

**IRS Issues Updated Form 941-X**

On April 16, the IRS released revised versions of Form 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund*, and the *Instructions for Form 941-X*.

The revised form and instructions are available on the APA website at

[www.americanpayroll.org/members/Forms-Pubs/#tax](http://www.americanpayroll.org/members/Forms-Pubs/#tax). *Note:* During a recent payroll

industry telephone conference call, the IRS reminded employers that Form 941-X must be filed on paper. Further, the IRS has no current plans to allow Form 941-X to be filed electronically.

**What's new**

- **Future developments.** Visit [www.irs.gov/form941x](http://www.irs.gov/form941x) for the latest information about developments related to Form 941-X and its instructions (such as legislation enacted after their publication).

- **Social security tax rate for 2014.** The employee social security tax rate for 2014 is 6.2% and the employer social security tax rate is 6.2% (12.4% total). In 2011 and 2012, the employee social security tax rate was 4.2% and the employer social security tax rate was 6.2% (10.4% total). Be sure to use the correct rate when correcting amounts reported on Lines 8 and 9.

- **Claiming the COBRA premium assistance credit.** Effective for tax periods beginning after December 31, 2013, the COBRA premium assistance credit cannot be claimed on Form 941 or 941-SS. Instead, use Form 941-X, Lines 19a and 19b to claim the credit. *Note:* Form 941-X should be filed after filing Form 941 or 941-SS. Filing a Form 941-X before filing a Form 941 or 941-SS for the quarter may result in errors or

delays in processing Form 941-X.

- ***Period of limitations to make certain corrections expired.*** Generally, you may correct overreported taxes on a previously filed Form 941 if you file Form 941-X within three years of the date Form 941 was filed or two years from the date you paid the tax reported on Form 941, whichever is later. For purposes of the period of limitations, Forms 941 for a calendar year are considered filed on April 15 of the succeeding year if filed before that date.

The period of limitations to correct the qualified employer's social security tax exemption or credit under the HIRE Act and advance earned income credit (EIC) payments expired on April 15, 2014, for most employers. The lines formerly used for these corrections have been removed from Form 941-X. If the period of limitations for any of these corrections is still open, you will need to file the April 2013 revision of Form 941-X (available on the APA website at [www.americanpayroll.org/members/Forms-Pubs/#tax](http://www.americanpayroll.org/members/Forms-Pubs/#tax) in the "archive").

- ***Address boxes added.*** Boxes have been added for "Foreign country name," "Foreign province/county," and "Foreign postal code."

- ***Line 3 "Note" revised.*** Language has been added to the "Note" under Line 3, which now reads as follows: "If you are correcting underreported amounts only, go to Part 3 on page 2 and skip Lines 4 and 5. If you are correcting overreported amounts, for purposes of the certifications on Lines 4 and 5, Medicare tax does not include Additional Medicare Tax. Form 941-X cannot be used to correct overreported amounts of Additional Medicare Tax unless the amounts were not withheld from employee wages or an adjustment is being made for the current year."

- **Lines 13a, 13b, 13c eliminated.** Lines 13a (“Number of qualified employees first paid exempt wages/tips this quarter”), 13b (“Number of qualified employees paid exempt wages/tips this quarter”), and 13c (“Exempt wages/tips paid to qualified employees this quarter”) have been eliminated.

- **Line 14 renumbered.** Line 14 (“Tax adjustments”) is now 13. The parenthetical instruction for new Line 13 has been adjusted to read as follows: “(Form 941 or 941-SS, Lines 7-9).”

- **Lines 15, 16, 17 renumbered.** Lines 15, 16, and 17 are now 14, 15, and 16. They are unchanged.

- **New Line 17 added.** New Line 17 – Special addition to wages for Additional Medicare Tax” – has been added.

- **Line 19 eliminated.** Line 19 (“Advance earned income credit (EIC) payments made to employees”) has been eliminated.

- **Lines 20a and 20b renumbered.** Lines 20a (“COBRA premium assistance payments”) and 20b (“Number of individuals provided COBRA premium assistance”) are now 19a and 19b. The parenthetical instruction for new Lines 20a and 20b (both) has been adjusted to read as follows: “(see instructions).”

- **Lines 20c, 20d eliminated.** Line 20c (“Number of qualified employees paid exempt wages/tips March 19-31, 2010”) and 20d (“Exempt wages/tips paid to qualified employees March 19-31, 2010”) have been eliminated.

- **Lines 21 and 22 renumbered.** Lines 21 (“Total”) and 22, a continuation line on page 3, have been combined and renumbered 20. The new line appears on page 2. Internal references have been updated, so that the first sentence of the instruction now

reads as follows: “Combine the amounts on Lines 18 and 19a of Column 4.”

- ***Lines 23, 24, 25 renumbered.*** Lines 23, 24, and 25 are now 21, 22, and 23.

Internal references have been changed from “25” to “23” to reflect the renumbering; the lines themselves are otherwise unchanged.

## Reminders

- ***Correcting wages and tips subject to Additional Medicare Tax***

***withholding.*** Beginning with the first quarter of 2013, wages and tips subject to Additional Medicare Tax withholding are reported on Form 941, Line 5d (see PAYROLL CURRENTLY, Issue No. 4, Vol. 21, “IRS Releases Form 941 for 2013”). Any errors discovered on a previously filed Form 941 are corrected on Form 941-X, Line 11.

- ***Tax due on unreported tips.*** An employer enters the amount of social security and Medicare taxes on unreported tips shown on the §3121(q) Notice and Demand on Line 5f (Line 5e for quarters ending before January 1, 2013) of the employer’s Form 941 for the calendar quarter corresponding to the “Date of Notice and Demand.” Any errors discovered on a previously filed Form 941 for these taxes are corrected on Form 941-X, Line 12.

- ***Adjusting an aggregate Form 941.*** Agents must complete Schedule R (Form 941), *Allocation Schedule for Aggregate Form 941 Filers*, when correcting an aggregate Form 941. Schedule R (Form 941) is completed only for those clients that have corrections reported on Form 941-X. Schedule R (Form 941) is filed as an attachment to Form 941-X. Aggregate Forms 941 are filed by agents approved by the IRS under §3504. To request approval to act as an agent for an employer, the agent files Form 2678, *Employer/Payer Appointment of Agent*, with the IRS.

- ***Retroactive increase in excludible transit benefits for 2012.*** The American Taxpayer Relief Act (Pub. L. No. 112-240) increased the monthly transit benefit exclusion from \$125 to \$240 per participating employee for 2012. Employers were provided instructions on how to correct the social security and Medicare taxes on the excess transit benefits in Notice 2013-8. Employers that did not use the special procedure in Notice 2013-8 must use Form 941-X to correct their 2012 Forms 941 and Forms W-2c to correct their 2012 Forms W-2.

- ***Correcting the COBRA premium assistance credit.*** For tax periods ending before January 1, 2014, employers that made COBRA premium assistance payments for assistance eligible individuals were allowed a credit on their Form 941 or 941-SS. Any errors discovered on a previously filed Form 941 or 941-SS for this credit are corrected on Form 941-X, Lines 19a and 19b. *Note:* Effective for tax periods beginning after December 31, 2013, Form 941-X is used to both report the total COBRA premium assistance credit an employer is entitled to claim and correct any previously reported credit.