



Quick Reference Guide for

# Understanding **Federal Tax** **Deposits**

# What are FTDs and Why are they important?

FTDs (Federal Tax Deposits) for **Form 941** are made up of withholding taxes or trust funds, which are actually part of your employees' salaries, along with the employer's matching half of FICA (Social Security and Medicare).

FTDs for **Form 940** are paid by the employer to provide for unemployment compensation to workers who have lost their jobs.

These taxes need to be paid as they become due in order to avoid a penalty.

# Who must make deposits?

Employers filing **Form 941**, Employer's Quarterly Federal Tax Return, with \$2,500 or more tax due per quarter.

Employers filing **Form 940**, Employer's Annual Federal Unemployment Tax Return (FUTA), with over \$100 tax due per quarter.

If you are required to make deposits, do not send tax payments with your tax return or directly to the IRS.

# What taxes must be deposited?

- ✓ Income tax withheld from employees
- ✓ FICA (Social Security and Medicare) tax withheld from employees, plus the employer's matching portion.
- ✓ FUTA (Federal Unemployment Tax)

**Now, lets look at the easy ABCs of FTDs**



# When to make deposits

## When to make Form 941 deposits?

Two very easy ways:

- ✓ Make a deposit the same day you make payroll;
- or
- ✓ Make the deposit any time by the due date.

If you are a new employer and have never filed Form 941, you are a **Monthly Schedule Depositor** for the first calendar year of your business. Monthly Schedule Depositors should deposit taxes from all of their paydays in a month by the 15th of the next month, even if they pay wages every week. However, any employer who has \$100,000 in accrued liability during a deposit period must make a deposit by the next banking day.

Employers with prior payroll and taxes of \$2,500 or more per quarter must determine if they make either **Monthly Schedule Deposits** or **Semiweekly Schedule Deposits**.

This determination is based on your Form 941 taxes during a four-quarter “Lookback Period.”

### 1. Identify your Lookback Period.

| Your Lookback Period for Calendar Year 2005 |                       |                       |                       |  |
|---|-----------------------|-----------------------|-----------------------|--|
| 2003  |                       | 2004                  |                       | To determine your deposit schedule for Calendar Year 2005, you look back to this four quarter period.<br> |
| July 1<br>to<br>Sep 30                      | Oct 1<br>to<br>Dec 31 | Jan 1<br>to<br>Mar 31 | Apr 1<br>to<br>Jun 30 |  |
| 3rd Qtr                                     | 4th Qtr               | 1st Qtr               | 2nd Qtr               |  |

2. Add the total taxes (line 11 of Forms 941) reported during the Lookback Period.
3. Determine your deposit schedule.

| <b>If the total taxes you reported in the Lookback Period were:</b> | <b>Then you are a:</b>               |
|---|--------------------------------------|
| \$50,000 or less  | <b>Monthly</b> Schedule Depositor    |
| More than \$50,000  | <b>Semiweekly</b> Schedule Depositor |

### **Monthly Schedule Depositors:**

- ✓ Deposit each month's taxes by the 15th day of the month after wages are paid (for example, taxes from paydays during July are deposited by August 15).

### **Semiweekly Schedule Depositors:**

- ✓ For wages paid on Saturday, Sunday, Monday, or Tuesday, deposit by the following Friday.
- ✓ For wages paid Wednesday, Thursday, or Friday, deposit by the following Wednesday.

### **Remember!**

- ✓ Deposit rules are based on when wages are paid, not earned. For example, Monthly Schedule Depositors with wages earned in June but paid in July, deposit August 15.
- ✓ If the due date for a deposit falls on a federal or state bank holiday or on a Saturday or Sunday, the deposit is considered timely if it is made by the close of the next banking day.

## **When to make Form 940 deposits?**

- ✓ Deposit by the last day of the first month after the quarter ends.



# How to make deposits

- 1.** Federal Tax Deposits (FTDs) can be made the preferred way through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a free service provided by the Department of Treasury and it is the convenient and efficient method of paying all your federal taxes. You may make your tax deposit payments through the Internet at [www.eftps.gov](http://www.eftps.gov) or call EFTPS Customer Service 1-800-555-4477. For added convenience EFTPS is available 24 hours a day, seven days a week.

New employers receiving a new Employer Identification Number (EIN) that have a federal tax obligation are automatically enrolled in EFTPS to make their Federal Tax Deposits.

When taxpayers receive their EIN, they will also receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment.

- 2.** Taxpayers still have the option to make their deposit payments through Form 8109, Federal Tax Deposit Coupon. You will have to use separate coupons for each type of tax deposited, for example, one for Form 941 and another Form 940. To order an FTD coupon book you may call the IRS at 1-800-829-1040.



# **Where to make deposits**

- 1.** Federal Tax Deposits can be made electronically through EFTPS by phone 1-800-555-4477 or visit [www.eftps.gov](http://www.eftps.gov).
- 2.** If you are using Form 8109, Federal Tax Deposit Coupon, you may be able to make your payment at your local financial institution or mail to:

Financial Agent  
Federal Tax Deposit Processing  
P.O. Box 970030  
St. Louis, MO 63197

## **For more information on FTDs, refer to:**

EFTPS Customer Service 1-800-555-4477

EFTPS at [www.eftps.gov](http://www.eftps.gov)

IRS Customer Service at 1-800-829-1040  
(for paper coupons)

[www.irs.gov](http://www.irs.gov)

Publication 15, Circular E,  
Employer's Tax Guide

Publication 966, Electronic Choices for  
Paying All Your Federal Taxes

Your tax professional

# Electronic Federal Tax Payment System (EFTPS)

## Q. What is EFTPS?

- A.** EFTPS is a tax payment system provided free by the U.S. Department of the Treasury. EFTPS makes paying federal taxes easy and convenient. By using EFTPS, taxpayers make their federal tax payments electronically from the convenience of office or home via the Internet or phone.

## Q. Who can use EFTPS?

- A.** Taxpayers who make more than \$200,000 in Federal Tax Deposits are required to make all their federal tax deposits electronically. If you do not meet the requirement, you may voluntarily enroll in and use EFTPS.

## Q. How do you enroll?

- A.** New employers are automatically enrolled in EFTPS Express Enrollment. If you would you like to enroll call EFTPS Customer Service at 1-800-555-4477 or visit [www.eftps.gov](http://www.eftps.gov).

## Q. What is Express Enrollment?

- A.** Express Enrollment allows new business taxpayers with a federal tax obligation to begin making their FTDs more quickly and accurately with EFTPS. When they receive an Employer Identification Number (EIN) from the IRS, they will be enrolled in EFTPS so they can make all their payments electronically, online or by phone.

## Q. Can businesses still use FTD Coupons?

- A.** Businesses will receive an EIN, IRS notice (CP 575) and one coupon from the IRS. Taxpayers will have the option to order FTD coupons from the IRS if they wish to make additional payments by check, but that will require waiting 5–6 weeks for coupons to arrive by mail.



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Department of the Treasury  
Internal Revenue Service

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[www.irs.gov](http://www.irs.gov)

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Publication 3151 (Rev. 7-2004)  
Catalog Number 26404W

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