

Employment Taxes

It is never a good idea to ignore a Form 941, "Employer's Quarterly Federal Tax Return," sent to you by the IRS. If you do not need to file the return, because you had no payroll for the quarter, or because you have no employees, complete the return anyway, and send it in (keeping a copy for your own records.)

It is tempting, when hiring workers for the first time, to treat them as independent contractors rather than employees. Withholding, quarterly deposits, etc. can be such a bother. But misclassification of employees is, by far, the most common issue that IRS auditors raise with non-profit organizations.

There are times, of course, when workers really are independent contractors. Many organizations overlook the need to report compensation of \$600 or more to the IRS. Awards, fees, and similar payments must be reported on Form 1099-MISC, which must be sent to the recipient no later than January 31st, and to the IRS, with a Form 1096 transmittal, no later than February 28.

The chart below shows forms and due dates for employment tax information returns that exempt organizations may have to file.

Form #	Title	Who Must File	Due Date
940	Employers Annual Unemployment (FUTA) Tax Return	Organizations paying wages subject to FUTA. [501(c)(3)'s are exempt.]	Annually: 1/31
941	Employers Quarterly Federal Tax Return	Organizations paying wages subject to withholding	Quarterly: 4/30; 7/31; 10/31; 1/31
W-2	Wage and Tax Statement	Organizations paying wages of any amount	To employee: 1/31; To Social Security: 2/28
W-3	Transmittal of Income and Tax Statements	Same as above. (Used to transmit W-2's to Social Security.)	To Social Security: 2/28
W-4	Employee's W/H Allowance Certificate	Organizations paying wages of any amount must obtain a W-4 from each employee.	n/a
1099-MISC	Miscellaneous Income	Organizations paying awards, fees and other amounts to non-employee individuals of \$600 or more per individual per year.	To employee: 1/31; To IRS: 2/28
1096	Transmittal	Same as above. (Used to transmit 1099's to IRS.)	To IRS: 2/28

The following IRS forms and publications provide additional information:

- Circular E
- Publication 53
- Form SS-8
- Employers' Tax Guide
- Employment Taxes
- Determining Whether a Worker is an Employee

Please note that this list covers only Federal forms/filing requirements. In your state, organizations may also have to file with Employment Security, Labor and Industries, and others.