



Instructions for Form 945

Annual Return of Withheld Federal Income Tax

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

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 4 hr., 47 min.; **Preparing and sending the form to the IRS** 5 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-1430), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see **Where To File** below.

General Instructions

Purpose of Form.—Use Form 945 to report income tax withheld from nonpayroll payments made after 1993. Nonpayroll payments include the following:

- Pensions, annuities, and IRAs
- Military retirement
- Gambling winnings
- Backup withholding

You may no longer report nonpayroll income tax withholding on **Form 941**, Employer's Quarterly Federal Tax Return, or **Form 941E**, Quarterly Return of Withheld Federal Income Tax and Medicare Tax.

As a general rule, all income tax withholding reported on Forms 1099 (e.g., Form 1099-R or Form 1099-MISC) or Form W-2G must be reported on Form 945. All employment taxes and income tax withholding reported on Form W-2 must be reported on Form 941 (or Form 942 or 943). For example, because distributions from nonqualified pension plans and some other deferred compensation arrangements are treated as wages and are reported on Form W-2, they must be reported on Form 941, not Form 945.

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|------------------------------|-------------------|
| Information Return | Tax Return |
| Forms 1099 and W-2 | Form 945 |
| Form W-2 | Form 941 |

Circular E, Employer's Tax Guide, explains the rules for withholding, depositing, and reporting Federal income tax. The current Circular E is available free at IRS offices or by calling 1-800-TAX-FORM (1-800-829-3676).

Who Must File.—Taxpayers who withhold income tax (including backup withholding) from nonpayroll payments must file Form 945. You are not required to file your initial Form 945 until you have a nonpayroll tax liability. After you file your initial Form 945, you will be required to file Form 945 each year, whether or not you have a nonpayroll tax liability to report. If you have no liability for a year, enter -0- on line 3.

Final Return.—If you do not expect to have any nonpayroll tax liabilities in the future, you should file a final return. Be sure to mark the final return checkbox and enter the date final payments were made above line 1. If you later become liable for nonpayroll income tax withholding, contact your local IRS office.

Form Preparation Suggestions.—The blue color of Form 945 permits machine scanning, which results in faster and more accurate processing. Below are suggestions that will allow the IRS to process Form 945 by machine scanning:

- Use the "blue" Form 945 provided by the IRS.
- Entries should not be handwritten; type or machine print data entries using black ink.
- Do not staple, tape, or clip anything to the form.
- Do not tear the form.

When To File.—For 1994, file Form 945 by January 31, 1995. However, if you made deposits on time in full payment of the taxes for the year, you may file the return by February 10.

Where To File.—In the list below, find the state where your legal residence, principal place of business, office, or agency is located. 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.*

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| Alabama, Louisiana, Mississippi | |
| Return without payment: | Return with payment: |
| Austin, TX 73301-0042 | P.O. Box 1213 Charlotte, NC 28272-1213 |
| Arizona | |
| Return without payment: | Return with payment: |
| Austin, TX 73301-0042 | P.O. Box 7749 San Francisco, CA 94120-7749 |
| Florida, Georgia | |
| Return without payment: | Return with payment: |
| Austin, TX 73301-0042 | P.O. Box 105092 Atlanta, GA 30348-5092 |
| New Mexico, Texas | |
| Return without payment: | Return with payment: |
| Austin, TX 73301-0042 | P.O. Box 970018 St. Louis, MO 63197-0018 |
| Arkansas | |
| Return without payment: | Return with payment: |
| Cincinnati, OH 45999-0042 | P.O. Box 1213 Charlotte, NC 28272-1213 |
| Kentucky, Ohio, West Virginia | |
| Return without payment: | Return with payment: |
| Cincinnati, OH 45999-0042 | 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 1599 Newark, NJ 07101-1599

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 1599 Newark, NJ 07101-1599

North Carolina, Tennessee

Return without payment: Memphis, TN 37501-0042
Return with payment: P.O. Box 1213 Charlotte, NC 28272-1213

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 from the IRS or the Social Security Administration (SSA). 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 plan distributions, be sure to be consistent in using the same EIN

for all reporting and depositing of a liability (e.g., on Forms 945, 1099-R, and 8109). Filing Form 945 with an incorrect EIN or failure to use the same EIN in all reporting and depositing of a liability 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. There are also penalties for willful failure to (1) file returns and pay taxes when due, (2) furnish information returns (e.g., Form 1099-MISC, 1099-R, or W-2G) to payees and file copies with the IRS, (3) keep records, and (4) deposit when required. Penalties also apply if you file a false return or submit a bad check. Interest is charged on taxes paid late at the rate set by law. See Circular E for additional information on penalties.

Caution: A trust fund recovery penalty may apply when income taxes that should be withheld are not withheld or are not paid to the IRS. 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 be applicable 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.

Depositing Withheld Taxes.—Separate deposits are required for nonpayroll (Form 945) income tax withholding on payments made after 1993. **Do not** combine deposits for Form 941 and Form 945 tax liabilities. Be sure to mark the checkbox for Form 945 on the revised **Form 8109**, Federal Tax Deposit Coupon.

If you do not have the revised Form 8109, you may deposit with the prior version of the form by marking the "Sch A" checkbox. (The "945" checkbox replaces the "Sch A" checkbox; see pages 60-61 of Circular E (Rev. January 1994) for more information.)

Do not use the deposit coupons to pay delinquent taxes for which you have received a notice from the IRS. Send these payments directly to your Internal Revenue Service Center with a copy of any related IRS notice.

Although payroll and nonpayroll tax liabilities must be reported and deposited separately, the rules on how and when to deposit are basically the same. See section 11 of Circular E for a detailed discussion of the deposit rules.

Deposit Rules for 1994 and 1995.—Because Form 945 is new for 1994, your Form 945 deposit schedules for 1994 and 1995 are determined as follows:

- If you previously filed Form 941 (or Forms 941E or 943), the IRS should have sent you notification of your 1994 Form 941 deposit schedule in November, 1993. Your 1994 and 1995 deposit schedule for Form 945 is the same as for your 1994 Form 941 or 943.
- If you are a new business and have not filed Form 941 (or Form 941E or 943) previously, you are a monthly schedule depositor.

After 1995, the lookback period is the second calendar year preceding the current calendar year. For example, the Form 945 lookback period for calendar year 1996 is calendar year 1994.

Caution: If you have a monthly deposit schedule and accumulate \$100,000 or more on any day during a month, your deposit schedule changes to semiweekly for the remainder of the year and the following year. Because the deposit requirements for Form 945 and Form 941 are separate, application of the \$100,000 rule after January 1, 1994 to one form will not affect the deposit schedule of the

other. See section 11 of Circular E for more information on determining your deposit schedule and the deposit rules.

State Code.—If you made all your deposits with a Federal Reserve bank or authorized depository 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 one state other than the state shown in your address on Form 945, enter the Postal Service 2-letter state abbreviation for that state in the state code box. If you made deposits with depositories in more than one state, enter “MU” in the state code box.

Adjustments.—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 is any error that does not change the amount of income tax that was actually withheld or deducted from a payee. For example, if the total income tax actually withheld was incorrectly reported because of a mathematical or transposition error, this is an administrative error. You must report an adjustment to correct an administrative error on Form 945 in the year in which the error was discovered.

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 return.

If you are making an adjustment(s) to correct a prior period administrative error, increase or decrease the total taxes reported on line 1 by the amount of the net adjustment (including adjustments to income tax withholding **and** backup withholding). Complete **Form 941c**, Supporting Statement To Correct Information, or an equivalent statement, and file it with Form 945 to provide the required background 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.

The amount of the adjustment(s) must also be taken into account in the record of Federal tax liability (line 7 of Form 945 or **Form 945-A**, Annual Record of Federal Tax Liability). If the administrative error adjustment increases your tax liability, include the adjustment with any other amount on the entry space corresponding to the date the error was discovered. If the adjustment decreases your tax liability, use the adjustment amount as a credit to offset subsequent liabilities 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.)

Specific Instructions

Line 1.—Enter the income tax you withheld on pensions, annuities, IRAs, military retirement, and gambling winnings (regular gambling withholding only). 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 liability on Form 945. Withholding reported on Form W-2 must be reported on Form 941.

Line 2.—Enter income tax withheld as backup withholding. Include backup withholding on gambling winnings.

Line 3—Total Taxes.—Add lines 1 and 2. This amount must equal the total liability for the year reported on line 7M of the Monthly Summary of Federal Tax Liability, or line M of Form 945-A.

Line 4—Total Deposits.—Enter the total deposits for the year.

Line 5—Balance Due.—You should have a balance due only if your total tax liability for the year (line 3) is less than \$500. (However, see section 11 of Circular E regarding payments made under the Accuracy of Deposits rule.) Enter your EIN, “Form 945,” and the tax year to which the payment applies on your check or money order. If line 3 is \$500 or more and you have deposited all taxes when due, the amount shown on line 5 should be zero.

Caution: *If you fail to make required deposits at a qualified depository and instead pay these amounts with your return, you may be subject to a penalty.*

Line 6—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.

Line 7—Monthly Summary of Federal Tax Liability.—

Note: *This is a summary of your monthly tax liability, NOT a summary of deposits made. If line 3 is less than \$500, do not complete line 7 or Form 945-A.*

Complete line 7 if you have a monthly deposit schedule. (See section 11 of Circular E for information on the deposit rules.)

Your Form 945 deposit schedule for 1995 will be the same as for 1994. However, if you are a monthly depositor and during any deposit period you accumulate a nonpayroll liability of \$100,000 or more, you immediately become a semiweekly schedule depositor for the remainder of the year and for the next calendar year. (See section 11 of Circular E for more details.)

If you are a semiweekly schedule depositor for 1994 or accumulated \$100,000 or more during a deposit period, do not complete entries A through M of line 7. Instead, complete and file Form 945-A with Form 945.

