or \$5,000 (6,000 if you are age 50 or older).

However, your contributions to a Roth IRA may be further limited if your adjusted gross income is above a certain amount. Roth IRA contributions are not deductible, but if you satisfy certain requirements, all earnings in the Roth IRA are tax free and neither your nondeductible contributions nor any earnings on them are taxable when withdrawn.

If you contribute to a traditional IRA, your deduction may be reduced or eliminated if you or your spouse is covered by an employer retirement plan (including, but not limited to, a SEP, SIMPLE, or qualified retirement plan).

For more information on IRAs, see Publication 590.

**Tax-sheltered annuity plans.** Church employees, members of religious orders, and duly ordained, commissioned, or licensed ministers working as ministers or chaplains can participate in tax-sheltered annuity (403(b)) plans. For more information, see Publication 571, *Tax-Sheltered Annuity Plans (403(b) Plans) For*

Table 4. 2009 Filing Requirements for Most Taxpayers

IF your filing status is ...	AND at the end of 2009 you were ...*	THEN file a return if your gross income was at least ...**
single	under age 65 65 or older	\$ 9,350 10,750
married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$18,700 19,800 20,900
married filing separately	any age	\$ 3,650
head of household	under 65 65 or older	\$12,000 13,400
qualifying widow(er) with dependent child	under 65 65 or older	\$15,050 16,150

\* If you were born on January 1, 1945, you are considered to be age 65 at the end of 2009.

\*\* **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you can exclude part or all of it). Do not include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2009, or (b) one-half of your social security benefits plus your other gross income is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for Form 1040, lines 20a and 20b, to figure the taxable part of social security benefits you must include in gross income.

\*\*\* If you did not live with your spouse at the end of 2009 (or on the date your spouse died) and your gross income was at least \$3,650, you must file a return regardless of your age.

Employees of Public Schools and Certain Tax-Exempt Organizations.

**Deducting contributions to tax-sheltered annuity plans.** If you are an employee, your employer may exclude allowable contributions to a 403(b) plan from your income. These contributions will not be included in your total wages on your Form W-2, but you will pay tax on distributions from your plan. However, if you choose to have contributions made to a Roth contribution program, they will not be excluded from your income, but will be distributed tax free.

An exception to the above applies if you are a minister or chaplain and, in the exercise of your ministry, you are either self-employed or employed by an organization that is not exempt from tax under section 501(c)(3) of the Internal Revenue Code. If the exception applies to you, you can deduct your contributions to a 403(b) plan as explained next.

- If you are self-employed, deduct your contributions on Form 1040, line 28.
- If you are not self-employed and your employer does not exclude your contributions from your earned income, deduct your contributions on Form 1040, line 36. Enter the amount of your deduction and "403(b)" on the dotted line next to line 36.

**Retirement savings contributions credit.** You may be able to take a tax credit of up to \$1,000 (up to \$2,000 if filing jointly) for certain contributions you make to any of the retirement plans or IRAs discussed above. The credit is based on the contributions you make and your credit rate. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. Figure the credit on Form 8880, Credit for Qualified Retirement Savings Contributions.

You cannot take the credit if any of the following apply.

1. You were born after January 1, 1992.
2. You were a full-time student in 2009.
3. Someone, such as your parent(s), claims an exemption for you on his or her 2009 tax return.
4. Your adjusted gross income for 2009 is more than:
  - a. \$55,500, if your filing status is married filing jointly,
  - b. \$41,625, if your filing status is head of household, or
  - c. \$27,750, if your filing status is single, married filing separately, or qualifying widow(er) with dependent child.

When figuring adjusted gross income, you must add back any exclusion or deduction claimed for the year for:

1. Foreign earned income,
2. Foreign housing costs,
3. Income of bona fide residents of American Samoa, and
4. Income of bona fide residents of Puerto Rico.

**More information.** For more information about the credit, see Publication 590.

## Earned Income Credit

The earned income credit is a credit for certain people who work. If you qualify for it, the earned income credit reduces the tax you owe. Even if you do not owe tax, you can get a refund of the credit. Also, you may be able to get part of the credit added to your wages or salary instead of waiting until after the end of the year.

You cannot take the credit if your earned income (or adjusted gross income) is:

- \$13,440 or more (\$18,440 or more if married filing jointly) and you do not have a qualifying child,
- \$35,463 or more (\$40,463 or more if married filing jointly) and you have one qualifying child,
- \$40,295 or more (\$45,295 or more if married filing jointly) and you have two qualifying children, or
- \$43,279 or more (\$48,279 if married filing jointly) and you have three or more qualifying children.

**Earned income.** Earned income includes your:

- Wages, salaries, tips, and
- Net earnings from self-employment minus the amount you claimed (or should have claimed) on Form 1040, line 27, for one-half of your SE tax.

**Earned income for a minister with an approved Form 4361.** If you have earnings from qualified services that are exempt from SECA (because you have an approved Form 4361), amounts you received for performing ministerial duties as an employee are earned income. This includes wages, salaries, tips, and other taxable employee compensation.

Amounts you received for nonemployee ministerial duties are not earned income. This includes fees for performing marriages and baptisms, and honoraria for delivering speeches.

If you had nonministerial duties, any net earnings from self-employment, minus one-half of your SE tax, and any compensation received as an employee is earned income.

**Earned income for a minister whose income from qualified services is not exempt from SECA.** Earned income includes your net earnings from self-employment plus any compensation you received for nonministerial duties minus your Form 1040, line 27, amount for one-half of SE tax.

Your net earnings from self-employment include those net earnings from qualified services. See *Self-Employment Tax: Figuring Net Earnings*, earlier. Net earnings also include net earnings from self-employment related to nonministerial duties.

**Earned income for a member of a recognized religious sect with an approved Form 4029.** If you have an approved Form 4029, all wages, salaries, tips, and other taxable employee compensation are earned income. Amounts you received as a self-employed individual are not earned income. Also, in figuring earned income, losses from Schedules C, C-EZ, or F cannot be subtracted from wages on Form 1040, line 7.

**More information.** For detailed rules on this credit, see Publication 596. To figure the amount of your credit, you can either fill out a worksheet or have the IRS compute the credit for you. You may need to complete Schedule EIC and attach it to your tax return. For details on getting part of the credit added to your wages or salary, get Form W-5, Earned Income Credit Advance Payment Certificate, from your employer or the IRS.

## Comprehensive Example

Rev. John White is the minister of the First United Church. He is married and has one child. The child is considered a qualifying child for the child tax credit. Mrs. White is not employed outside the home. Rev. White is a common-law employee of the church, and he has not applied for an exemption from SE tax.

The church paid Rev. White a salary of \$31,000. In addition, as a self-employed person, he earned \$4,000 during the year for weddings, baptisms, and honoraria. He made estimated tax payments during the year totaling \$7,000. He taught a course at the local community college, for which he was paid \$3,400.

Rev. White owns a home next to the church. He makes a \$650 per month mortgage payment of principal and interest only. He paid \$1,800 in real estate taxes for the year on the home. The church paid him \$800 per month as his parsonage allowance (excluding utilities). The home's fair rental value for the year (excluding utilities) is \$9,840. The utility bills for the year totaled \$960. The church paid him \$100 per month designated as an allowance for utility costs.

The parts of Rev. and Mrs. White's income tax return are explained in the order they are completed. They are illustrated in the order that Rev. White will assemble the return to send it to the IRS.

### Form W-2 From Church

The church completed its Form W-2 for Rev. White as follows.

**Box 1.** The church entered Rev. White's \$31,000 salary.

**Box 2.** The church left this box blank because Rev. White did not request federal income tax withholding.

**Boxes 3 through 6.** Rev. White is considered a self-employed person for purposes of social security and Medicare tax withholding, so the church left these boxes blank.

**Box 14.** The church entered Rev. White's total parsonage and utilities allowance for the year and identified them.

### Form W-2 From College

The community college gave Rev. White a Form W-2 that showed the following.

**Box 1.** The college entered Rev. White's \$3,400 salary.

**Box 2.** The college withheld \$272 in federal income tax on Rev. White's behalf.

**Boxes 3 and 5.** As an employee of the college, Rev. White is subject to social security and

Medicare withholding on his full salary from the college.

**Box 4.** The college withheld \$210.80 in social security taxes.

**Box 6.** The college withheld \$49.30 in Medicare taxes.

## Schedule C-EZ (Form 1040)

Some of Rev. White's entries on Schedule C-EZ are explained here.

**Line 1.** Rev. White reports the \$4,000 from weddings, baptisms, and honoraria.

**Line 2.** Rev. White reports his expenses related to the line 1 amount. He paid \$87 for marriage and family booklets and drove his car 445 miles for business, mainly in connection with honoraria. Rev. White used the standard mileage rate to figure his car expense, as follows.

$$445 \text{ miles} \times 55 \text{ cents} = \underline{\$245}$$

These expenses total \$332 (\$245 + \$87). However, he cannot deduct the part of his expenses allocable to his tax-free parsonage allowance.

First, Rev. White uses Worksheet 1 (see page 21) to figure what percentage of his business expenses are not deductible. Then he completes Worksheet 2 (see page 22) to show that 23% (or \$76) of his business expenses are not deductible because they are allocable to his tax-free allowance. He subtracts the \$76 from the \$332, enters the \$256 difference on line 2, and adds a note at the bottom of the page to see the attached statement.

Rev. White attaches Worksheets 1 and 2 to his return. This is part of his required statement, Attachment 1 (see pages 21 and 22).

**Line 3.** He enters his net profit of \$3,744 on both line 3 and Form 1040, line 12.

**Lines 4 through 8b.** Rev. White fills out these lines to report information about his car.

## Form 2106-EZ

Rev. White fills out Form 2106-EZ to report the unreimbursed business expenses he had as a common-law employee of First United Church.

**Line 1.** Before completing line 1, Rev. White fills out Part II because he used his car for church business. His records show that he drove 2,521 business miles, which he reports in Part II. Then, he figures his car expense for his line 1 entry.

$$2,521 \text{ miles} \times 55 \text{ cents} = \underline{\$1,387}$$

**Line 4.** He enters \$231 for his professional publications and booklets.

**Line 6.** Before entering the total expenses on line 6, Rev. White must reduce them by the amount allocable to his tax-free parsonage allowance. After completing Worksheet 3 (see page 22), he finds that \$372 (23%) of his employee business expenses are not deductible. He subtracts \$372 from \$1,618 and enters the result, \$1,246, on line 6, adding a note at the

bottom of the page about the attached statement. He also enters \$1,246 on Schedule A (Form 1040), line 21.

## Schedule A (Form 1040)

Rev. White fills out Schedule A as explained here.

**Line 5.** Rev. White checks the box on line 5b for "General sales tax" and deducts \$722.

**Line 6.** He deducts \$1,800 in real estate taxes.

**Line 10.** He deducts \$5,572 of home mortgage interest.

**Line 16.** Rev. and Mrs. White contributed \$4,800 in cash during the year to various qualifying charities. Each individual contribution was less than \$250 and they have the required records for all donations.

**Line 21.** Rev. White enters his unreimbursed employee business expenses from Form 2106-EZ, line 6.

**Lines 25, 26, and 27.** He can deduct only the part of his employee business expenses that exceeds 2% of his adjusted gross income. After he completes page 1 of Form 1040, he fills out these lines to figure the amount he can deduct.

**Line 29.** The total of all the Whites' itemized deductions is \$13,434, which he enters here and on Form 1040, line 40a.

## Schedule SE (Form 1040)

After Rev. White prepares Schedule C-EZ and Form 2106-EZ, he fills out Schedule SE (Form 1040). He reads the chart on page 1 of the schedule and determines that he can use Section A—Short Schedule SE to figure his self-employment tax. Rev. White is a minister, so his salary from the church is not considered church employee income. Thus, he does not have to use Section B—Long Schedule SE. He fills out the following lines in Section A.

**Line 2.** Rev. White attaches a statement (see Attachment 2, Worksheet 4, on page 23) that explains how he figures the amount (\$43,850) to enter.

**Line 4.** He multiplies \$43,850 by 92.35% (.9235) to get his net earnings from self-employment (\$40,495).

**Line 5.** The amount on line 4 is less than \$106,800, so Rev. White multiplies the amount on line 4 (\$40,495) by 15.3% (.153) to get his self-employment tax of \$6,196. He enters that amount here and on Form 1040, line 56.

**Line 6.** Rev. White multiplies the amount on line 5 by 50% (.50) to get his deduction for one-half of self-employment tax of \$3,098. He enters that amount here and on Form 1040, line 27.

## Schedule M (Form 1040)

Rev. White fills out Form 1040, Schedule M, to claim the making work pay credit as follows:

**Line 1a.** Rev. White checks the "Yes" box to indicate that he had earnings of more than \$12,903 and enters \$800 on line 4.

**Line 5.** He enters his adjusted gross income from Form 1040, line 38.

**Line 6.** He enters \$150,000 for married filing jointly.

**Line 7.** He checks the "No" box on line 7 and enters \$800 on line 9.

**Lines 10 and 11.** He checks the "No" boxes on both lines 10 and 11 and enters -0-.

**Line 13.** He subtracts line 12 from line 9 and enters the result of \$800 on line 13.

**Line 14.** Rev. White enters \$800 as his making work pay credit on line 14 and includes this amount on Form 1040, line 63.

## Form 1040

After Rev. White prepares Form 2106-EZ and the other schedules, he fills out Form 1040. He files a joint return with his wife. First, he fills out the address area and completes the appropriate lines for his filing status and exemptions. Then, he fills out the rest of the form as follows.

**Line 7.** Rev. White reports \$34,640. This amount is the total of his \$31,000 church salary, \$3,400 college salary, and \$240, his excess allowance. The two salaries were reported to him in box 1 of the Forms W-2 he received.

**Line 12.** He reports his net profit of \$3,744 from Schedule C-EZ, line 3.

**Line 27.** He enters \$3,098, half his SE tax from Schedule SE, line 6.

**Line 40a.** He enters the total itemized deductions from Schedule A, line 28.

**Line 51.** The Whites can take the child tax credit for their daughter, Jennifer. Rev. White figures the credit by completing the Child Tax Credit Worksheet (not shown) in the instructions for Form 1040. He enters \$1,000 credit on line 51.

**Line 56.** He enters the self-employment tax from Schedule SE, line 5.

**Line 61.** He enters the federal income tax withheld, as shown in box 2 of his Form W-2 from the college.

**Line 62.** He enters the \$7,000 estimated tax payments he made for the year.

**Line 63.** He enters \$800 for the making work pay credit.

**Line 74.** He wants to have any overpayment of tax applied to his 2010 estimated tax.

## Attachment 1

Attachment 1 (Worksheets 1, 2, and 3) shows the computation of expenses that are nondeductible because they are allocable to tax-free ministerial income and the allowance deductions.

## Attachment 2

Attachment 2 (Worksheet 4) shows the computation of net self-employment income.

# Instructions for Form SS-4



Department of the Treasury  
Internal Revenue Service

(Rev. January 2010)

## Application for Employer Identification Number

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

### What's New

**Name of responsible party.** The instructions for Line 7a–b have been changed to request the name of the responsible party. See *Lines 7a–b, Name of responsible party* on page 3 for details.

**Election to file Form 944.** Eligible employers may now elect to file Form 944 annually instead of Forms 941 quarterly. See *Line 14. Do you want to file Form 944?* on page 5 for details.

### General Instructions

Use these instructions to complete Form SS-4, Application for Employer Identification Number. Also see *Do I Need an EIN?* on page 2 of Form SS-4.

### Purpose of Form

Use Form SS-4 to apply for an employer identification number (EIN). An EIN is a nine-digit number (for example, 12-3456789) assigned to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes. The information you provide on this form will establish your business tax account.



*An EIN is for use in connection with your business activities only. Do not use your EIN in place of your social security number (SSN).*

### Reminders

**Apply online.** Generally, you can apply for and receive an EIN online using the Internet. See *How To Apply* later.



*This is a free service offered by the Internal Revenue Service at [www.irs.gov](http://www.irs.gov). Beware of websites on the Internet that charge for this free service.*

**File only one Form SS-4.** Generally, a sole proprietor should file only one Form SS-4 and needs only one EIN, regardless of the number of businesses operated as a sole proprietorship or trade names under which a business operates. However, if the proprietorship incorporates or enters into a partnership, a new EIN is required. Also, each corporation in an affiliated group must have its own EIN.

**EIN applied for, but not received.** If you do not have an EIN by the time a return is due, write "Applied For" and the date you applied in the space shown for the number. Do not show your SSN as an EIN on returns.

If you do not have an EIN by the time a tax deposit is due, send your payment to the Internal Revenue Service Center for your filing area as shown in the instructions for the form that you are filing. Make your check or money order payable to the "United States Treasury" and show your name (as shown on Form SS-4), address, type of tax, period covered, and date you applied for an EIN.

**Electronic filing and payment.** Now, more than ever before, businesses can enjoy the benefits of filing and

paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, IRS offers you convenient programs to make filing and paying easier. Spend less time and worry on taxes and more time running your business. Use e-file and the Electronic Federal Tax Payment System (EFTPS) to your benefit.

- For e-file, visit [www.irs.gov](http://www.irs.gov) for additional information.
- For EFTPS, visit [www.eftps.gov](http://www.eftps.gov) or call EFTPS Customer Service at 1-800-555-4477, 1-800-733-4829 (TDD), or 1-800-244-4829 (Spanish).

**Federal tax deposits.** New employers that have a federal tax obligation will be pre-enrolled in the Electronic Federal Tax Payment System (EFTPS). EFTPS allows you to make all of your federal tax payments online at [www.eftps.gov](http://www.eftps.gov) or by telephone. Shortly after we have assigned you your EIN, you will receive instructions by mail for activating your EFTPS enrollment. You will also receive an EFTPS Personal Identification Number (PIN) that you will use to make your payments, as well as instructions for obtaining an Internet password you will need to make payments online.

If you are not required to make deposits by EFTPS, you can use Form 8109, Federal Tax Deposit (FTD) Coupon, to make deposits at an authorized depository. If you would like to receive Form 8109, call 1-800-829-4933. Allow 5 to 6 weeks for delivery. For more information on federal tax deposits, see Pub. 15 (Circular E), Employer's Tax Guide.

### How To Apply

You can apply for an EIN online, by telephone, by fax, or by mail depending on how soon you need to use the EIN. Use only one method for each entity so you do not receive more than one EIN for an entity.

**Online.** Taxpayers and authorized third party designees located within the United States and U.S. possessions can receive an EIN online and use it immediately to file a return or make a payment. Go to the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and click on *Employer ID Numbers*.



*Taxpayers who apply online have an option to view, print, and save their EIN assignment notice at the end of the session. (Authorized third party designees will receive the EIN but the notice will be mailed to the applicant.)*



*Applicants who are not located within the United States or U.S. possessions cannot use the online application to obtain an EIN. Please use one of the other methods to apply.*

**Telephone.** You can receive your EIN by telephone and use it immediately to file a return or make a payment. Call the IRS at 1-800-829-4933. The hours of operation are 7:00 a.m. to 10:00 p.m. local time (Pacific time for Alaska and Hawaii). The person making the call must be authorized to sign the form or be an authorized designee. See *Third Party Designee* and *Signature* on page 6. Also see the *TIP* on page 2.

**Note.** International applicants must call 215-516-6999.

If you are applying by telephone, it will be helpful to complete Form SS-4 before contacting the IRS. An IRS representative will use the information from the Form SS-4 to establish your account and assign you an EIN. Write the

number you are given on the upper right corner of the form and sign and date it. Keep this copy for your records.

If requested by an IRS representative, mail or fax the signed Form SS-4 (including any Third Party Designee authorization) within 24 hours to the IRS address provided by the IRS representative.

**TIP** Taxpayer representatives can apply for an EIN on behalf of their client and request that the EIN be faxed to their client on the same day. **Note.** By using this procedure, you are authorizing the IRS to fax the EIN without a cover sheet.

**Fax.** Under the Fax-TIN program, you can receive your EIN by fax within 4 business days. Complete and fax Form SS-4 to the IRS using the appropriate Fax-TIN number listed below. A long-distance charge to callers outside of the local calling area will apply. Fax-TIN numbers can only be used to apply for an EIN. The numbers may change without notice. Fax-TIN is available 24 hours a day, 7 days a week.

Be sure to provide your fax number so the IRS can fax the EIN back to you.

**Note.** By using this procedure, you are authorizing the IRS to fax the EIN without a cover sheet.

**Mail.** Complete Form SS-4 at least 4 to 5 weeks before you will need an EIN. Sign and date the application and mail it to the service center address for your state. You will receive your EIN in the mail in approximately 4 weeks. See also *Third Party Designee* on page 6.

Call 1-800-829-4933 to verify a number or to ask about the status of an application by mail.

#### Where to File or Fax

If your principal business, office or agency, or legal residence in the case of an individual, is located in:	File or fax with the "Internal Revenue Service Center" at:
One of the 50 states or the District of Columbia	Attn: EIN Operation Cincinnati, OH 45999  Fax-TIN: 859-669-5760
If you have no legal residence, principal place of business, or principal office or agency in any state:	Attn: EIN Operation Philadelphia, PA 19255  Fax-TIN: 215-516-1040

## How To Get Forms and Publications

**Internet.** You can access the IRS website 24 hours a day, 7 days a week at [www.irs.gov](http://www.irs.gov) to download forms, instructions, and publications.

**Phone.** Call 1-800-TAX-FORM (1-800-829-3676) to order forms, instructions, and publications. You should receive your order or notification of its status within 10 workdays.

**DVD for Tax Products.** For small businesses, return preparers, or others who may frequently need tax forms or publications, a DVD containing over 2,000 tax products (including many prior year forms) can be purchased from the National Technical Information Service (NTIS).

To order Pub.1796, IRS Tax Products CD, call 1-877-233-6767 or connect to [www.irs.gov/cdorders](http://www.irs.gov/cdorders).

## Tax Help for Your Business

IRS-sponsored Small Business Workshops provide information about your federal and state tax obligations. For

information about workshops in your area, call 1-800-829-4933.

## Related Forms and Publications

The following forms and instructions may be useful to filers of Form SS-4.

- Form 990-T, Exempt Organization Business Income Tax Return.
- Instructions for Form 990-T.
- Schedule C (Form 1040), Profit or Loss From Business.
- Schedule F (Form 1040), Profit or Loss From Farming.
- Instructions for Form 1041 and Schedules A, B, D, G, I, J, and K-1, U.S. Income Tax Return for Estates and Trusts.
- Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.
- Instructions for Form 1065, U.S. Return of Partnership Income.
- Instructions for Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return.
- Instructions for Forms 1120.
- Form 2553, Election by a Small Business Corporation.
- Form 2848, Power of Attorney and Declaration of Representative.
- Form 8821, Tax Information Authorization.
- Form 8832, Entity Classification Election.

For more information about filing Form SS-4 and related issues, see:

- Pub. 51 (Circular A), Agricultural Employer's Tax Guide;
- Pub. 15 (Circular E), Employer's Tax Guide;
- Pub. 538, Accounting Periods and Methods;
- Pub. 542, Corporations;
- Pub. 557, Tax-Exempt Status for Your Organization;
- Pub. 583, Starting a Business and Keeping Records;
- Pub. 966, The Secure Way to Pay Your Federal Taxes for Business and Individual Taxpayers;
- Pub. 1635, Understanding Your EIN;
- Package 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; and
- Package 1024, Application for Recognition of Exemption Under Section 501(a).

## Specific Instructions

Print or type all entries on Form SS-4. Follow the instructions for each line to expedite processing and to avoid unnecessary IRS requests for additional information. Enter "N/A" (nonapplicable) on the lines that do not apply.

**Line 1. Legal name of entity (or individual) for whom the EIN is being requested.** Enter the legal name of the entity (or individual) applying for the EIN exactly as it appears on the social security card, charter, or other applicable legal document. An entry is required.

**Individuals.** Enter your first name, middle initial, and last name. If you are a sole proprietor, enter your individual name, not your business name. Enter your business name on line 2. Do not use abbreviations or nicknames on line 1.

**Trusts.** Enter the name of the trust as it appears on the trust instrument.

**Estate of a decedent.** Enter the name of the estate. For an estate that has no legal name, enter the name of the decedent followed by "Estate."

**Partnerships.** Enter the legal name of the partnership as it appears in the partnership agreement.

**Corporations.** Enter the corporate name as it appears in the corporate charter or other legal document creating it.

**Plan administrators.** Enter the name of the plan administrator. A plan administrator who already has an EIN should use that number.

**Line 2. Trade name of business.** Enter the trade name of the business if different from the legal name. The trade name is the “doing business as” (DBA) name.



*Use the full legal name shown on line 1 on all tax returns filed for the entity. (However, if you enter a trade name on line 2 and choose to use the trade name instead of the legal name, enter the trade name on all returns you file.) To prevent processing delays and errors, always use the legal name only (or the trade name only) on all tax returns.*

**Line 3. Executor, administrator, trustee, “care of” name.** Trusts enter the name of the trustee. Estates enter the name of the executor, administrator, or other fiduciary. If the entity applying has a designated person to receive tax information, enter that person’s name as the “care of” person. Enter the individual’s first name, middle initial, and last name.

**Lines 4a–b. Mailing address.** Enter the mailing address for the entity’s correspondence. If the entity’s address is outside the United States or its possessions, you must enter the city, province or state, postal code, and the name of the country. Do not abbreviate the country name. If line 3 is completed, enter the address for the executor, trustee or “care of” person. Generally, this address will be used on all tax returns.

If the entity is filing the Form SS-4 only to obtain an EIN for the Form 8832, use the same address where you would like to have the acceptance or nonacceptance letter sent.



*File Form 8822, Change of Address, to report any subsequent changes to the entity’s mailing address.*

**Lines 5a–b. Street address.** Provide the entity’s physical address only if different from its mailing address shown in lines 4a–b. Do not enter a P.O. box number here. If the entity’s address is outside the United States or its possessions, you must enter the city, province or state, postal code, and the name of the country. Do not abbreviate the country name.

**Line 6. County and state where principal business is located.** Enter the entity’s primary physical location.

**Lines 7a–b. Name of responsible party.** Enter the full name (first name, middle initial, last name, if applicable) and SSN, ITIN, or EIN of the entity’s responsible party as defined below.

**Responsible party defined.** For entities with shares or interests traded on a public exchange, or which are registered with the Securities and Exchange Commission, “responsible party” is (a) the principal officer, if the business is a corporation, (b) a general partner, if a partnership, (c) the owner of an entity that is disregarded as separate from its owner (disregarded entities owned by a corporation enter the corporation’s name and EIN), or (d) a grantor, owner, or trustor, if a trust.

For all other entities, “responsible party” is the person who has a level of control over, or entitlement to, the funds or assets in the entity that, as a practical matter, enables the individual, directly or indirectly, to control, manage, or direct the entity and the disposition of its funds and assets. The ability to fund the entity or the entitlement to the property of the entity alone, however, without any corresponding authority to control, manage, or direct the entity (such as in the case of a minor child beneficiary), does not cause the individual to be a responsible party.

If the person in question is an alien individual with a previously assigned individual taxpayer identification number (ITIN), enter the ITIN in the space provided and submit a copy of an official identifying document. If necessary, complete Form W-7, Application for IRS Individual Taxpayer Identification Number, to obtain an ITIN.

You must enter an SSN, ITIN, or EIN on line 7b unless the only reason you are applying for an EIN is to make an entity classification election (see Regulations sections 301.7701-1 through 301.7701-3) and you are a nonresident alien or other foreign entity with no effectively connected income from sources within the United States.

**Lines 8a–c. Limited liability company (LLC) information.** An LLC is an entity organized under the laws of a state or foreign country as a limited liability company. For federal tax purposes, an LLC may be treated as a partnership or corporation or be disregarded as an entity separate from its owner.

By default, a domestic LLC with only one member is disregarded as an entity separate from its owner and must include all of its income and expenses on the owner’s tax return (for example, Schedule C (Form 1040)). Also by default, a domestic LLC with two or more members is treated as a partnership. A domestic LLC may file Form 8832 to avoid either default classification and elect to be classified as an association taxable as a corporation. For more information on entity classifications (including the rules for foreign entities), see the instructions for Form 8832.

If the answer to line 8a is “Yes,” enter the number of LLC members. If the LLC is owned solely by a husband and wife in a community property state and the husband and wife choose to treat the entity as a disregarded entity, enter “1” on line 8b.



*Do not file Form 8832 if the LLC accepts the default classifications above. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832. See the Instructions for Form 2553.*

**Line 9a. Type of entity.** Check the box that best describes the type of entity applying for the EIN. If you are an alien individual with an ITIN previously assigned to you, enter the ITIN in place of a requested SSN.



*This is not an election for a tax classification of an entity. See Disregarded entities on page 4.*

**Sole proprietor.** Check this box if you file Schedule C, C-EZ, or F (Form 1040) and have a qualified plan, or are required to file excise, employment, alcohol, tobacco, or firearms returns, or are a payer of gambling winnings. Enter your SSN (or ITIN) in the space provided. If you are a nonresident alien with no effectively connected income from sources within the United States, you do not need to enter an SSN or ITIN.

**Corporation.** This box is for any corporation other than a personal service corporation. If you check this box, enter the income tax form number to be filed by the entity in the space provided.



*If you entered “1120S” after the “Corporation” checkbox, the corporation must file Form 2553 no later than the 15th day of the 3rd month of the tax year the election is to take effect. Until Form 2553 has been received and approved, you will be considered a Form 1120 filer. See the Instructions for Form 2553.*

**Personal service corporation.** Check this box if the entity is a personal service corporation. An entity is a personal service corporation for a tax year only if:

- The principal activity of the entity during the testing period (prior tax year) for the tax year is the performance of personal services substantially by employee-owners, and
- The employee-owners own at least 10% of the fair market value of the outstanding stock in the entity on the last day of the testing period.

Personal services include performance of services in such fields as health, law, accounting, or consulting. For more information about personal service corporations, see the Instructions for Form 1120 and Pub. 542.



*If the corporation is recently formed, the testing period begins on the first day of its tax year and ends on the earlier of the last day of its tax year, or the last day of the calendar year in which its tax year begins.*

**Other nonprofit organization.** Check this box if the nonprofit organization is other than a church or church-controlled organization and specify the type of nonprofit organization (for example, an educational organization).



*If the organization also seeks tax-exempt status, you must file either Package 1023 or Package 1024. See Pub. 557 for more information.*

If the organization is covered by a group exemption letter, enter the four-digit group exemption number (GEN) in the last entry. (Do not confuse the GEN with the nine-digit EIN.) If you do not know the GEN, contact the parent organization. Get Pub. 557 for more information about group exemption numbers.

If the organization is a section 527 political organization, check the box for *Other nonprofit organization* and specify "section 527 organization" in the space to the right. To be recognized as exempt from tax, a section 527 political organization must electronically file Form 8871, Political Organization Notice of Section 527 Status, within 24 hours of the date on which the organization was established. The organization may also have to file Form 8872, Political Organization Report of Contributions and Expenditures. See [www.irs.gov/polorgs](http://www.irs.gov/polorgs) for more information.

**Plan administrator.** If the plan administrator is an individual, enter the plan administrator's taxpayer identification number (TIN) in the space provided.

**REMIC.** Check this box if the entity has elected to be treated as a real estate mortgage investment conduit (REMIC). See the Instructions for Form 1066 for more information.

**State/local government.** If you are a government employer and you are not sure of your social security and Medicare coverage options, go to [www.ncsssa.org/ssaframes.html](http://www.ncsssa.org/ssaframes.html) to obtain the contact information for your state's Social Security Administrator.

**Other.** If not specifically listed, check the "Other" box, enter the type of entity and the type of return, if any, that will be filed (for example, "Common Trust Fund, Form 1065" or "Created a Pension Plan"). Do not enter "N/A." If you are an alien individual applying for an EIN, see the *Lines 7a–b* instructions on page 3.

• **Household employer.** If you are an individual that will employ someone to provide services in your household, check the "Other" box and enter "Household Employer" and your SSN. If you are a trust that qualifies as a household employer, you do not need a separate EIN for reporting tax information relating to household employees; use the EIN of the trust.

• **Household employer agent.** If you are an agent of a household employer that is a disabled individual or other welfare recipient receiving home care services through a state or local program, check the "Other" box and enter "Household Employer Agent." (See Rev. Proc. 80-4, 1980-1 C.B. 581 and Notice 2003-70, 2003-43 I.R.B. 916.) If you are a state or local government also check the box for state/local government.

• **QSub.** For a qualified subchapter S subsidiary (QSub) check the "Other" box and specify "QSub."

• **Withholding agent.** If you are a withholding agent required to file Form 1042, check the "Other" box and enter "Withholding Agent."

**Disregarded entities.** A disregarded entity is an eligible entity that is disregarded as separate from its owner for federal income tax purposes. Disregarded entities include single-member limited liability companies (LLCs) that are disregarded as separate from their owners, qualified subchapter S subsidiaries (qualified subsidiaries of an S corporation), and certain qualified foreign entities. See the instructions for Form 8832 and Regulations section 301.7701-3 for more information on domestic and foreign disregarded entities.

A disregarded entity must have an EIN if it is subject to employment taxes or certain excise taxes. For wages paid during 2008 and in prior years, the reporting and payment of employment taxes for employees could be made using the name and EIN of either the owner or the disregarded entity (as explained in Notice 99-6, 1999-3 I.R.B. 12).

For wages paid on or after January 1, 2009, the disregarded entity is required to use its name and EIN for reporting and payment of employment taxes. A disregarded entity is also required to use its name and EIN to register for excise tax activities on Form 637, pay and report excise taxes reported on Forms 720, 730, 2290, and 11-C, and claim any refunds, credits, and payments on Form 8849. This requirement for reporting and paying excise taxes became effective after December 31, 2007. See the instructions for the employment and excise tax returns for more information.

Complete Form SS-4 for disregarded entities as follows.

- If a disregarded entity is filing Form SS-4 to obtain an EIN because it is required to report and pay employment and excise taxes (see above) or for non-federal purposes such as a state requirement, check the "Other" box for line 9a and write "disregarded entity" (or "disregarded entity-sole proprietorship" if the owner of the disregarded entity is an individual).
- If the disregarded entity is requesting an EIN for purposes of filing Form 8832 to elect classification as an association taxable as a corporation, or Form 2553 to elect S corporation status, check the "Corporation" box for line 9a and write "single-member" and the form number of the return that will be filed (Form 1120 or 1120S).
- If the disregarded entity is requesting an EIN because it has acquired one or more additional owners and its classification has changed to partnership under the default rules of Regulations section 301.7701-3(f), check the "Partnership" box for line 9a.

**Line 10. Reason for applying.** Check only one box. Do not enter "N/A." A selection is required.

**Started new business.** Check this box if you are starting a new business that requires an EIN. If you check this box, enter the type of business being started. Do not apply if you already have an EIN and are only adding another place of business.

**Hired employees.** Check this box if the existing business is requesting an EIN because it has hired or is hiring employees and is therefore required to file employment tax returns. Do not apply if you already have an EIN and are only hiring employees. For information on employment taxes (for example, for family members), see Pub. 15 (Circular E).



*You may have to 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). See Federal tax deposits on page 1; section 11, Depositing Taxes, of Pub. 15 (Circular E); and Pub. 966.*

**Banking purpose.** Check this box if you are requesting an EIN for banking purposes only, and enter the banking purpose (for example, a bowling league for depositing dues or an investment club for dividend and interest reporting).

**Changed type of organization.** Check this box if the business is changing its type of organization. For example, the business was a sole proprietorship and has been incorporated or has become a partnership. If you check this box, specify in the space provided (including available space immediately below) the type of change made. For example, "From Sole Proprietorship to Partnership."

**Purchased going business.** Check this box if you purchased an existing business. Do not use the former owner's EIN unless you became the "owner" of a corporation by acquiring its stock.

**Created a trust.** Check this box if you created a trust, and enter the type of trust created. For example, indicate if the trust is a nonexempt charitable trust or a split-interest trust.

**Exception.** Do not file this form for certain grantor-type trusts. The trustee does not need an EIN for the trust if the trustee furnishes the name and TIN of the grantor/owner and the address of the trust to all payers. However, grantor trusts that do not file using Optional Method 1 and IRA trusts that are required to file Form 990-T, Exempt Organization Business Income Tax Return, must have an EIN. For more information on grantor trusts, see the Instructions for Form 1041.

**TIP** Do not check this box if you are applying for a trust EIN when a new pension plan is established. Check "Created a pension plan."

**Created a pension plan.** Check this box if you have created a pension plan and need an EIN for reporting purposes. Also, enter the type of plan in the space provided.

**TIP** Check this box if you are applying for a trust EIN when a new pension plan is established. In addition, check the "Other" box on line 9a and write "Created a Pension Plan" in the space provided.

**Other.** Check this box if you are requesting an EIN for any other reason; and enter the reason. For example, a newly-formed state government entity should enter "Newly-Formed State Government Entity" in the space provided.

**Line 11. Date business started or acquired.** If you are starting a new business, enter the starting date of the business. If the business you acquired is already operating, enter the date you acquired the business. If you are changing the form of ownership of your business, enter the date the new ownership entity began. Trusts should enter the date the trust was funded. Estates should enter the date of death of the decedent whose name appears on line 1 or the date when the estate was legally funded.

**Line 12. Closing month of accounting year.** Enter the last month of your accounting year or tax year. An accounting or tax year is usually 12 consecutive months, either a calendar year or a fiscal year (including a period of 52 or 53 weeks). A calendar year is 12 consecutive months ending on December 31. A fiscal year is either 12 consecutive months ending on the last day of any month other than December or a 52-53 week year. For more information on accounting periods, see Pub. 538.

**Individuals.** Your tax year generally will be a calendar year.

**Partnerships.** Partnerships must adopt one of the following tax years.

- The tax year of the majority of its partners.
- The tax year common to all of its principal partners.

- The tax year that results in the least aggregate deferral of income.
- In certain cases, some other tax year.

See the Instructions for Form 1065 for more information.

**REMICs.** REMICs must have a calendar year as their tax year.

**Personal service corporations.** A personal service corporation generally must adopt a calendar year unless it meets one of the following requirements.

- It can establish a business purpose for having a different tax year.
- It elects under section 444 to have a tax year other than a calendar year.

**Trusts.** Generally, a trust must adopt a calendar year except for the following trusts.

- Tax-exempt trusts.
- Charitable trusts.
- Grantor-owned trusts.

**Line 13. Highest number of employees expected in the next 12 months.** Complete each box by entering the number (including zero ("0-")) of "Agricultural," "Household," or "Other" employees expected by the applicant in the next 12 months.

If no employees are expected, skip line 14.

**Line 14. Do you want to file Form 944?** If you expect your employment tax liability to be \$1,000 or less in a full calendar year, you are eligible to file Form 944 annually (once each year) instead of filing Form 941 quarterly (every three months). Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages subject to social security and Medicare taxes and federal income tax withholding. If you qualify and want to file Form 944 instead of Forms 941, check the box on line 14. If you do not check the box, then you must file Form 941 for every quarter.

**TIP** For employers in the U.S. possessions, generally, if you pay \$6,536 or less in wages subject to social security and Medicare taxes, you are likely to pay \$1,000 or less in employment taxes.

For more information on employment taxes, see Pub. 15 (Circular E); or Pub. 51 (Circular A) if you have agricultural employees (farmworkers).

**Line 15. First date wages or annuities were paid.** If the business has employees, enter the date on which the business began to pay wages. If the business does not plan to have employees, enter "N/A."

**Withholding agent.** Enter the date you began or will begin to pay income (including annuities) to a nonresident alien. This also applies to individuals who are required to file Form 1042 to report alimony paid to a nonresident alien.

**Line 16.** Check the one box on line 16 that best describes the principal activity of the applicant's business. Check the "Other" box (and specify the applicant's principal activity) if none of the listed boxes applies. You must check a box.

**Construction.** Check this box if the applicant is engaged in erecting buildings or engineering projects (for example, streets, highways, bridges, tunnels). The term "Construction" also includes special trade contractors (for example, plumbing, HVAC, electrical, carpentry, concrete, excavation, etc. contractors).

**Real estate.** Check this box if the applicant is engaged in renting or leasing real estate to others; managing, selling, buying, or renting real estate for others; or providing related real estate services (for example, appraisal services). Also check this box for mortgage real estate investment trusts (REITs). Mortgage REITs are engaged in issuing shares of funds consisting primarily of portfolios of real estate

mortgage assets with gross income of the trust solely derived from interest earned.

**Rental and leasing.** Check this box if the applicant is engaged in providing tangible goods such as autos, computers, consumer goods, or industrial machinery and equipment to customers in return for a periodic rental or lease payment. Also check this box for equity real estate investment trusts (REITS). Equity REITS are engaged in issuing shares of funds consisting primarily of portfolios of real estate assets with gross income of the trust derived from renting real property.

**Manufacturing.** Check this box if the applicant is engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is also considered to be manufacturing.

**Transportation & warehousing.** Check this box if the applicant provides transportation of passengers or cargo; warehousing or storage of goods; scenic or sight-seeing transportation; or support activities related to transportation.

**Finance & insurance.** Check this box if the applicant is engaged in transactions involving the creation, liquidation, or change of ownership of financial assets and/or facilitating such financial transactions; underwriting annuities/insurance policies; facilitating such underwriting by selling insurance policies; or by providing other insurance or employee-benefit related services.

**Health care & social assistance.** Check this box if the applicant is engaged in providing physical, medical, or psychiatric care or providing social assistance activities such as youth centers, adoption agencies, individual/family services, temporary shelters, daycare, etc.

**Accommodation & food services.** Check this box if the applicant is engaged in providing customers with lodging, meal preparation, snacks, or beverages for immediate consumption.

**Wholesale-agent/broker.** Check this box if the applicant is engaged in arranging for the purchase or sale of goods owned by others or purchasing goods on a commission basis for goods traded in the wholesale market, usually between businesses.

**Wholesale-other.** Check this box if the applicant is engaged in selling goods in the wholesale market generally to other businesses for resale on their own account, goods used in production, or capital or durable nonconsumer goods.

**Retail.** Check this box if the applicant is engaged in selling merchandise to the general public from a fixed store; by direct, mail-order, or electronic sales; or by using vending machines.

**Other.** Check this box if the applicant is engaged in an activity not described above. Describe the applicant's principal business activity in the space provided.

**Line 17.** Use line 17 to describe the applicant's principal line of business in more detail. For example, if you checked the "Construction" box on line 16, enter additional detail such as "General contractor for residential buildings" on line 17. An entry is required. For mortgage REITS indicate mortgage REIT and for equity REITS indicate what type of real property is the principal type (residential REIT, nonresidential REIT, miniwarehouse REIT).

**Line 18.** Check the applicable box to indicate whether or not the applicant entity applying for an EIN was issued one previously.

**Third Party Designee.** Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of Form

SS-4. The designee's authority terminates at the time the EIN is assigned and released to the designee. You must complete the signature area for the authorization to be valid.

**Signature.** When required, the application must be signed by (a) the individual, if the applicant is an individual, (b) the president, vice president, or other principal officer, if the applicant is a corporation, (c) a responsible and duly authorized member or officer having knowledge of its affairs, if the applicant is a partnership, government entity, or other unincorporated organization, or (d) the fiduciary, if the applicant is a trust or an estate. Foreign applicants may have any duly-authorized person (for example, division manager) sign Form SS-4.

**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 comply with section 6109 and the regulations thereunder, which generally require the inclusion of an employer identification number (EIN) on certain returns, statements, or other documents filed with the Internal Revenue Service. If your entity is required to obtain an EIN, you are required to provide all of the information requested on this form. Information on this form may be used to determine which federal tax returns you are required to file and to provide you with related forms and publications.

We disclose this form to the Social Security Administration (SSA) for their use in determining compliance with applicable laws. We may give this information to the Department of Justice for use in civil and/or criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, and to federal law enforcement and intelligence agencies to combat terrorism.

We will be unable to issue an EIN to you unless you provide all of the requested information that applies to your entity. Providing false information could subject you to penalties.

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. Section 6109 requires paid preparers to provide their identifying number.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping . . . . .	8 hrs., 36 min.
Learning about the law or the form . . . . .	42 min.
Preparing, copying, assembling, and sending the form to the IRS . . . . .	52 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 Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, IR-6526, 1111 Constitution Avenue, NW, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to File or Fax* on page 2.

# Application for Employer Identification Number

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

▶ See separate instructions for each line. ▶ Keep a copy for your records.

EIN

<b>Type or print clearly.</b>	<b>1</b> Legal name of entity (or individual) for whom the EIN is being requested	
	<b>2</b> Trade name of business (if different from name on line 1)	<b>3</b> Executor, administrator, trustee, "care of" name
	<b>4a</b> Mailing address (room, apt., suite no. and street, or P.O. box)	<b>5a</b> Street address (if different) (Do not enter a P.O. box.)
	<b>4b</b> City, state, and ZIP code (if foreign, see instructions)	<b>5b</b> City, state, and ZIP code (if foreign, see instructions)
	<b>6</b> County and state where principal business is located	
	<b>7a</b> Name of responsible party	<b>7b</b> SSN, ITIN, or EIN

<b>8a</b> Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>8b</b> If 8a is "Yes," enter the number of LLC members ▶
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**8c** If 8a is "Yes," was the LLC organized in the United States?  Yes  No

**9a Type of entity** (check only one box). **Caution.** If 8a is "Yes," see the instructions for the correct box to check.

<input type="checkbox"/> Sole proprietor (SSN) _____	<input type="checkbox"/> Estate (SSN of decedent) _____
<input type="checkbox"/> Partnership	<input type="checkbox"/> Plan administrator (TIN) _____
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____	<input type="checkbox"/> Trust (TIN of grantor) _____
<input type="checkbox"/> Personal service corporation	<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government
<input type="checkbox"/> Church or church-controlled organization	<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military
<input type="checkbox"/> Other nonprofit organization (specify) ▶ _____	<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises
<input type="checkbox"/> Other (specify) ▶ _____	Group Exemption Number (GEN) if any ▶ _____

<b>9b</b> If a corporation, name the state or foreign country (if applicable) where incorporated	State	Foreign country
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**10 Reason for applying** (check only one box)

<input type="checkbox"/> Started new business (specify type) ▶ _____	<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____
<input type="checkbox"/> Hired employees (Check the box and see line 13.)	<input type="checkbox"/> Changed type of organization (specify new type) ▶ _____
<input type="checkbox"/> Compliance with IRS withholding regulations	<input type="checkbox"/> Purchased going business
<input type="checkbox"/> Other (specify) ▶ _____	<input type="checkbox"/> Created a trust (specify type) ▶ _____
	<input type="checkbox"/> Created a pension plan (specify type) ▶ _____

<b>11</b> Date business started or acquired (month, day, year). See instructions.	<b>12</b> Closing month of accounting year
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<b>13</b> Highest number of employees expected in the next 12 months (enter -0- if none). If no employees expected, skip line 14.	<b>14</b> If you expect your employment tax liability to be \$1,000 or less in a full calendar year and want to file Form 944 annually instead of Forms 941 quarterly, check here. (Your employment tax liability generally will be \$1,000 or less if you expect to pay \$4,000 or less in total wages.) If you do not check this box, you must file Form 941 for every quarter. <input type="checkbox"/>		
<table border="1"> <tr> <td>Agricultural</td> <td>Household</td> <td>Other</td> </tr> </table>		Agricultural	Household
Agricultural	Household	Other	

**15** First date wages or annuities were paid (month, day, year). **Note.** If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year) ▶

**16** Check **one** box that best describes the principal activity of your business.

<input type="checkbox"/> Construction	<input type="checkbox"/> Rental & leasing	<input type="checkbox"/> Transportation & warehousing	<input type="checkbox"/> Health care & social assistance	<input type="checkbox"/> Wholesale-agent/broker
<input type="checkbox"/> Real estate	<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Finance & insurance	<input type="checkbox"/> Accommodation & food service	<input type="checkbox"/> Wholesale-other
			<input type="checkbox"/> Other (specify)	<input type="checkbox"/> Retail

**17** Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided.

**18** Has the applicant entity shown on line 1 ever applied for and received an EIN?  Yes  No  
If "Yes," write previous EIN here ▶

Complete this section **only** if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.

<b>Third Party Designee</b>	Designee's name	Designee's telephone number (include area code) ( )
	Address and ZIP code	Designee's fax number (include area code) ( )
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's telephone number (include area code) ( )
Name and title (type or print clearly) ▶		Applicant's fax number (include area code) ( )
Signature ▶	Date ▶	