



Notice 982

(Rev. October 1998)

Deposit Requirements for Agricultural Employers

Rules for determining when you deposit social security, Medicare, and withheld Federal income tax (Form 943 taxes) are discussed below. Under these rules, you are either a **monthly schedule depositor** or a **semiweekly schedule depositor**.

The terms "monthly schedule depositor" and "semiweekly schedule depositor" **do not** refer to how often your business pays its employees, or even how often you are required to make deposits. The terms identify which set of rules you must follow when a tax liability arises (when you have a payday).

Lookback period. Which deposit schedule you must follow for a calendar year is determined from the total taxes reported on your Form 943 for a calendar year lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for calendar year 1999 is calendar year 1997.

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

If you are a **new employer**, your taxes for the lookback period are treated as zero for the first calendar year of your business and you are a monthly schedule depositor. There are two special rules explained later—the **\$1000** rule and the **\$100,000 next-day deposit** rule.

Note: If your total deposits of social security, Medicare, and withheld Federal income taxes were more than \$50,000 in 1997, you must make electronic deposits for **all** depositary tax liabilities that occur after 1998. To make deposits electronically, you must enroll in the Electronic Federal Tax Payment System (EFTPS). To enroll in EFTPS, call 1-800-945-8400 or 1-800-555-4477. For general information about EFTPS, call 1-800-829-1040.

Employers of Both Farm and Nonfarm Workers

If you employ both farm and nonfarm workers, separate employment taxes for the farmworkers (Form 943 taxes) from employment taxes for the nonfarm workers (Form 941 taxes). Form 943 taxes and Form 941 taxes are not combined for purposes of applying the deposit rules.

Monthly Deposit Schedule

If you reported **\$50,000 or less** of Form 943 taxes for the lookback period, you are a monthly schedule depositor.

Under the monthly rule, you must deposit Form 943 taxes on payments made during a calendar month by the 15th day of the following month.

Example. Red Co. is a monthly schedule depositor with seasonal employees. It pays wages each Friday. During March it paid wages but did not pay any wages during April. Red Co. must deposit the combined tax liabilities for the four

March paydays by April 15. Red Co. does not have a deposit requirement for April (i.e., due by May 15) because no wages were paid in April and, therefore, it did not have a tax liability for April.

Semiweekly Deposit Schedule

If you reported **more than \$50,000** of Form 943 taxes for the lookback period, you are a semiweekly schedule depositor. The deposit periods for a semiweekly schedule depositor are Wednesday through Friday and Saturday through Tuesday.

If you are a semiweekly schedule depositor:

Deposit taxes for wages you paid on...	No later than...
Wednesday, Thursday, and/or Friday	The following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	The following Friday

Example. Green Inc., a semiweekly schedule depositor, pays wages on the last Saturday of each month. Green Inc. will deposit only once a month, but the deposit will be made under the semiweekly deposit schedule as follows. Green Inc.'s tax liability for the January 30, 1999 (Saturday) payday must be deposited by February 5, 1999 (Friday).

The end of the calendar year always ends a semiweekly deposit period and begins a new one. For example, the 1998 calendar year ends on Thursday. Taxes accumulated on the preceding Wednesday and on Thursday are subject to one deposit obligation and taxes accumulated on Friday (January 1, 1999) are subject to a separate obligation.

Deposits on Banking Days Only

If a deposit is required to be made on a day that is not a banking day, the deposit is considered timely if it is made by the close of the next banking day. In addition to Federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required on Friday and Friday is not a banking day, the deposit will be considered timely if it is made by the following Monday (if that Monday is a banking day).

Semiweekly schedule depositors always have at least 3 banking days to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a banking holiday, you have an additional day to deposit. For example, if a semiweekly schedule depositor has Form 943 taxes accumulated for payments made on Friday and the following Monday is not a banking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

\$1,000 Rule

Beginning January 1, 1999, if you accumulate a Form 943 tax liability of less than \$1,000 for the year, no deposits are required and this liability may be paid with Form 943. However, if you are unsure that you will accumulate less than \$1,000, you should deposit according to the appropriate deposit rules so that you will not be subject to deposit penalties.

\$100,000 Next-Day Deposit Rule

If you accumulate a Form 943 tax liability of \$100,000 or more on any day during a deposit period, you must deposit the tax by the next banking day, whether you are a monthly or a semiweekly schedule depositor. For monthly schedule depositors, the deposit period is a calendar month. The deposit periods for a semiweekly schedule depositor are Wednesday through Friday and Saturday through Tuesday. For purposes of the \$100,000 next-day deposit rule, do not continue accumulating employment tax liability after the end of a deposit period. For example, if a semiweekly schedule depositor has accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a \$10,000 liability on Wednesday, the \$100,000 next-day deposit rule does not apply. Therefore, \$95,000 must be deposited by Friday and \$10,000 by the following Wednesday.

If you are a monthly schedule depositor and accumulate a \$100,000 Form 943 tax liability on any day, you become a semiweekly schedule depositor on the next day and remain so for the remainder of the calendar year and for the following calendar year.

Adjustments and the Lookback Rule

To determine your taxes for the lookback period, use only the tax you reported on the original return. If you make adjustments on Form 943, include the adjustments in the total tax for the period in which the adjustments are reported; they are not included in the tax for any prior year being adjusted.

Accuracy of Deposits Rule

You are required to deposit 100% of your tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if **both** of the following conditions are met:

1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited and
2. The deposit shortfall is paid or deposited by the shortfall makeup date as described below.

Monthly schedule depositor. Deposit or pay the shortfall with your return by the due date of Form 943. You may pay the shortfall with Form 943 even if the amount is \$1,000 (\$500 for years before 1999) or more.

Semiweekly schedule depositor. Deposit by the earlier of the first Wednesday or Friday that comes on or after the 15th of the month following the month in which the shortfall occurred, or, if earlier, the due date of Form 943.

Examples of Rules

For more examples and other details on the deposit rules, see **Circular A**, Agricultural Employer's Tax Guide (Pub. 51). You can call 1-800-TAX-FORM (1-800-829-3676) to order Circular A, or you can get it from the IRS's Internet web site at www.irs.ustreas.gov.

