Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, unexpected issues sometimes arise, or legislation is passed, necessitating a change to a draft form. In addition, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have at least some changes before being officially released.

Early releases of draft forms and instructions are at IRS.gov/draftforms. Please note that drafts may remain on IRS.gov even after the final release is posted at IRS.gov/downloadforms, and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at IRS.gov/formspubs.

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the Comment on Tax Forms and Publications page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

Instructions for Form 941-X

(April 2017)

Department of the Treasury
Internal Revenue Service

Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund

DRAFT AS OF January 9, 2017

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

Future Developments

For the latest information about developments related to Form 941-X and its instructions, such as legislation enacted after they were published, go to *IRS.gov/form941x*.

What's New

Qualified small business payroll tax credit for increasing research activities For tax years beginning after December 31, 2015, a qualified small business may elect to claim up to $250,000 of its credit for increasing research activities as a payroll tax credit against the employer's share of social security tax. The portion of the credit used against the employer's share of social security tax is allowed in the first calendar quarter beginning after the date that the qualified small business filed its income tax return. The election and determination of the credit amount that will be used against the employer's share of social security tax is made on Form 6765, Credit for Increasing Research Activities. The amount from Form 6765, line 44, must then be reported on Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities. Form 8974 is used to determine the amount of the credit that can be used in the current quarter. The amount from Form 8974, line 12, is reported on Form 941 or 941-SS, line 11. Any corrections to Form 941 or 941-SS, line 11, are reported on Form 941-X, line 14. If you make a correction on Form 941-X, line 14, you must attach a corrected Form 8974.

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 3 years of the date Form 941 was filed or 2 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 social security tax for 2011 and 2012 expired on April 15, 2016, for most employers. These instructions no longer discuss the reduced rate of employee social security tax that applied in 2011 and 2012. The 2011 and 2012 employee social security tax rate was 4.2% and the employer social security tax rate was 6.2% (10.4% total). If the period of limitations for 2011 and 2012 is still open, you can file the April 2017 revision but make sure you use the correct rate when reporting corrections on lines 8 and 9.

Reminders

Retroactive increase in excludible transit benefits for 2014. The Tax Increase Prevention Act of 2014 increased the monthly transit benefit exclusion from $130 per participating employee to $250 per participating employee for the period of January 1, 2014, through December 31, 2014. Employers were provided instructions on how to correct the social security and Medicare taxes on the excess transit benefits in Notice 2015-2, 2015-4 I.R.B. 334, available at *IRS.gov/irb/2015-4_IRB/ar06.html*.

Retroactive increase in excludible transit benefits for 2015. The Consolidated Appropriations Act, 2016, increased the monthly transit benefit exclusion from $130 per participating employee to $250 per participating employee for the period of January 1, 2015, through December 31, 2015. Employers were provided instructions on how to correct the social security and Medicare taxes on the excess transit benefits in Notice 2016-06, 2016-4 I.R.B. 287, available at *IRS.gov/irb/2016-04_IRB/ar07.html*.

Employee consents to support a claim for refund. Notice 2015-15 provides guidance to employers on the requirements for employee consents used by an employer to support a claim for refund of overcollected social security tax and Medicare tax. The notice and proposed revenue procedure clarifies the basic requirements for a request for a consent and for the employee consent itself, and permits a consent to be requested, furnished, and retained in an electronic format as an alternative to a paper format. The notice also requests comments and contains guidance concerning what constitutes "reasonable efforts" if a consent isn't secured to permit the employer to claim a refund of the employer share of overcollected social security tax and Medicare tax. For more information, see Notice 2015-15, 2015-9 I.R.B. 687, available at *IRS.gov/irb/2015-9_IRB/ar07.html*.

Claiming the COBRA premium assistance credit. The COBRA premium assistance credit was available to an employer for premiums paid on behalf of employees who were involuntarily terminated from employment between September 1, 2008, and May 31, 2010. The COBRA premium assistance credit isn't available for individuals who were involuntarily terminated after May 31, 2010. Therefore, only in rare circumstances, such as instances where COBRA eligibility was delayed as a result of employer provided health insurance coverage following termination, will the credit be available. If you're eligible to claim the credit, use Form 941-X, lines 20a and 20b. Form 941-X should be filed after filing your 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 your Form 941-X. For more information, visit IRS.gov and enter "COBRA" in the search box.

If you're entitled to claim the COBRA premium assistance credit, but aren't otherwise required to file Form 941 or 941-SS, file a Form 941 or 941-SS with -0- entered on line 14 before filing your Form 941-X to claim the credit.

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 3 years of the date Form 941 was filed or 2 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 tax exemption on wages/tips paid to qualified employees (for quarters ending after March 31, 2010, and before January 1, 2011); the qualified employer's tax credit on wages/tips paid to qualified employees March 19–31, 2010; and advance earned income credit (EIC) payments expired on April 15, 2014, for most employers. The lines formerly used for these corrections were 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. The April 2013 revision of Form 941-X is available on IRS.gov.

Correcting 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. Any errors discovered on a previously filed Form 941 are corrected on Form 941-X, line 11. For more information about Additional Medicare Tax withholding, see the Instructions for Form 941 and go to IRS.gov and enter "Additional Medicare Tax" in the search box. See the instructions for line 11, later, for more information on the types of errors that can be corrected and how the correction is reported on Form 941-X.

Correcting the COBRA premium assistance credit. For tax periods ending before January 1, 2014, employers who 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 20a and 20b. 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. For more information, see the instructions for lines 20a and 20b, later.

Aggregate Form 941. Agents and certified professional employer organizations (CPEOs) 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 and customers who 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 section 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.

Aggregate Forms 941 are also filed by CPEOs approved by the IRS under section 7705. CPEOs file Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement, to notify the IRS that they've started or ended a service contract with a client or customer.

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General Instructions: Understanding Form 941-X

What Is the Purpose of Form 941-X?

For tax periods beginning after December 31, 2013, Forms 941 and 941-SS will no longer be used to claim the credit for COBRA premium assistance payments. Instead, use Form 941-X. For more information, see the instructions for lines 20a and 20b, later.

Use Form 941-X to correct errors on a Form 941 that you previously filed. Use Form 941-X to correct:

- Wages, tips, and other compensation;
- Income tax withheld from wages, tips, and other compensation;
- Taxable social security wages;
- Taxable social security tips;
- Taxable Medicare wages and tips;
- Taxable wages and tips subject to Additional Medicare Tax withholding;
- Qualified small business payroll tax credit for increasing research activities; and
- Credits for COBRA premium assistance payments.

Use Form 843, Claim for Refund and Request for Abatement, to request a refund or abatement of assessed interest or penalties. Don't request a refund or abatement of assessed interest or penalties on Form 941 or Form 941-X.

References to Form 941 on Form 941-X and in these instructions also apply to Form 941-SS, Employer's QUARTERLY Federal Tax Return—American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands, unless otherwise noted. We use the terms "correct" and "corrections" on Form 941-X and in these instructions to include interest-free adjustments under sections 6205 and 6413 and claims for refund and abatement under sections 6402, 6414, and 6404. See Rev. Rul. 2009-39 for examples of how the interest-free adjustment and claim for refund rules apply in 10 different situations. You can find Rev. Rul. 2009-39, 2009-52, I.R.B. 951 at IRS.gov/irb/2009-52_IRB/ar14.html.

When you discover an error on a previously filed Form 941, you must:

- Correct that error using Form 941-X,
- File a separate Form 941-X for each Form 941 that you're correcting, and
- File Form 941-X separately. Don't file Form 941-X with Form 941.

If you didn't file a Form 941 for one or more quarters, don't use Form 941-X. Instead, file Form 941 for each of those quarters. See also *When Should You File Form 941-X?* below. However, if you didn't file Forms 941 because you improperly treated workers as independent contractors or nonemployees and are now reclassifying them as employees, see the instructions for line 23, later.

Report the correction of underreported and overreported amounts for the same tax period on a single Form 941-X, unless you're requesting a refund or abatement. If you're requesting a refund or abatement and are correcting both underreported and overreported amounts, file one Form 941-X correcting the underreported amounts only and a second Form 941-X correcting the overreported amounts.

You'll use the adjustment process if you underreported employment taxes and are making a payment, or if you overreported employment taxes and will be applying the credit to Form 941 for the period during which you file Form 941-X. However, see the *Caution* under *Is There a Deadline for Filing Form 941-X*, later, if you're correcting overreported amounts during the last 90 days of a period of limitations. You'll use the claim process if you overreported employment taxes and are requesting a refund or abatement of the overreported amount. Follow the chart on the back of Form 941-X for help in choosing whether to use the adjustment process or the claim process. Be sure to give us a detailed explanation on line 24 for each correction that you show on Form 941-X.

Continue to report current quarter fractions of cents, third-party sick pay, tips, and group-term life insurance on Form 941, lines 7–9.

You have additional requirements to complete when filing Form 941-X, such as certifying that you filed (or will file) all applicable Forms W-2, Wage and Tax Statements, and Forms W-2c, Corrected Wage and Tax Statements, with the Social Security Administration (SSA). For corrections of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax, you must make any certifications that apply to your situation.

CAUTION *Don't use Form 941-X to correct Form CT-1, 943, 944, 944-SS, or 945. Instead, use the "X" form that corresponds to those forms (Form CT-1 X, 943-X, 944-X, or 945-X).*

Where Can You Get Help?

For help filing Form 941-X or for questions about federal employment taxes and tax corrections, you can:

- Visit IRS.gov and enter "employment taxes" in the search box;
- See Pub. 15, Employer's Tax Guide, for correcting Form 941, or Pub. 80, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, for correcting Form 941-SS; or
- Call the IRS Business and Specialty Tax Line at 1-800-829-4933 or 1-800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability) Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time).

See also *How Can You Order Forms, Instructions, and Publications from the IRS*, later.

When Should You File Form 941-X?

File Form 941-X when you discover an error on a previously filed Form 941.

However, if your only errors on Form 941 relate to the number of employees who received wages or to federal tax liabilities reported on Form 941, Part 2, or on Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, don't file Form 941-X. For more information about correcting federal tax liabilities reported on Form 941, Part 2, or on Schedule B (Form 941), see the Instructions for Schedule B (Form 941).

Due dates. The due date for filing Form 941-X depends on when you discover an error and if you underreported or overreported tax. If you underreported tax, see *Underreported tax* below. For overreported amounts, you may choose to either make an interest-free adjustment or file a claim for refund or abatement. If you're correcting overreported amounts, see *Overreported tax—adjustment process* or *Overreported tax—claim process*, later.

If any due date falls on a Saturday, Sunday, or legal holiday, you may file Form 941-X on the next business day. If we receive Form 941-X after the due date, we will treat Form 941-X as filed on time if the envelope containing Form 941-X 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 don't follow these guidelines, we will consider Form 941-X filed when it is actually received. See Pub. 15 or Pub. 80 for more information on legal holidays and IRS-designated private delivery services.

Underreported tax. If you're correcting underreported tax, you must file Form 941-X by the due date of the return for the return period in which you discovered the error and **pay** the amount you owe **by the time you file**. Doing so will generally ensure that your correction is interest free and not subject to failure-to-pay or failure-to-deposit (FTD) penalties. See *What About Penalties and Interest*, later. For details on how to make a payment, see the instructions for line 21, later.

If Form 941-X is filed late (after the due date of the return for the return period in which you discovered the error), you must attach an amended Schedule B (Form 941) to Form 941-X. Otherwise, the IRS may assess an "averaged" FTD penalty. The total tax reported on the "Total liability for the quarter" line of Schedule B (Form 941) must match the corrected tax (Form 941, line 12, combined with any correction entered on Form 941-X, line 19) for the quarter, less any previous abatements and interest-free tax assessments.

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If you discover an error in	Form 941-X is due . . . . .
1. January, February, March	April 30
2. April, May, June	July 31
3. July, August, September	October 31
4. October, November, December	January 31

The dates shown in the table above apply only to corrections of underreported amounts. If any due date falls on a Saturday, Sunday, or legal holiday, you may file Form 941-X on the next business day.

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Example—You owe tax. On April 10, 2017, you discovered that you underreported $10,000 of social security and Medicare wages on your 2017 first quarter Form 941. File Form 941-X and pay the amount you owe by July 31, 2017, because you discovered the error in the second quarter of 2017, and July 31, 2017, is the due date for that quarter. If you file Form 941-X before July 31, 2017, pay the amount you owe by the time you file.

Overreported tax—adjustment process. If you overreported tax on Form 941 and choose to apply the credit to Form 941 or Form 944, file an adjusted return on Form 941-X soon after you discover the error but more than 90 days before the period of limitations on the credit or refund for Form 941 expires. See *Is There a Deadline for Filing Form 941-X?* below.

CAUTION *If you reduced your deposits during the quarter by the amount of the COBRA premium assistance credit that will be reflected on your Form 941-X, don't use the adjustment process to claim the COBRA premium assistance credit. Use the claim process. See the instructions for lines 20a and 20b, later.*

Overreported tax—claim process. If you overreported tax on Form 941, you may choose to file a claim for refund or abatement on Form 941-X any time before the period of limitations on credit or refund expires on Form 941. If you also need to correct any underreported amounts, you must file another Form 941-X reporting only corrections to the underreported amounts. See *Is There a Deadline for Filing Form 941-X?* next.

CAUTION *You may not file a refund claim to correct federal income tax or Additional Medicare Tax actually withheld from employees.*

Is There a Deadline for Filing Form 941-X?

Generally, you may correct overreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date Form 941 was filed or 2 years from the date you paid the tax reported on Form 941, whichever is later. You may correct underreported taxes on a previously filed Form 941 if you file Form 941-X within 3 years of the date the Form 941 was filed. We call each of these time frames a "period of limitations." 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.

Example. You filed your 2013 fourth quarter Form 941 on January 27, 2014, and payments were timely made. The IRS treats the return as if it were filed on April 15, 2014. On January 20, 2017, you discovered that you overreported social security and Medicare wages on that form by $350. To correct the error you must file Form 941-X by April 18, 2017, which is the end of the period of limitations for Form 941, and use the claim process.

CAUTION *If you file Form 941-X to correct overreported amounts in the last 90 days of a period of limitations, you must use the claim process. You can't use the adjustment process. If you're also correcting underreported amounts, you must file another Form 941-X to correct the underreported amounts using the adjustment process and pay any tax due.*

Where Should You File Form 941-X?

Send your completed Form 941-X to the address shown next.

IF you're in	THEN use this address . . . .
Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Department of the Treasury Internal Revenue Service Cincinnati, OH 45999-0005
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming	Department of the Treasury Internal Revenue Service Ogden, UT 84201-0005
No legal residence or principal place of business in any state	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409
Special filing addresses 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

How Should You Complete Form 941-X?

Use a Separate Form 941-X for Each Quarter You're Correcting

Use a separate Form 941-X for each Form 941 that you're correcting. For example, if you found errors on your Forms 941 for the third and fourth quarters of 2016, file one Form 941-X to correct the 2016 third quarter Form 941. File a

second Form 941-X to correct the 2016 fourth quarter Form 941.

EIN, Name, and Address

Enter your EIN, name, and address in the spaces provided. Also enter your name and EIN on the top of pages 2 and 3, and on any attachments. If your address has changed since you filed your Form 941, enter the corrected information and the IRS will update your address of record. Be sure to write your name, EIN," Form 941-X," the calendar quarter you're correcting (for example, "Quarter 2"), and the calendar year of the quarter you're correcting on the top of any attachments.

Return You're Correcting

In the box at the top of page 1, check the type of return (Form 941 or Form 941-SS) you're correcting. Check the appropriate box for the one quarter you're correcting. Enter the calendar year of the Form 941 you're correcting. Enter the quarter and calendar year on pages 2 and 3. Be sure to write your name, EIN, "Form 941-X," the quarter you're correcting (for example, "Quarter 2"), and the calendar year of the quarter you're correcting on the top of any attachments.

Enter the Date You Discovered Errors

You **must** enter the date you discovered errors. You discover an error when you have enough information to be able to correct it. If you're reporting several errors that you discovered at different times, enter the earliest date you discovered them here. Report any subsequent dates and related errors on line 24.

Must You Make an Entry on Each Line?

You must provide all of the information requested at the top of page 1. You must check one box (but not both) in Part 1. In Part 2, you must check the box on line 3 and any applicable boxes on lines 4 and 5. In Part 3, if any line doesn't apply, leave it blank. Complete Parts 4 and 5 as instructed.

How Should You Report Negative Amounts?

Form 941-X uses negative numbers to show reductions in tax (credits) and positive numbers to show additional tax (amounts you owe).

When reporting a negative amount in columns 3 and 4, use a minus sign instead of parentheses. For example, enter "-10.59" instead of "(10.59)." However, if you're completing the return on your computer and your software only allows you to use parentheses to report negative amounts, you may use them.

How Should You Make Entries on Form 941-X?

You can help the IRS process Form 941-X timely and accurately if you follow these guidelines.

- Type or print your entries.
- Use Courier font (if possible) for all typed or computer-generated entries.
- Omit dollar signs. You may use commas and decimal points, if desired. Enter dollar amounts to the left of any preprinted decimal point and cents to the right of it.
- Always show an amount for cents. Don't round entries to whole dollars.
- Complete all three pages and sign Form 941-X on page 3.
- Staple multiple sheets in the upper-left corner.

What About Penalties and Interest?

Generally, your correction of an underreported amount won't be subject to a failure-to-pay penalty, FTD penalty, or interest if you:

- File on time (by the due date of the quarter in which you discover the error),
- **Pay** the amount shown on line 21 **by the time you file** Form 941-X,
- Enter the date you discovered the error, and
- Explain in detail the grounds and facts relied on to support the correction.

No correction will be eligible for interest-free treatment if any of the following apply.

- The amounts underreported relate to an issue that was raised in an examination of a prior period.
- You knowingly underreported your employment tax liability.
- You received a notice and demand for payment.
- You received a Notice of Determination of Worker Classification.

If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet the reasonable-cause criteria. Don't attach an explanation when you file your return.

Overview of the Process

The process to correct a previously filed Form 941 or file a claim is outlined below.

If you underreported the tax. If you underreported the tax on a previously filed Form 941, check the box on line 1 and **pay** any additional amount you owe **by the time you file** Form 941-X. For details on how to make a payment, see the instructions for line 21, later.

Example—You underreported employment taxes. On June 19, 2017, you discover an error that results in additional tax on your 2016 fourth quarter Form 941. File Form 941-X by July 31, 2017, and pay the amount you owe by the time you file. See *When Should You File Form 941-X*, earlier. Don't attach Form 941-X to your 2017 second quarter Form 941.

If you overreported the tax. If you overreported the tax on a previously filed Form 941, you may **choose** one of the following options.

- *Use the adjustment process.* Check the box on line 1 to apply any credit (negative amount) from line 21 to Form 941 for the quarter during which you file Form 941-X.
- *Use the claim process.* Check the box on line 2 to file a claim on Form 941-X requesting a refund or abatement of the amount shown on line 21.

TIP *To ensure that the IRS has enough time to process a credit for an* ***overreporting adjustment*** *in the quarter during which you file Form 941-X, you're encouraged to file Form 941-X correcting the overreported amount in the first two months of a quarter. For example, if you discover an overreported amount in March, June, September, or December, you may want to file Form 941-X in the first two months of the*

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next quarter. However, there must be 90 days remaining on the period of limitations when you file Form 941-X. See the Caution *under* Is There a Deadline for Filing Form 941-X*, earlier. This should ensure that the IRS will have enough time to process Form 941-X so the credit will be posted before you file Form 941, thus avoiding an erroneous balance due notice from the IRS. See the example below.*

Example—You want your overreported tax applied as a credit to Form 941. *On June 19, 2017, you discover you overreported your tax on your 2016 fourth quarter Form 941 and want to choose the adjustment process. To allow the IRS enough time to process the credit, you file Form 941-X on July 3, 2017, and take the credit on your third quarter 2017 Form 941.*

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TIP *If you currently file Form 944 and you're making a correction to a previously filed Form 941 that will be claimed as a credit on Form 944, file Form 941-X before December in any year before the expiration of the period of limitations for the previously filed Form 941. In the year that the period of limitations for the previously filed Form 941 expires, file Form 941-X at least 90 days before the expiration date.*

Specific Instructions:

Part 1: Select ONLY One Process

Because Form 941-X may be used to file either an adjusted employment tax return or a claim for refund or abatement, you **must** check one box on either line 1 or line 2. Don't check both boxes.

1. Adjusted Employment Tax Return

Check the box on line 1 if you're correcting underreported amounts or overreported amounts and you would like to use the adjustment process to correct the errors.

If you're correcting both underreported amounts and overreported amounts on this form, you **must** check this box. If you check this box, any negative amount shown on line 21 will be applied as a credit (tax deposit) to your Form 941 or Form 944 for the period in which you're filing this form. See *Example—You want your overreported tax applied as a credit to Form 941* above.

If you owe tax. Pay the amount shown on line 21 **by the time you file** Form 941-X. Generally, you won't be charged interest if you file on time, pay on time, enter the date you discovered the error, and explain the correction on line 24.

If you have a credit. You overreported employment taxes (you have a negative amount on line 21) and want the IRS to apply the credit to Form 941 or Form 944 for the period during which you filed Form 941-X. The IRS will apply your credit on the first day of the Form 941 or Form 944 period during which you filed Form 941-X. However, the credit you show on Form 941-X, line 21, may not be fully available on your Form 941 or Form 944 if the IRS corrects it during processing or you owe other taxes, penalties, or interest. The IRS will notify you if your claimed credit changes or if the amount available as a credit on Form 941 or Form 944 was reduced because of unpaid taxes, penalties, or interest.

CAUTION *Don't check the box on line 1 if you're either: (a) correcting overreported amounts and the period of limitations on credit or refund for Form 941 will expire within 90 days of the date you file Form 941-X, or (b) claiming a credit for COBRA premium assistance payments and you reduced your deposits in anticipation of the credit. Instead, in either case, check the box on line 2 to file a Form 941-X under the claim process. See* Is There a Deadline for Filing Form 941-X*, earlier. Also see the instructions for lines 20a and 20b, later.*

2. Claim

Check the box on line 2 to use the claim process if you're correcting **overreported amounts only** and you're claiming a refund or abatement for the negative amount (credit) shown on line 21. Don't check this box if you're correcting any underreported amounts on this form.

You must check the box on line 2 if you have a credit and the period of limitations on credit or refund for Form 941 will expire within 90 days of the date you file Form 941-X. See *Is There a Deadline for Filing Form 941-X*, earlier.

The IRS usually processes claims shortly after they are filed. The IRS will notify you if your claim is denied, accepted as filed, or selected to be examined. See Pub. 556, Examination of Returns, Appeal Rights, and Claims for Refund, for more information.

Unless the IRS corrects Form 941-X during processing or you owe other taxes, penalties, or interest, the IRS will refund the amount shown on line 21, plus any interest that applies.

CAUTION *You may not file a refund claim to correct federal income tax or Additional Medicare Tax actually withheld from employees.*

Part 2: Complete the Certifications

You must complete all certifications that apply by checking the appropriate boxes. If all of your corrections relate to underreported amounts, complete line 3 only; skip lines 4 and 5 and go to Part 3. If your corrections relate to overreported amounts, you have a duty to ensure that your employees' rights to recover overpaid employee social security and Medicare taxes that you withheld are protected. The certifications on lines 4 and 5 address the requirement to:

- Repay or reimburse your employees for the overcollection of employee social security and Medicare taxes, or
- Obtain consents from your employees to file a claim on their behalf. See Notice 2015-15 for guidance on consents.

3. Filing Forms W-2 or Forms W-2c

Check the box on line 3 to certify that you filed or will file Forms W-2 or Forms W-2c with the SSA, as required, showing your employees' correct wage and tax amounts. See the General Instructions for Forms W-2 and W-3 for detailed information about filing requirements. References

to Form W-2 on Form 941-X and in these instructions also apply to Forms W-2AS, W-2CM, W-2GU, and W-2VI unless otherwise noted.

You must check the box on line 3 to certify that you filed Forms W-2 or Forms W-2c even if your corrections on Form 941-X don't change amounts shown on those forms. For example, if your only correction to Form 941 involves misstated tax adjustments (see the instructions for line 13, later), check the box on line 3 to certify that you already filed all required Forms W-2 and W-2c with the SSA.

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4. Certifying Overreporting Adjustments

If you overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax and checked the box on line 1, check the appropriate box on line 4. You may need to check more than one box. If you obtained written statements from some employees but you couldn't locate employees or secure the statements of the remaining employees, check all applicable boxes. Provide a summary on line 24 of the amount of the corrections both for the employees who provided written statements and for those who didn't.

4a. Check the box on line 4a if your overreported amount includes each affected employee share of overcollected taxes. You're certifying that you repaid or reimbursed the employee share of current and prior year taxes and you received written statements from the employees stating that they didn't and won't receive a refund or credit for the prior year taxes. You're certifying that you adjusted federal income tax or Additional Medicare Tax withheld from employees for the current calendar year only. Don't send these statements to the IRS. Keep them for your records. Generally, all employment tax records must be kept for at least 4 years.

4b. Check the box on line 4b to certify that your overreported amount is only for the employer share of taxes on those employees who you were unable to find or those who didn't give you a statement described on line 4a.

4c. Check the box on line 4c to certify that your overreported amount is only for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that you didn't withhold from your employees.

5. Certifying Claims

If you're filing a claim for refund or abatement of overreported federal income tax, social security tax, Medicare tax, or Additional Medicare Tax and checked the box on line 2, check the appropriate box on line 5. You may need to check more than one box. If you obtained written statements or consents from some employees but you couldn't locate employees or secure the statements or consents of the remaining employees, check all applicable boxes. Provide a summary on line 24 of the amount of the corrections for both the employees who provided statements or consents and for those who didn't.

CAUTION *You can't file a refund claim to correct federal income tax or Additional Medicare Tax actually withheld from employees in a prior year.*

5a. Check the box on line 5a if your overreported tax includes each affected employee share of social security and Medicare taxes. You're certifying that you repaid or reimbursed to the employees their share of social security and Medicare taxes. For refunds of employee social security and Medicare taxes overcollected in prior years, you're certifying that you received written statements from those employees stating that they didn't and won't receive a refund or credit for the prior year taxes.

5b. Check the box on line 5b if your overreported tax includes each affected employee share of social security and Medicare taxes and you haven't yet repaid or reimbursed the employee share of taxes. You're certifying that you received consent from each affected employee to file a claim on the employee share of those taxes and you received written statements from those employees stating that they didn't and won't receive a refund or credit for the prior year taxes. Don't send these statements and consents to the IRS. Keep them for your records. Generally, all employment tax records must be kept for at least 4 years.

In certain situations, you may not have repaid or reimbursed your employees or obtained their consents prior to filing a claim, such as in cases where the period of limitations on credit or refund is about to expire. In those situations, file Form 941-X, but don't check a box on line 5. Tell us on line 24 that you haven't repaid or reimbursed employees or obtained consents at the time you file the claim. However, you must repay or reimburse your employees and certify that you've done so before the IRS can allow the claim.

5c. Check the box on line 5c to certify that your overreported tax is only for the employer share of social security and Medicare taxes. This applies when affected employees didn't give you consent to file a claim for refund for the employee share of social security and Medicare taxes, they couldn't be found, or they didn't give you a statement described on line 5b.

5d. Check the box on line 5d to certify that your overreported amount is only for federal income tax, social security tax, Medicare tax, or Additional Medicare Tax that you didn't withhold from your employees.

Part 3: Enter the Corrections for This Quarter

What Amounts Should You Report in Part 3?

On lines 6–11, columns 1 and 2, show amounts for **all** of your employees, not just for those employees whose amounts you're correcting.

If a correction that you report in column 4 includes both underreported and overreported amounts (see the instructions for line 22, later), give us details for each error on line 24.

Because special circumstances apply for lines 12–18, 20a, and 20b, read the instructions for each line carefully before entering amounts in the columns.

If you previously adjusted or amended Form 941 by using Form 941-X or because of an IRS examination change, show amounts in column 2 that include those previously reported corrections.

6. Wages, Tips, and Other Compensation

If you're correcting the wages, tips, and other compensation you reported on Form 941, line 2, enter the total corrected amount for **all** employees in column 1. In column 2, enter the amount you originally reported. In column 3, enter the difference between columns 1 and 2. This line doesn't apply to Form 941-SS.

If you or the IRS previously corrected the amount reported on Form 941, line 2, enter in column 2 the amount after any previous corrections.

line 6 (column 1)	
- line 6 (column 2)	
line 6 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Example —Wages, tips, and other compensation increased. You reported $9,000 as total wages, tips, and other compensation on line 2 of your 2017 first quarter Form 941. In May of 2017, you discovered that you had overlooked $1,000 in tips for one of your part-time employees. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	10,000.00
Column 2 (Form 941, line 2)	- 9,000.00
Column 3 (difference)	1,000.00

Example —Wages, tips, and other compensation decreased. You reported $9,000 as wages, tips, and other compensation on line 2 of your 2017 first quarter Form 941. In May of 2017, you discovered that you included $2,000 in wages for one of your employees twice. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (Form 941, line 2)	- 9,000.00
Column 3 (difference)	-2,000.00

Example—Auto allowance; wages, tips, and other compensation increased. You paid one of your employees a $500 monthly auto allowance from October through December 2016, and didn't treat the payments as taxable wages. In February 2017, you realized that the payments were wages because they weren't reimbursements of deductible business expenses that were substantiated and paid under an accountable plan. You correct the error by treating the auto allowance as wages subject to income, social security, and Medicare taxes. Report the additional $1,500 of wages on lines 6, 8, and 10.

The amount on line 6, column 1, should be used on your Forms W-2 or Forms W-2c. This amount should also be used for any business expense deduction on your income tax return (or amended return) for wages paid.

7. Federal Income Tax Withheld from Wages, Tips, and Other Compensation

If you're correcting the federal income tax withheld from wages, tips, and other compensation you reported on Form 941, line 3, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2. This line doesn't apply to Form 941-SS.

line 7 (column 1)	
- line 7 (column 2)	
line 7 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Copy the amount in column 3 to column 4. Include any minus sign shown in column 3.

*Generally, you may correct federal income tax withholding errors **only** if you discovered the errors in the same calendar year you paid the wages. However, you may correct errors to federal income tax withholding for prior years if the amount reported on Form 941, line 3, doesn't agree with the amount you actually withheld. This type of error is an administrative error. You may also correct errors to federal income tax withholding for prior years if section 3509 rates apply. See section 13 of Pub. 15 for more information about corrections during the calendar year and about administrative errors. See section 2 of Pub. 15 for more information about section 3509. If section 3509 rates apply, see the instructions for line 15, later.*

Example—Failure to withhold income tax when required. You were required to withhold $400 of federal income tax from an employee's bonus that was paid in December of 2016 but you withheld nothing. You discovered the error on March 16, 2017. You can't file Form 941-X to correct your 2016 fourth quarter Form 941 because the error involves a previous year and the amount previously reported for the employee represents the actual amount withheld from the employee during 2016.

Example—Administrative error reporting income tax. You had three employees. In the fourth quarter of 2016, you withheld $1,000 of federal income tax from employee A, $2,000 from employee B, and $6,000 from employee C. The total amount of federal income tax you withheld was $9,000. You mistakenly reported $6,000 on line 3 of your 2016 fourth quarter Form 941. You discovered the error on March 13, 2017. This is an example of an administrative error that may be corrected in a later calendar year because the amount actually withheld from employees' wages differs from the amount reported on Form 941. Use Form 941-X to correct the

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error. Enter $9,000 in column 1 and $6,000 in column 2. Subtract the amount in column 2 from the amount in column 1.

Column 1 (corrected amount)	9,000.00
Column 2 (Form 941, line 3)	- 6,000.00
Column 3 (difference)	3,000.00

Report the $3,000 as a tax correction in column 4.

Be sure to explain the reasons for this correction on line 24.

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8. Taxable Social Security Wages

If you're correcting the taxable social security wages you reported on Form 941, line 5a, column 1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 8 (column 1)	
- line 8 (column 2)	
line 8 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by 0.124 and enter that result in column 4.

line 8 (column 3)	
x 0.124	
line 8 (column 4)	If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Note. If you're correcting only the employer share of tax on a decrease to social security wages, use 0.062 (6.2%) when multiplying the amount shown in column 3. If you're correcting both shares of tax for some employees and only the employer share for other employees, enter the properly calculated amount in column 4. Be sure to show your calculations on line 24.

Example—Social security wages decreased. Following *Example—Wages, tips, and other compensation decreased* in the instructions for line 6, the wages that you counted twice were also taxable social security wages. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (Form 941, line 5a, column 1)	- 9,000.00
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (12.4%)	x 0.124
Column 4 (tax correction)	-248.00

Be sure to explain the reasons for this correction on line 24.

9. Taxable Social Security Tips

If you're correcting the taxable social security tips you reported on Form 941, line 5b, column 1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 9 (column 1)	
- line 9 (column 2)	
line 9 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by 0.124 and report that result in column 4.

line 9 (column 3)	
x 0.124	
line 9 (column 4)	If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Note. If you're correcting only the employer share of tax on a decrease to social security tips, use 0.062 (6.2%) when multiplying the amount shown in column 3. If you're correcting both shares of tax for some employees and only the employer share for other employees, report the properly calculated amount in column 4. Be sure to show your calculations on line 24.

Example—Social security tips increased. Following the *Example—Wages, tips, and other compensation increased* in the instructions for line 6, the tips that you overlooked were also taxable social security tips. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	10,000.00
Column 2 (Form 941, line 5b, column 1)	- 9,000.00
Column 3 (difference)	1,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	1,000.00
Tax rate (12.4%)	x 0.124
Column 4 (tax correction)	124.00

Be sure to explain the reasons for this correction on line 24.

10. Taxable Medicare Wages and Tips

If you're correcting the taxable Medicare wages and tips you reported on Form 941, line 5c, column 1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 10 (column 1)	
- line 10 (column 2)	
line 10 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by 0.029 (2.9% tax rate) and enter that result in column 4.

line 10 (column 3)	
x 0.029	
line 10 (column 4)	If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Note. If you're correcting only the employer share of tax on a decrease to Medicare wages and tips, use 0.0145 (1.45%) when multiplying the amount in column 3. If you're correcting both shares of tax for some employees and only the employer share for other employees, enter the properly calculated amount in column 4. Be sure to explain your calculations on line 24.

Example—Medicare wages and tips decreased. Following *Example—Wages, tips, and other compensation decreased* in the instructions for line 6, the wages that you counted twice were also taxable Medicare wages and tips. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (Form 941, line 5c, column 1)	- 9,000.00
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (2.9%)	x 0.029
Column 4 (tax correction)	-58.00

Be sure to explain the reasons for this correction on line 24.

11. Taxable Wages and Tips Subject to Additional Medicare Tax Withholding

Generally, you may correct errors to Additional Medicare Tax withholding **only** if you discovered the errors in the same calendar year the wages and tips were paid to employees. However, you may correct errors to Additional Medicare Tax withholding for prior years if the amount reported on Form 941, line 5d, column 2, doesn't agree with the amount you actually withheld. This type of error is an administrative error. You may also correct errors to Additional Medicare Tax withholding for prior years if section 3509 rates apply. If section 3509 rates apply, see the instructions for line 18.

If a prior year error was a nonadministrative error, you may correct only the **wages and tips** subject to Additional Medicare Tax withholding that were originally reported on Form 941, line 5d, column 1, or previously corrected on Form 941-X. You can't correct the tax reported on Form 941, line 5d, column 2.

Errors discovered in the same calendar year or prior year administrative errors. If you're correcting the taxable wages and tips subject to Additional Medicare Tax withholding that you reported on Form 941, line 5d, column 1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 11 (column 1)	
- line 11 (column 2)	
line 11 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by 0.009 (0.9% tax rate) and enter that result in column 4.

line 11 (column 3)	
x 0.009	
line 11 (column 4)	If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Prior year administrative error (incorrectly reported amount of Additional Medicare Tax actually withheld). Employee A's wages exceeded the $200,000 withholding threshold for Additional Medicare Tax in November 2016. The total wages paid to Employee A for 2016 were $230,000. You withheld $270 ($30,000 x 0.009) from the employee's wages. However, on your fourth quarter 2016 Form 941 you mistakenly reported $3,000 on line 5d, column 1, and Additional Medicare Tax withheld of $27 on line 5d, column 2. You discover the error on March 16, 2017. This is an example of an administrative error that may be corrected in a later calendar year because the amount actually withheld differs from the amount reported on your fourth quarter 2016 Form 941. Use Form 941-X, line 11, to correct the error as shown below.

Column 1 (corrected amount)	30,000.00
Column 2 (Form 941, line 5d, column 1)	- 3,000.00
Column 3 (difference)	27,000.00

Use the difference in column 3 to determine your tax correction.

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Column 3 (difference)	27,000.00
Tax rate (0.9%)	x 0.009
Column 4 (tax correction)	243.00

Be sure to explain the reasons for this correction on line 24.

Prior year nonadministrative errors. You may correct **only** the taxable wages and tips subject to Additional Medicare Tax withholding that you reported on Form 941, line 5d, column 1. Enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 11 (column 1)	
- line 11 (column 2)	
line 11 (column 3)	If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Don't multiply the amount in column 3 by 0.009 (0.9% tax rate). Leave column 4 blank and explain the reasons for this correction on line 24.

Example—Prior year nonadministrative error (failure to withhold Additional Medicare Tax when required). Employee B's wages exceeded the $200,000 withholding threshold for Additional Medicare Tax in December 2016. The total wages paid to Employee B for 2016 were $220,000. You were required to withhold $180 ($20,000 x 0.009) but you withheld nothing and didn't report an amount on line 5d of your fourth quarter 2016 Form 941. You discover the error on March 16, 2017. File Form 941-X to correct wages and tips subject to Additional Medicare Tax withholding for your 2016 fourth quarter Form 941, but you may not correct the Additional Medicare Tax withheld (column 4) because the error involves a previous year and the amount previously reported for the employee represents the actual amount withheld from the employee during 2016.

Combination of prior year administrative and nonadministrative errors. If you're reporting both administrative errors and nonadministrative errors for the same quarter of a prior year, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2. However, multiply only the amount of wages and tips reported in column 3 that are related to administrative errors by 0.009 (0.9% tax rate). Don't multiply any wages and tips reported in column 3 that are related to nonadministrative errors by 0.009 (0.9% tax rate). Use line 24 to explain in detail your corrections. The explanation must include the reasons for the corrections and a breakdown of the amount reported in column 3 into the amounts related to administrative errors and nonadministrative errors.

Example—Combination of prior year administrative and nonadministrative errors. Employee A's wages exceeded the $200,000 withholding threshold for Additional Medicare Tax in November 2016. The total wages paid to Employee A for 2016 were $230,000. You withheld $270 ($30,000 x 0.009) from the employee's wages. However, on your fourth quarter 2016 Form 941 you mistakenly reported $3,000 on line 5d, column 1, and Additional Medicare Tax withheld of $27 on line 5d, column 2. The difference in wages subject to Additional Medicare Tax related to this administrative error is $27,000 ($30,000 - $3,000).

Employee B's wages exceeded the $200,000 withholding threshold for Additional Medicare Tax in December 2016. The total wages paid to Employee B for 2016 were $220,000. You were required to withhold $180 ($20,000 x 0.009) but you withheld nothing and didn't report Employee B's $20,000 in wages subject to Additional Medicare Tax withholding on line 5d of your fourth quarter 2016 Form 941.

You discover both errors on March 16, 2017. Use Form 941-X, line 11, to correct the errors as shown below.

Column 1 (corrected amount)	50,000.00
Column 2 (Form 941, line 5d, column 1)	- 3,000.00
Column 3 (difference)	47,000.00

Determine the portion of wages and tips reported in column 3 that is related to the administrative error ($47,000 - $20,000 (nonadministrative error) = $27,000 (administrative error)). Multiply this portion of column 3 by 0.009 (0.9% tax rate) to determine your tax correction.

Difference related to administrative error	27,000.00
Tax rate (0.9%)	x 0.009
Column 4 (tax correction)	243.00

Be sure to explain the reasons for these corrections on line 24. You must also report that $20,000 of the amount shown in column 3 was related to the correction of a prior year nonadministrative error and $27,000 of the amount shown in column 3 was related to the correction of an administrative error.

12. Section 3121(q) Notice and Demand—Tax on Unreported Tips

Enter any corrections, including amounts reported on Form 941, line 5f, to the tax due from a Section 3121(q) Notice and Demand on line 12. The IRS issues a Section 3121(q) Notice and Demand to advise an employer of the amount of tips received by employees who failed to report or underreported tips to the employer. An employer isn't liable for the employer share of the social security and Medicare taxes on unreported tips until a Section 3121(q) Notice and Demand for the taxes is made to the employer by the IRS.

13. Tax Adjustments

Use line 13 to correct any adjustments reported on Form 941, lines 7–9. Enter in column 1 the total corrected amount for Form 941, lines 7–9.

Enter in column 2 the total originally reported or previously corrected amounts from Form 941, lines 7–9. In column 3, enter the difference between columns 1 and 2.

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line 13 (column 1)
-line 13 (column 2)
line 13 (column 3)

TIP *You may need to report negative numbers in any column. Make sure that the difference you enter in column 3 accurately represents the change to adjustments originally reported or previously corrected on Form 941, lines 7–9.*

Copy the amount in column 3 to column 4. Include any minus sign shown in column 3.

On line 24, describe what you misreported on Form 941. Tell us if your adjustment is for fractions of cents, third-party sick pay, tips, or group-term life insurance.

Example—Current quarter's third-party sick pay underreported. You reported $6,900 (shown as "-6,900.00") as a third-party sick pay adjustment (reduction to tax) on line 8 of your 2016 second quarter Form 941. You didn't report any amounts on lines 7 and 9. Your third-party sick pay adjustment should've been $9,600 (shown as "-9,600.00") because your third-party sick pay payer withheld that amount of social security and Medicare taxes from your employees. You discovered the error in April of 2017. To correct the error, figure the difference on Form 941-X as shown.

Column 1 (corrected amount)	-9,600.00
Column 2 (Form 941, line 8)	- (6,900.00)
Column 3 (difference)	-2,700.00

Here is how you would enter the numbers on Form 941-X.

Column 1 (corrected amount)	Column 2 (Form 941, line 8)	Column 3 (difference)
-9,600.00	-6,900.00	-2,700.00

Report "-2,700.00" as your correction in column 4.

In this example, you're claiming a credit for $2,700 in overreported tax for your 2016 second quarter Form 941. Always enter the same amount in column 4 (including any minus sign) that you enter in column 3.

Be sure to explain the reasons for this correction on line 24.

14. Qualified Small Business Payroll Tax Credit for Increasing Research Activities

If you're correcting the qualified small business payroll tax credit for increasing research activities that you reported on Form 941, line 11, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

Copy the amount in column 3 to column 4. However, to properly show the amount as a credit or balance due item, enter a positive number in column 3 as a negative number in column 4 or a negative number in column 3 as a positive number in column 4.

You must attach a corrected Form 8974 and explain the reasons for this correction on line 24.

15–18. Special Additions to Wages for Federal Income Tax, Social Security Taxes, Medicare Taxes, and Additional Medicare Tax

Section 3509 provides special rates for the employee share of income tax, social security tax, Medicare tax, and Additional Medicare Tax withholding when workers are reclassified as employees in certain circumstances. The applicable rate depends on whether you filed required information returns. An employer can't recover any tax paid under this provision from the employees. The full employer share of social security tax and Medicare tax is due for all reclassifications.

Note. Section 3509 rates aren't available if you intentionally disregarded the requirements to withhold taxes from the employee, or if you withheld income tax but didn't withhold social security and Medicare taxes. Section 3509 rates are also not available for certain statutory employees.

On lines 15–18 enter **only** corrections to wages resulting from reclassifying certain workers as employees when section 3509 rates are used to calculate the taxes.

If the employer issued the required information returns, use the section 3509 rates as follows.

- For social security taxes, use the employer rate of 6.2% plus 20% of the employee rate of 6.2%, for a total rate of 7.44% of wages.
- For Medicare taxes, use the employer rate of 1.45% plus 20% of the employee rate of 1.45%, for a total rate of 1.74% of wages.
- For Additional Medicare Tax; 0.18% (20% of the employee rate of 0.9%) of wages subject to Additional Medicare Tax.
- For income tax withholding, the rate is 1.5% of wages.

If the employer didn't issue the required information returns, use the section 3509 rates as follows.

- For social security taxes, use the employer rate of 6.2% plus 40% of the employee rate of 6.2%, for a total rate of 8.68% of wages.
- For Medicare taxes, use the employer rate of 1.45% plus 40% of the employee rate of 1.45%, for a total rate of 2.03% of wages.
- For Additional Medicare Tax; 0.36% (40% of the employee rate of 0.9%) of wages subject to Additional Medicare Tax.
- For income tax withholding, the rate is 3.0% of wages.

Unlike other lines on Form 941-X, enter in column 1 only the corrected wages for workers being reclassified, not the amount paid to **all** employees. Enter in column 2 previously reported wages (if any) to reclassified employees. To get the amount for column 4, use the applicable section 3509 rates. If you filed the required information returns for some employees but didn't file them for other employees, be sure to use the applicable rates for each employee when calculating the amounts in column 4 and show your calculations on line 24. The tax

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correction in column 4 will be a positive number if you increased the amount of wages you previously reported. See the instructions for line 23, later, for more information.

19. Subtotal

Combine the amounts from column 4 on lines 7–18.

Example. You entered "1,400.00" in column 4 on line 7, "-500.00" in column 4 on line 8, and "-100.00" in column 4 on line 10. Combine these amounts and enter "800.00" in column 4 on line 19.

Line 7	1,400.00
Line 8	-500.00
Line 10	-100.00
Line 19	800.00

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20a. Claiming or Correcting the COBRA Premium Assistance Credit

CAUTION *The COBRA premium assistance credit was available to an employer for premiums paid on behalf of employees who were involuntarily terminated from employment between September 1, 2008 and May 31, 2010. The COBRA premium assistance credit isn't available for individuals who were involuntarily terminated after May 31, 2010. Therefore, only in rare circumstances, such as instances where COBRA eligibility was delayed as a result of employer provided health insurance coverage following termination, will the credit be available.*

Enter 65% of the total COBRA premium assistance payments for all assistance-eligible individuals in column 1. Report the premium assistance payments 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 paid 35% of the COBRA premium. Don't include the assistance-eligible individual's 35% of the premium in the amount entered on this line.

For tax periods ending before January 1, 2014, enter any COBRA premium assistance payments previously claimed on Form 941 or 941-SS, line 12a, in column 2. For tax periods beginning after December 31, 2013, enter -0- in column 2, unless you're correcting a COBRA premium assistance payment previously reported on a Form 941-X. If you or the IRS previously corrected the amount reported, the amount entered in column 2 should take into account all previous corrections.

Enter the difference between column 1 and 2 in column 3. Copy the amount in column 3 to column 4. However, to properly show the amount as a credit or balance due item, enter a positive number in column 3 as a negative number in column 4 or a negative number in column 3 as a positive number in column 4.

CAUTION *The COBRA premium assistance credit is treated as a credit on the first day of the return period (that is, January 1, April 1, July 1, or October 1). However, because the credit is now claimed on Form 941-X filed **after** submission of the Form 941, an employer that reduces its required deposits in anticipation of the credit will receive a system-generated notice reflecting a balance due and associated penalties and interest, if applicable. The balance due, including any related penalties and interest, resulting from the reduction in deposits in anticipation of the credit will be abated when the credit is applied. Such abatement will generally occur without any further action from the employer. Alternatively, to prevent triggering a system-generated balance due notice, the employer can make its deposits without a reduction in anticipation of the COBRA premium assistance credit and follow these instructions for claiming the COBRA premium assistance credit.*

For more information on the COBRA premium subsidy, visit IRS.gov and enter "COBRA" in the search box.

20b. Number of Individuals Provided COBRA Premium Assistance on line 20a

Enter the total number of assistance-eligible individuals provided COBRA premium assistance in column 1. 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 20b for the premium assistance entered on line 20a. 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 on line 20b for that quarter.

For tax periods ending before January 1, 2014, enter the number of assistance-eligible individuals provided COBRA premium assistance previously reported on Form 941 or 941-SS, line 12b, in column 2. For tax periods beginning after December 31, 2013, enter -0- in column 2, unless you're correcting a previously filed Form 941-X. If you or the IRS previously corrected the number of individuals reported, the number entered in column 2 should take into account all previous corrections.

21. Total

Combine the amounts on lines 19 and 20a of column 4 and enter the result on line 21.

Your credit. If the amount entered on line 21 is less than zero, for example, "-115.00," you have a credit because you overreported your federal employment taxes.

- If you checked the box on line 1, include this amount on Form 941, line 13 ("Total deposits" line), for the quarter during which you filed Form 941-X or Form 944 "Total deposits" line, for the year during which you filed Form 941-X. Don't make any changes to your record of federal tax liability reported on Form 941, line 16, or Schedule B (Form 941), if your Form 941-X is filed timely. The amounts reported on the record should reflect your actual tax liability for the period.
- If you checked the box on line 2, you're filing a claim for refund or abatement of the amount shown.

If your credit is less than $1, we will send a refund or apply it only if you ask us in writing to do so.

Amount you owe. If the amount on line 21 is a positive number, you must **pay** the amount you owe **by the time you file** Form 941-X. You may not use any credit that you show on another Form 941-X to pay the amount you owe, even if you filed for the amount you owe and the credit at the same time.

If you owe tax and are filing a timely Form 941-X, don't file an amended Schedule B (Form 941) unless you were assessed an FTD penalty caused by an incorrect, incomplete, or missing Schedule B (Form 941). Don't include the tax increase reported on Form 941-X on any amended Schedule B (Form 941) you file.

If you owe tax and are filing a late Form 941-X, that is, after the due date for Form 941 for the quarter in which you discovered the error, you must file an amended Schedule B (Form 941) with the Form 941-X. Otherwise, the IRS may assess an "averaged" FTD penalty. The total tax reported on the "Total liability for the quarter" line of Schedule B (Form 941), must match the corrected tax (Form 941, line 12, combined with any correction reported on Form 941-X, line 19) for the quarter, less any previous abatements and interest-free tax assessments.

Payment methods. You may pay the amount you owe on line 21 electronically using the Electronic Federal Tax Payment System (EFTPS), by credit or debit card, or by a check or money order.

- The preferred method of payment is EFTPS. For more information, visit *eftps.gov*, call EFTPS Customer Service at 1-800-555-4477 or 1-800-733-4829 (TDD), or see Pub. 966.
- To pay by credit or debit card, visit the IRS website at *IRS.gov/payments*.
- If you pay by check or money order, make it payable to "United States Treasury." On your check or money order, be sure to write your EIN, "Form 941-X," the calendar quarter you corrected (for example, "Quarter 2"), and the calendar year of the quarter you corrected.

You don't have to pay if the amount you owe is less than $1.

Previously assessed FTD penalty. If line 21 reflects overreported tax and the IRS previously assessed an FTD penalty, you may be able to reduce the penalty. For more information, see the Instructions for Schedule B (Form 941).

Part 4: Explain Your Corrections for This Quarter

22. Correction of Both Underreported and Overreported Amounts

Check the box on line 22 if any corrections you entered on lines 7-20a, column 3, reflect both underreported and overreported amounts.

Example. If you had an increase to social security wages of $15,000 for employee A and a decrease to social security wages of $5,000 for employee B, you would enter $10,000 on line 8, column 3. That $10,000 represents the net change from corrections.

On line 24, you must explain the reason for both the $15,000 increase and the $5,000 decrease.

23. Did You Reclassify Any Workers?

Check the box on line 23 if you reclassified any workers to be independent contractors or nonemployees. Also check this box if the IRS (or you) determined that workers you treated as independent contractors or nonemployees should be classified as employees. On line 24, give us a detailed reason why any worker was reclassified and, if you used section 3509 rates on lines 15–18, for any worker reclassified as an employee, explain why section 3509 rates apply and what rates you used.

Return not filed because you didn't treat any workers as employees. If you didn't previously file Form 941 because you mistakenly treated all workers as independent contractors or as nonemployees, file a Form 941 for each delinquent quarter.

On each Form 941 for which you're entitled to use section 3509 rates, complete the following steps.

- Write **"Misclassified Employees"** in **bold** letters across the top margin of page 1.
- Enter a zero on line 12 (line 10 for quarters ending before January 1, 2017).
- Complete the signature area.
- Attach a completed Form 941-X (see instructions next).

On each Form 941-X complete the following steps.

- Complete the top of Form 941-X, including the date you discovered the error.
- Enter the wage amounts on lines 15–18, column 1.
- Enter zeros on lines 15–18, column 2.
- Complete columns 3 and 4 as instructed in Part 3.
- Provide a detailed statement on line 24.
- Complete the signature area.

CAUTION *If you can't use section 3509 rates (for example, because the workers you treated as nonemployees were certain statutory employees), file a Form 941 for each delinquent quarter. Write "**Misclassified Employees**" in **bold** letters across the top margin of page 1 of each Form 941. Complete Form 941 using the Instructions for Form 941. Attach a Form 941-X to each Form 941. Complete the top of Form 941-X, including the date you discovered the error, and provide a detailed explanation on line 24.*

24. Explain Your Corrections

Treasury regulations require you to explain in detail the grounds and facts relied upon to support each correction. On line 24, describe in detail each correction you entered in column 4 on lines 7-18 and 20a. Also use line 24 to describe corrections made on line 20b. If you need more space, attach additional sheets, but be sure to write your name, EIN, "Form 941-X," the quarter you're correcting (for example, "Quarter 2"), and the calendar year of the quarter you're correcting on the top of each sheet.

You must describe the events that caused the underreported or overreported amounts. Explanations such as "social security and Medicare wages were overstated" or "administrative/payroll errors were discovered" are insufficient and may delay processing

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your Form 941-X because the IRS may need to ask for a more complete explanation.

Provide the following information in your explanation for each correction.

- Form 941-X line number(s) affected.
- Date you discovered the error.
- Difference (amount of the error).
- Cause of the error.

You may report the information in paragraph form. The following paragraph is an example.

"The $1,000 difference shown in column 3 on lines 6, 8, and 10 was discovered on May 15, 2017, during an internal payroll audit. We discovered that we included $1,000 of wages for one of our employees twice. This correction removes the reported wages that were never paid."

For corrections shown on lines 15–18, column 3, explain why the correction was necessary and attach any notice you received from the IRS.

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Part 5. Sign Here

You must complete all three pages of Form 941-X and sign it on page 3. If you don't sign, processing of Form 941-X will be delayed.

Who must sign the Form 941-X? The following persons are authorized to sign the return for each type of business entity.

- **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, partner, 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-X 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-X by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39. You can find Rev. Proc. 2005-39, 2005-28 I.R.B. 82, at *IRS.gov/irb/2005-28_IRB/ar16.html*.

Paid Preparer Use Only

A paid preparer must sign Form 941-X and provide the information in the *Paid Preparer Use Only* section of Part 5 if the preparer was paid to prepare Form 941-X and isn't 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're a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, visit the IRS website at *IRS.gov/ptin*. You can't use your PTIN in place of the EIN of the tax preparation firm.

Generally, you're not required to complete this section if you're filing the return as a reporting agent and have a valid Form 8655 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 Can You Order Forms, Instructions, and Publications from the IRS?

Visit the IRS website at *IRS.gov/forms*.

Call 1-800-TAX-FORM (1-800-829-3676).

Additional Information

You may find the following products helpful when using Form 941-X.

- Form W-2, Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- General Instructions for Forms W-2 and W-3
- Form W-2AS, American Samoa Wage and Tax Statement
- Form W-2CM, Wage and Tax Statement (Northern Mariana Islands)
- Form W-2GU, Guam Wage and Tax Statement
- Form W-2VI, U.S. Virgin Islands Wage and Tax Statement
- Form W-3SS, Transmittal of Wage and Tax Statements
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Instructions for Form 843
- Instructions for Form 941
- Instructions for Schedule B (Form 941)
- Instructions for Form 941-SS
- Pub. 15, Employer's Tax Guide
- Pub. 80, Federal Tax Guide for Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands
- Pub. 966, Electronic Federal Tax Payment System: A Guide To Getting Started

Paperwork Reduction Act Notice We ask for the information on Form 941-X to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes employment taxes, including federal income tax withholding, on wages. This form is used to determine the amount of taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you.

You're 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 and records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

The time needed to complete and file Form 941-X will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	16 hr., 15 min.
Learning about the law or the form	30 min.
Preparing and sending the form to the IRS	47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 941-X simpler, we would be happy to hear from you. You can send us comments from *IRS.gov/formcomment*. Or you can send your comments to: Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send Form 941-X to this address. Instead, see *Where Should You File Form 941-X*, earlier.

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