

American Payroll Association

IRS Revises Form 941-X to Take HIRE Act Reporting Changes Into Account

The IRS has released revised versions of Form 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund*, and the *Instructions for Form 941-X*, dated September 2010. The revisions were made necessary by the Hiring Incentives to Restore Employment (HIRE) Act (see PAYROLL CURRENTLY, Issue No. 4, Vol. 18), which allows employers to claim an exemption for the employer's share of social security tax on wages paid to certain newly hired employees.

Employers that need to make corrections to HIRE Act information reported on Form 941 must use the revised Form 941-X. The revised form and instructions are available on the APA website at www.americanpayroll.org/members/Forms-Pubs/#tax.

Form 941-X revisions

The revised Form 941-X replaces line 11 with lines 11a-c as follows:

- **11a. Number of qualified employees *first* paid exempt wages/tips this quarter** (from line 6a of Form 941 or Form 941-SS);
- **11b. Number of qualified employees paid exempt wages/tips this quarter** (from line 6b of Form 941 or Form 941-SS); and
- **11c. Exempt wages/tips paid to qualified employees this quarter** (from line 6c of Form 941 or Form 941-SS).

In addition, new lines 18c and 18d are added as follows:

- **18c. Number of qualified employees paid exempt wages/tips March 19-31** (from line 12c of Form 941 or Form 941-SS); and

- **18d. Exempt wages/tips paid to qualified employees March 19-31** (from line 12d of Form 941 or Form 941-SS).

In order to accommodate these revisions,

- lines 11-17b are renumbered as lines 12-18b,
- line 18 is renumbered as line 19 (for totaling amounts on lines 16-18d),
- the total from new line 19 is carried over to line 20 at the top of page 2,
- lines 19-21 are renumbered as lines 21-23, and
- line references throughout the form have been changed to show the new line numbers.

Revisions to instructions

The revised Instructions explain the revisions to Form 941-X as follows:

- ***Qualified employer's social security tax credit.*** Qualified employers are allowed a credit in the second quarter of 2010 for their share (6.2%) of social security tax on wages/tips paid to qualified employees after March 18, 2010, and before April 1, 2010. Any errors discovered on previously filed Forms 941 for this credit are corrected on lines 18c and 18d of Form 941-X. These lines should only be completed when correcting Form 941 for the second quarter of 2010.

- ***Qualified employer's social security tax exemption.*** Qualified employers are allowed an exemption for their share (6.2%) of social security tax on wages/tips paid to qualified employees after March 31, 2010, and before January 1, 2011. Any errors discovered on previously filed Forms 941 for this exemption are corrected on lines 11a-11c of Form 941-X.

In addition, the instructions include the following reminders:

- **COBRA premium assistance.** Employers that make COBRA premium assistance payments for assistance eligible individuals are allowed a credit for the payments on Form 941. Any errors discovered on previously filed Forms 941 for this credit are corrected on lines 18a and 18b of Form 941-X.

- **Adjusting an aggregate Form 941.** Agents must complete Schedule R (Form 941), *Allocation Schedule for Aggregate Form 941 Filers*, when adjusting an aggregate Form 941. Schedule R (Form 941) is completed only for those clients that have adjustments 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 IRC §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.

- **PTIN requirement.** Paid preparers must enter their Preparer Tax Identification Number (PTIN) in the *Paid preparer's use only* section in Part 5 of Form 941-X, for all Forms 941-X filed after December 31, 2010.