



FORM 945

Filing Compliance for Withholding Reported on Non-wage Information Returns

Businesses and other entities that make non-wage payments reportable on certain Forms 1099 or W-2G may deduct withholding from those payments. A payer who withholds from these non-wage payments must report their liability for withholding on Form 945, Annual Return of Withheld Federal Income Tax.

If the payer does not file Form 945, or files Form 945 under a different EIN than used on information returns, they may be contacted by the IRS for a filing compliance check. This publication explains this process.



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Q: What is non-wage federal income tax withholding?

A: Withholding is an amount of tax, such as federal income tax, that a payer deducts from a payment to a payee. Withholding usually is not required from most non-wage payments except in certain circumstances. These circumstances include but are not limited to:

- › Backup withholding under Internal Revenue Code (IRC) section 3406 for certain compliance failures related to the payee,
- › Voluntary income tax withholding agreements for certain government payments under IRC section 3402(p). Voluntary withholding agreements are not currently authorized for other types of payments, including non-employee compensation.
- › Regular gambling withholding on gambling winnings under IRC section 3402(q), and,
- › Withholding on pensions and annuities under IRC section 3405.

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Q: What is backup withholding?

A: Backup withholding of 24% is required on certain payments, if:

1. The payee didn't provide a taxpayer identification number (TIN) to the payer or provided an obviously incorrect TIN. A TIN is obviously incorrect if it contains more than 9 numbers, fewer than 9 numbers, or contains characters other than numbers,
2. The IRS notifies the payer that the TIN furnished by the payee is incorrect,
3. The IRS notifies the payer that the payee failed to report or underreported interest and dividend income, or
4. The payee failed to certify that they are not subject to backup withholding for underreporting of interest and dividends.



Questions & Answers

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Q: What kinds of payments are subject to backup withholding?

A: Payments listed in IRC section 3406 are subject to backup withholding. These include most of the payments reported or reportable to the IRS on the following non-wage information returns:

1. Form 1099-B, Proceeds from Broker and Barter Exchange Transactions.
2. Form 1099-DA, Digital Asset Proceeds From Broker Transactions. For more information on the Form 1099-DA, go to [IRS.gov/Form1099DA](https://www.irs.gov/Form1099DA).
3. Form 1099-DIV, Dividends and Distributions.
4. Form 1099-G, Certain Government Payments, including only payments reported in Box 5, RTAA Payments, Box 6, Taxable Grants, and Box 7, Agriculture Payments.
5. Form 1099-INT, Interest Income.
6. Form 1099-K, Payment Card and Third-Party Network Transactions.
7. Form 1099-MISC, Miscellaneous Income, including royalties, fishing boat operations, and certain payments of \$600 or more in trade or business such as rents, commissions, and gross proceeds paid to attorneys.
8. Form 1099-NEC, Nonemployee Compensation, including payments of \$600 or more for services or attorney's fees.
9. Form 1099-PATR, Taxable Distributions Received From Cooperatives, to the extent payments are in cash or qualified check.
10. Form 1099-OID, Original Issue Discount, if there is a payment in cash.
11. Form W-2G, Certain Gambling Winnings, unless subject to regular gambling withholding.

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Q: How does a payer report and deposit backup withholding and other non-wage federal income tax withholding?

A: Report backup withholding and other non-wage federal income tax withholding on Form 945, Annual Return of Withheld Federal Income Tax. For more information, including the deposit requirements for Form 945, see the instructions for Form 945, or Publication 15, (Circular E), Employer's Tax Guide.

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Q: I received Letter 6112 and/or Letter 6112-A from the IRS. What should I do?

A: Letter 6112, Form 945 Non-Filer Request for Return, explains that you did not file Form 945 for withholding you reported on information return Forms 1099 or W-2G. This doesn't mean you're being audited, but instead that there's a discrepancy that needs to be resolved between the information shown on your filed Forms 1099 or W-2G and the fact that you did not file Form 945.

Respond to Letter 6112 by providing a signed Form 945 for the amount of withholding shown on the enclosed list of payees or send us a signed statement explaining why you believe you're not required to file. You can send us any supporting documentation you'd like us to consider. If you send documents you'd like us to consider, send photocopies – not original documents.

We send Letter 6112-A, Form 945 Non-Filer Proposed Return, if we didn't hear from you after sending Letter 6112, or couldn't resolve the issue with the information you

gave us. Letter 6112-A explains the proposed changes, and what to do if you agree or don't agree.

If you agree, sign the enclosed Form 945 and mail or fax it to the address or fax number listed on the letter. Deposit any tax you owe on Form 945 with the Electronic Federal Tax Payment System tax payment service at www.eftps.gov. If you pay the amount due now, you will reduce the amount of interest and penalties. If you don't agree, send us a signed statement explaining why you believe you're not required to file.

Mail or fax your response to the address or fax number listed on the letters. Include your name, employer identification number (EIN), and Tax Year on each page. Be sure to send your reply to us by the response due date on the letters. If you can't meet the deadline, call the number on the letters to ask for additional time.

We'll review the information you sent. If we accept your explanation, we'll send you a letter confirming the issue is resolved. If your explanation resolves some but not all the discrepancies, we'll send you a revised proposed tax calculation. Review the revised calculation to determine if you agree or disagree. If we're not able to accept your explanation, or if we don't hear from you by the due date, we'll file a Form 945 on your behalf for the tax due.

For more information on non-wage information returns, see the General Instructions for Certain Information Returns (Forms 1096, 1097, 1098, 1099, 3921, 3922, 5498, and W-2G). For more information on Appeals rights, see Publication 5, Your Appeals Rights and How to Prepare a Protest If You Don't Agree.

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Q: What should I do to resolve the discrepancy if I filed Form 945 and/or deposited tax under another payer's EIN?

A: Information returns and Form 945 must be filed with the same payer's EIN. This is required even for third parties such as accountants or agents filing on behalf of another payer. If you filed Form 945 to report or deposit withholding under another payer's EIN, provide a signed written response that includes the other payer's name and EIN, and the total amount of withholding tax reported on your behalf on the Form 945 filed by the other payer.

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Q: Is the Letter 6112 and 6112-A compliance process an examination?

A: No. Letters 6112 and 6112-A do not request any books or records, do not comprise an inspection under IRC 7605(b), and are not an audit under Section 530 of the Revenue Act of 1978.

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Q: How are penalties and interest handled during the Letter 6112 and 6112-A compliance process?

A: Penalties and interest are automatically calculated through electronic means. If penalties are assessed, you can request a penalty removal or reduction. See Notice 746, Information About Your Notice, Penalty and Interest.

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Q: Can I provide Forms 4669 for relief of liability from withholding I reported on information returns?

A: No. Relief of tax liability under IRC section 3402(d) is not available for tax that was actually withheld from non-wage payments.

If you reported withholding on Forms 1099 or W-2G but did not actually withhold tax from non-wage payments, or if you believe we've made errors in processing your information returns, send this information to us in a signed written statement, along with any documentation you'd like us to consider. Do not provide Forms 4669 with your explanation.

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Q: What should I do if I have no record or account for a payee or payments attached to Letter 6112 and 6112-A?

A: If you have no record of the payee or payments enclosed with Letter 6112 and 6112-A, send us this information in a signed written statement by the response due date shown on the letters. We will review our records to determine if identity theft or a reporting error has occurred.

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Q: What should I do if I withheld in error from non-wage payments?

A: If you actually withheld tax from non-wage payments, your liability for withholding must be reported on Form 945 even if a payment is by law exempt from withholding.

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Q: Where can I find the forms, instructions, notices, and publications mentioned in this document?

A: Visit IRS.gov/forms-instructions or call 800-TAX-FORM (800-829-3676).