

Instructions for Form 945

Annual Return of Withheld Federal Income Tax

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

Changes To Note

New electronic deposit requirement. Beginning January 1, 2000, the following changes have been made to the electronic deposit requirement:

- The threshold that determines whether you must use the Electronic Federal Tax Payment System (EFTPS) has been increased from \$50,000 to \$200,000.
- **All** Federal tax deposits (such as deposits for employment tax, excise tax, and corporate income tax) made during a calendar year are combined to determine whether you exceeded the \$200,000 threshold. If the total of your Federal tax deposits made in 1998 exceeded \$200,000, you must use EFTPS beginning January 1, 2000.
- Participation in EFTPS is voluntary if your deposits do not exceed the new \$200,000 threshold, even if you were required to electronically deposit under the previous \$50,000 threshold. However, businesses that exceed the new \$200,000 threshold must continue to use EFTPS in all later years.
- The waiver of the penalty for failure to use EFTPS, scheduled to expire on July 1, 1999, has been extended to January 1, 2000, for taxpayers whose total Federal tax deposits in 1998 did not exceed the \$200,000 threshold. However, taxpayers will remain liable for penalties if a deposit is not made in the required manner.

For more information, see **Circular E**, Employer's Tax Guide (Pub. 15).

Threshold for deposit requirement increased from \$500 to \$1,000. Beginning with your 1999 Form 945, if your total taxes for the year (line 4) are less than **\$1,000**, you are not required to make deposits. You may pay the taxes with your Form 945.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1-800-THE-LOST** (1-800-843-5678) if you recognize a child.

General Instructions

Purpose of form. Use Form 945 to report income tax withheld from nonpayroll payments. Nonpayroll payments include the following:

- Pensions, annuities, and IRAs
- Military retirement
- Gambling winnings
- Indian gaming profits
- Voluntary withholding on certain government payments

- Backup withholding

Report all income tax withholding from nonpayroll payments or distributions on one Form 945. Do not file more than one Form 945 for each calendar year.

All income tax withholding reported on Forms 1099 (e.g., Form 1099-R or 1099-MISC) or Form W-2G must be reported on Form 945. Do not report income tax withholding on wages on Form 945. All employment taxes and income tax withholding reported on Form W-2 must be reported on Form 941 (or Form 943 for agricultural employees, Schedule H (Form 1040) for household employees, or Form CT-1 for railroad employees).

Because distributions to participants from nonqualified pension plans and some other deferred compensation arrangements are treated as wages and are reported on Form W-2, income tax withheld from them must be reported on Form 941, not Form 945. See Circular E for more information.

Related publications. Circular E explains the rules for withholding, depositing, and reporting Federal income tax. **Pub. 15-A**, Employer's Supplemental Tax Guide, includes information on income tax withholding from pensions and annuities and Indian gaming profits. For information on withholding on gambling winnings, see the **2000 Instructions for Forms W-2G and 5754**. These publications are available on the IRS's Internet Web Site at www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

Who must file. If you withhold income tax (including backup withholding) from nonpayroll payments, you must file Form 945. You are not required to file Form 945 for those years in which you do not have a nonpayroll tax liability. **Do not** report on Form 945 withholding that is required to be reported on **Form 1042**, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

When to file. For 1999, file Form 945 by January 31, 2000. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10. Your return will be considered timely filed if it is properly addressed and mailed First-Class or sent by an IRS designated delivery service on or before the due date. See Circular E for more information on IRS designated delivery services. If the due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

Where to file. In the list below, find the location of your legal residence, principal place of business, office, or agency. Send your return to the **Internal Revenue Service** at the address listed for your location. No street address is needed.

Note: *Where you file depends on whether or not you are including a payment.*

Alabama, Louisiana, Mississippi

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

Arizona

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

Florida, Georgia

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 105092
Atlanta, GA 30348-5092

New Mexico, Texas

Return without payment:
Austin, TX 73301-0042

Return with payment:
P.O. Box 970018
St. Louis, MO 63197-0018

Arkansas

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

Kentucky, Ohio, West Virginia

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 5783
Chicago, IL 60680-5783

New York (ZIP Codes: 11202 and 10008)

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 1389
Newark, NJ 07101-1389

New York (all other ZIP Codes), Connecticut, Maine,
Massachusetts, New Hampshire, Rhode Island, Vermont

Return without payment:
Cincinnati, OH 45999-0042

Return with payment:
P.O. Box 371441
Pittsburgh, PA 15250-7441

Illinois, Iowa, Kansas, Minnesota, Missouri, Oklahoma,
Wisconsin

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 970019
St. Louis, MO 63197-0019

Indiana, Michigan

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 5783
Chicago, IL 60680-5783

Nebraska, North Dakota, South Dakota

Return without payment:
Kansas City, MO 64999-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

Delaware, District of Columbia, Maryland, New Jersey,
Pennsylvania, Virginia

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 1389
Newark, NJ 07101-1389

North Carolina, Tennessee

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 1213
Charlotte, NC 28201-1213

South Carolina

Return without payment:
Memphis, TN 37501-0042

Return with payment:
P.O. Box 105092
Atlanta, GA 30348-5092

Alaska, Colorado, Idaho, Montana, Nevada, Oregon,
Wyoming, Utah, Washington, California (ZIP Codes: 90053
and 95660)

Return without payment:
Ogden, UT 84201-0042

Return with payment:
P.O. Box 7749
San Francisco, CA 94120-7749

California (all other ZIP Codes), Hawaii

Return without payment:
Ogden, UT 84201-0042

Return with payment:
P.O. Box 60000
Los Angeles, CA 90060-6000

If you have no legal residence or principal place of business
in any state

All Returns:
Philadelphia, PA 19255-0005

Employer identification number (EIN). If you do not have an EIN, apply for one on **Form SS-4**, Application for Employer Identification Number. Get this form by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS's Internet Web Site at www.irs.gov. If you do not have an EIN by the time the return is due, write "Applied for" and the date you applied in the space shown for the number.

Note: *If you are reporting withholding on pension distributions, be sure to be consistent in using the same name and EIN for all reporting and depositing of taxes (e.g., on Forms 945, 1099-R, and 8109/EFTPS). Filing Form 945 with an incorrect name and EIN or failure to use the same name and EIN in all reporting and depositing of taxes may result in penalties and delays in processing your return.*

Penalties and interest. There are penalties for filing Form 945 late and paying or depositing taxes late, unless there is reasonable cause. See section 11 of Circular E for more information on deposit penalties. There are also penalties for failure to furnish information returns (e.g., Form 1099-MISC, 1099-R, or W-2G) to payees and failure to file copies with the IRS.

There are penalties for willful failure to (1) file returns and pay taxes when due or (2) deposit taxes when required. There are also penalties for filing a false return or submitting bad checks. Interest is charged on taxes paid late at the rate set by law. See Circular E for details.

Caution: *A trust fund recovery penalty may apply when income taxes that should be withheld are not withheld or are not deposited or paid to the United States Treasury. Under this penalty, certain officers or employees of a corporation, employees of a sole proprietorship, or partners or employees of a partnership become personally liable for payment of the taxes and are penalized an amount equal to the unpaid taxes. This penalty may apply when these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery*

penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. Willfully in this case means voluntarily, consciously, and intentionally.

Voluntary income tax withholding. States must allow **unemployment compensation** recipients to elect to have Federal income tax withheld at a 15% rate. Recipients paid under the Railroad Unemployment Insurance Act may also elect withholding at 15%. In addition, recipients of any of the following Federal payments may request Federal income tax withholding at a rate of 7%, 15%, 28%, or 31%:

- Social security and Tier 1 railroad retirement benefits
- Certain crop disaster payments
- Commodity Credit Corporation loans

The payee may request withholding on **Form W-4V**, Voluntary Withholding Request, or you may develop your own form. Any voluntary withholding on these payments must be reported on Form 945 (and on Form 1099-G) and is subject to the deposit rules.

Depositing Withheld Taxes

Deposit all nonpayroll (Form 945) income tax withholding, including backup withholding, using **Form 8109**, Federal Tax Deposit Coupon, at an authorized financial institution, unless you are required to use the EFTPS electronic deposit system (see below). Combine all Form 945 taxes for deposit purposes. **Do not** combine deposits for Form 941, 943, or CT-1 with deposits for Form 945. If you deposit using Form 8109, be sure to mark the checkbox for Form 945 on Form 8109.

Generally, the deposit rules that apply to Form 941 also apply to Form 945. However, because Form 945 is an annual return, the rules for determining your deposit schedule (discussed below) are different from those for Form 941. See section 11 of Circular E for a detailed discussion of the deposit rules.

Determining your deposit schedule. There are two deposit schedules—monthly or semiweekly—for determining when you must deposit withheld income tax. These schedules tell you when a deposit is due after a tax liability arises (i.e., you make a payment subject to income tax withholding, including backup withholding). Prior to the beginning of each calendar year, you must determine which of the two deposit schedules you must use.

For 2000, you are a monthly schedule depositor for Form 945 if the total tax reported on your 1998 Form 945 was \$50,000 or less. If the total tax reported for 1998 exceeded \$50,000, you must deposit using the semiweekly schedule.

Caution: *If you are a monthly schedule depositor and accumulate a \$100,000 liability or more on any day during a calendar month, your deposit schedule changes to semiweekly for the remainder of the year and for the following year. See section 11 of Circular E for more information on the \$100,000 next-day deposit rule.*

Electronic deposit requirement. You must make electronic deposits of **all** depository taxes that occur after 1999 if your total Federal tax deposits for 1998 were more than \$200,000. See page 1 and Circular E for more information.

The Electronic Federal Tax Payment System

(EFTPS) must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty.

Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. To enroll in EFTPS, call 1-800-555-4477 or 1-800-945-8400. For general information about EFTPS, call 1-800-829-1040.

Specific Instructions

State code. If you made all your deposits with a Federal Reserve bank or authorized financial institution located in the same state shown in your address on Form 945, **do not** make an entry in the state code box. If you made all these deposits in a state other than the state shown in your address on Form 945, enter the Postal Service two-letter abbreviation for the state where you made the deposits in the state code box. If you made deposits in more than one state, enter “MU” in the state code box.

Final return. If you go out of business or end operations and you will not be required to file Form 945 in the future, file a final return. Be sure to mark the final return checkbox and enter the date final income payments were made above line 1.

Line 1—Federal income tax withheld. Enter the income tax you withheld from pensions, annuities, IRAs, military retirement, Indian gaming profits, and gambling winnings (regular gambling withholding only). Also enter any voluntary amount you withheld on certain government payments. If you are required to report income tax withholding on Forms 1099 (e.g., Form 1099-R) or Form W-2G, you must report the taxes withheld on Form 945. Income tax withholding reported on Form W-2 must be reported on Form 941, 943, or Schedule H (Form 1040), as appropriate.

Line 2—Backup withholding. Enter any backup withholding, including backup withholding on gambling winnings.

Regulated investment companies (RICs) and real estate investment trusts (REITs) must report any backup withholding on Form 945 in the year the dividends are actually paid. This includes January payments of dividends declared during October, November, and December of the prior year. (See the **2000 Instructions for Form 1099-DIV** for special reporting requirements.)

Line 3—Adjustment to correct administrative errors. You cannot make an adjustment on Form 945 to correct income tax withholding or backup withholding reported in a prior calendar year unless it is to correct an **administrative error**. An administrative error occurs if the amount you entered on Form 945 is not the amount you actually withheld. For example, if the total income tax actually withheld was incorrectly reported on Form 945 due to a math or transposition error, this is an administrative error. The administrative error adjustment corrects the amount reported on Form 945 to agree with the amount actually withheld from nonpayroll payments.

You must report an adjustment to correct an administrative error on Form 945 in the year in which you discover the error. If the net adjustment is negative (reducing your tax liability), enclose the amount reported on line 3 in parentheses.

You will not be allowed a refund or credit for any prior year overpayment of income tax that you withheld from a payee. This is because the payees use the amount of withholding shown on the information return (e.g., Form 1099-R) as a credit when filing their income tax returns.

If you are making an adjustment(s) to correct a prior year administrative error, report the net adjustment (including adjustments to income tax withholding and backup withholding) on line 3. Complete **Form 941c**, Supporting Statement To Correct Information, or an equivalent statement, and file it with Form 945 to provide the required information on the adjustment(s). Be sure to identify the adjustment(s) in the supporting statement (Part V of Form 941c) as correcting an administrative error and provide a description of the error(s). **Do not** file Form 941c separately from Form 945.

Reporting adjustments on line 8 or on Form 945-A.

The amount of the adjustment(s) also must be taken into account in the monthly summary of Federal tax liability (line 8) or on **Form 945-A**, Annual Record of Federal Tax Liability. If the adjustment increases your tax liability, include the adjustment with any other amount on the entry space for the date you discovered the error. If the adjustment decreases your tax liability, use the adjustment amount as a credit to offset subsequent liabilities on line 8 or Form 945-A until it is used up. (See section 13 of Circular E for more information. The Circular E instructions for making adjustments refer to Form 941 but also apply to Form 945 adjustments.)

Note: *If you are not required to complete line 8 or Form 945-A because your total taxes are less than \$1,000, do not show adjustments on line 8 or on Form 945-A.*

Line 4—Total taxes. Add lines 1 and 2 and add or subtract any net adjustment on line 3. If total taxes are \$1,000 or more, the amount reported on line 4 must equal the total liability for the year reported on line 8M of the Monthly Summary of Federal Tax Liability, or line M of Form 945-A.

Line 5—Total deposits. Enter the total Form 945 deposits for the year, including any overpayment applied from the prior year.

Line 6—Balance due. *You do not have to pay if line 6 is under \$1.* You should have a balance due only if your total taxes for the year (line 4) are less than \$1,000. (However, see section 11 of Circular E regarding payments made under the Accuracy of Deposits rule.) Enter your EIN, "Form 945", and "1999" on your check or money order and make it payable to the "United States Treasury". If line 4 is \$1,000 or more and you deposited all taxes when due, the amount on line 6 should be zero.

Caution: *If you fail to make required deposits (using EFTPS or Form 8109, as required) and instead pay these amounts with your return, you may be subject to a penalty.*

Line 7—Overpayment. If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by checking the appropriate box. The IRS may apply your overpayment to any past due tax account under your EIN. If line 7 is under \$1, we will send a refund or apply it to your next return only on written request.

Line 8—Monthly summary of Federal tax liability.

Note: *This is a summary of your monthly tax liability, not a summary of deposits made. If line 4 is less than \$1,000, do not complete line 8 or Form 945-A.*

Complete line 8 if you were a **monthly schedule depositor** for the entire year. (See **Determining your deposit schedule** on page 3.)

Report your liabilities on Form 945-A instead of on line 8 if:

- You were a **semiweekly schedule depositor** during 1999. Do not complete entries A through M of line 8. Instead, complete and file Form 945-A with Form 945.
- You were a **monthly schedule depositor** for 1999 and during any month you accumulated nonpayroll taxes of \$100,000 or more. Because this converted you to a semiweekly schedule depositor for the remainder of 1999 and for 2000, you must report your liabilities on Form 945-A for the entire year. Do not complete entries A through M of line 8. (See section 11 of Circular E for more information on the **\$100,000 next-day deposit rule**.)

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Sections 3402, 3405, and 3406 of the Internal Revenue Code require taxpayers to pay over to the IRS income tax withheld from certain nonpayroll payments and distributions, including backup withholding. This form is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax applies to you. Section 6109 requires you to provide your employer identification number. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also give the information to other countries under a tax treaty. If you fail to provide this information in a timely manner, you may be subject to penalties and interest.

You are 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 or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 5 hr., 59 min.; **Learning about the law or the form**, 35 min.; and **Preparing and sending the form to the IRS**, 44 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, see **Where to file** on page 1.