

HOW TO PREPARE SCHEDULE A—Computation of Credit Against Federal Unemployment Tax

Schedule A should be completely and carefully filled in, in accordance with the numbered items below, in order that the correct amount of credit can be determined. All columns (1 to 9) of this schedule are to be used by taxpayers who have been granted an "experience rate" lower than 2.7 percent by a State for the whole, or part, of the taxable year. If you have not been granted an "experience rate," use columns 1, 2, 3, and 9 only. If you have been granted an "experience rate" higher than 2.7 percent, use columns 1, 2, 3, 4, 5, and 9 only. If a State has granted an experience rate on part of your payroll, that part to which the experience rate does not apply should be entered separately, using columns 1, 2, 3, and 9 for this purpose. If you were granted an "experience rate" for a part of the year only, or your "experience rate" was changed during the year, show in the proper columns the period of the year to which each separate rate applied, the payroll, rate of contributions, and required contributions with respect to each such period.

Column 1.—Enter in column 1 the name of the State or States (including Puerto Rico) to which contributions were required to be paid.

Column 2.—Enter in column 2 your State reporting number as shown on your State contribution return. If you had employment in more than one State, enter the reporting number assigned to you by each such State.

Column 3.—Enter in column 3 the taxable payroll on which you are required to pay contributions into the unemployment fund of the State indicated in column 1 or, if you have been granted an "experience rate" of zero, the amount upon which you would have been required to make contributions had such rate not been granted.

Column 4.—Enter in column 4 the period or periods of the year to which the "experience rate" or rates apply.

Column 5.—Enter in column 5 the "experience rate" or rates granted to you by the State or States for the period or periods shown in column 4.

Column 6.—Section 3302(b) of the Federal Unemployment Tax Act requires a determination of the amount of contributions an employer with an "experience rate" would have been required to pay if throughout the taxable year he had been subject to the highest rate applied by the State

in the taxable year to any person having individuals in his employ or to a rate of 2.7 percent, whichever rate is lower. For the purpose of this return, the taxpayer should assume that the highest rate applied under the State law in the taxable year was not lower than 2.7 percent and use that rate in computing the amount shown in column 6. If it is determined that the highest rate applied by the State was lower than 2.7 percent, the amount of additional credit computed with respect to such State will be reduced accordingly.

Column 7.—Multiply the payroll in column 3 by the "experience rate" in column 5 and enter the result in column 7.

Column 8.—Subtract the amount in column 7 from the amount in column 6 and enter the difference in column 8.

Column 9.—Enter in column 9 the amount of contributions actually paid into the State funds.

Item 10.—Enter the sum of the totals appearing in columns 8 and 9. Also include the amount of any special credit as explained below.

Special credit.—If special credit is claimed as a successor employer, attach a written statement showing (a) the name, address, and employer identification number of the predecessor, (b) the method of acquisition of the predecessor's trade or business (or a separate unit thereof), (c) the date on which the acquisition occurred, (d) each of the items of information in columns 1 through 9 of Schedule A applicable to the predecessor, (e) the number of individuals employed by the predecessor immediately prior to the acquisition who also were employed by the successor employer immediately after the acquisition, (f) the total amount of remuneration, subject to the unemployment compensation law of a State, paid to such employees by the predecessor during the calendar year. The amount of the special credit is determined by (1) adding the amounts determined for the predecessor (in step (d), above) as "Additional credit" and as "Contributions actually paid to State" and (2) multiplying this total by a fraction of which the numerator is the amount determined in step (f) above, and the denominator is the amount determined (in step (d), above) as "Taxable Payroll (as defined in State Act)."

HOW TO PREPARE SCHEDULE B—Computation of Taxable Wages

Line 1.—Total remuneration (including exempt remuneration) PAID during the calendar year for services of employees.—Enter in line 1 of Schedule B the total amount of remuneration for services paid to employees during the calendar year, regardless of whether such remuneration is taxable. Such remuneration should include salaries, wages, commissions, fees, bonuses, vacation allowances, salaries and wages paid to temporary or part-time employees, the value of goods, lodging, food and clothing, and all amounts deducted from employees' wages as employee tax or as deductions for other reasons. The basis upon which the remuneration is paid is immaterial in determining whether the remuneration constitutes wages. Thus, it may be paid on the basis of piecework, or a percentage of profits; and it may be paid hourly, daily, weekly, monthly, or annually.

The medium in which the remuneration is paid is also immaterial. It may be paid in cash or in something other than cash, as for example, goods, lodging, food, or clothing. Remuneration paid in items other than cash should be computed on the basis of the fair value of such items at the time of payment.

Exempt remuneration.—The terms "wages" and "employment" as defined for Federal unemployment tax purposes do not include every

payment of remuneration to an employee and every kind of service which an employee may perform. In general, any remuneration which is excluded from "wages" and any remuneration for services which are excepted from "employment," are not included in the total wages subject to the tax. These remuneration payments may be deducted from the total remuneration paid only if they are identified in Schedule B.

Line 2.—Enter in line 2 such items as (1) agricultural labor, (2) benefit payments for sickness or injury, under a workmen's compensation law, insurance plan and certain employer plans, (3) domestic service, (4) family employment, (5) certain fishing activities, and (6) any other exempt payments or services. For more definite information with respect to these exemptions, see Circular E, Employer's Tax Guide.

Line 3.—Enter in line 3 the approximate number of employees who received more than \$3,000 from you during the year and the aggregate amount of the excess above \$3,000 paid to all of those employees. For example, assume that you had 10 employees, and that you paid each of them \$5,000 during the year. \$50,000 should be included in line 1 and \$20,000 in line 3.

(For General Instructions, see back of copy for employer)

SCHEDULE B—Computation of Taxable Wages

1. Total remuneration (including exempt remuneration) PAID during the calendar year for services of employees . . .			\$
Exempt Remuneration (List each type of exemption)	Approximate number of employees involved	Amount paid	
2. Exempt remuneration (Explain each exemption shown, attaching additional sheet if necessary):			
.....			
.....			
.....			
3. Remuneration in excess of \$3,000. (Enter only the excess over the first \$3,000 paid to individual employees exclusive of exempt amounts entered on line 2)			
4. Total exempt remuneration			
5. Total taxable wages (line 1 minus line 4). Enter this amount in Item 13 on other side			\$

General Instructions

The instructions below tell you details for preparing and filing Form 940. Additional instructions are contained in Circular E, which has been furnished to employers in connection with (a) Income tax withholding, (b) taxes under the Federal Insurance Contributions Act, and (c) the tax under the Federal Unemployment Tax Act. Circular E may be obtained from any Internal Revenue Service office upon request.

Employers should refer to Circular E for information as to the employers who are liable for filing a return on Form 940, the types of payments defined by law as wages, and the kind of services covered by the Federal Unemployment Tax Act.

Purpose of Form 940.—This form is provided for the annual reporting of the tax under the Federal Unemployment Tax Act.

Who must file.—Every employer who had 4 or more employees on at least 1 day of each of 20 calendar weeks in a calendar year or in the preceding calendar year must file a return on Form 940. Count all regular, temporary, and part-time employees. A partnership should not count its partners. A person who works on a continuing basis each week, though not every day, is considered to be an employee all 7 days in determining whether 4 or more were employed for at least 20 weeks. In case of a change of ownership or other transfer of the business during the year, each employer who had 4 or more employees on at least 1 day of each of 20 calendar weeks in the calendar year must file a return on Form 940, but neither should report wages paid by the other. Any employer who is required to file a return on Form 940 for a calendar year after 1968 because he met the filing requirements during that year, will be required to file a return and pay the tax for the following year, even though he may have only one employee.

If a statutory merger or consolidation occurs during the calendar year, the obligation of the continuing corporation to make a return on Form 940, and to report wages and credits on that return, are the same as if the continuing corporation and the dissolved corporation or corporations constituted one person during the calendar year.

If you receive a preaddressed form and are not liable for Federal unemployment tax for 1969 write "not liable" across face of return and return to the Internal Revenue Service. If you no longer are in business at the end of a year, file a "Final Return" by filling in Item 17.

After you have once filed a return on Form 940, you should receive a preaddressed form near the close of each calendar year. If you do not receive the form, request one from any Internal Revenue Service office so that you can file your return on time.

Due date of return.—Form 940 is due on or before February 2, 1970 for calendar year 1969 unless the employer obtains from the Internal Revenue Service an extension of time within which to file the return.

Where to file.—This return must be filed with the Internal Revenue Service Center for the region in which the principal place of business or office or agency is located as listed below.

NORTH ATLANTIC REGION

Connecticut, Maine, Massachusetts, New York, Vermont
Internal Revenue Service Center
310 Lowell Street
Hampshire, Rhode Island, New York
Andover, Massachusetts 01812

MID-ATLANTIC REGION

Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia
Internal Revenue Service Center
11601 Roosevelt Boulevard
Philadelphia, Pennsylvania 19155

SOUTHEAST REGION

Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee
Internal Revenue Service Center
4800 Buford Highway
Chamblee, Georgia 30006

MID-WEST REGION

Illinois, Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin
Internal Revenue Service Center
2306 E. Bannister Road
Kansas City, Missouri 64170

CENTRAL REGION

Indiana, Kentucky, Michigan, Ohio, West Virginia
Internal Revenue Service Center
Cincinnati, Ohio 45298

SOUTHWEST REGION

Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas, Wyoming
Internal Revenue Service Center
3651 S. Interregional Highway
Austin, Texas 78740

WESTERN REGION

Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington
Internal Revenue Service Center
1160 West 1200 South Street
Ogden, Utah 84405

(See also the instructions on the back of copy for the Internal Revenue Service)

If the taxpayer has no legal residence or principal place of business in any Internal Revenue district, the return should be filed with the Mid-Atlantic Service Center.

Employers whose principal place of business is in Puerto Rico should file Form 940 with the Mid-Atlantic Service Center.

Payment of tax.—Each return Form 940 must be accompanied by the remittance (cash, check, or money order) for the total tax reported in item 16.

Employer's name address, and identification number.—Preaddressed Forms 940 should be used in filing returns. If the preaddressed form is lost, a new one should be requested. If necessary to use a form not preaddressed, type or print in the address block the employer's correct name and address, and enter the employer's identification number in the space at the right of the address block. Do not use the identification number assigned to a prior owner.

Penalties and interest.—Avoid penalties and interest by filing a correct return on time, and by paying the proper amount of tax with the return. The law provides a penalty for late filing unless reasonable cause is shown for the delay. If you are late in filing a return, send a full explanation in writing with your return.

Penalties also are imposed by law for willful failure to pay tax, keep records, make returns, or for false or fraudulent returns.

Credit for contributions paid into State funds.—In general, an employer may credit against the tax the amount of required contributions paid by him with respect to the calendar year under all State laws which have been duly approved: *Provided*, That no credit will be allowable for contributions under a State law if such State is not duly certified for the calendar year. The term "contributions" means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his employ, to the extent that such payments are made by him without being deducted or deductible from the remuneration of individuals in his employ. Contributions may be credited against the tax whether or not they are paid with respect to "employment." Do not take credit, however, for voluntary contributions or for penalty or interest paid to a State.

To be allowable as credit against the tax, contributions must have actually been paid into a State unemployment fund on or before the due date of this return or the due date as extended; except that contributions paid after the due date or the due date as extended, may be credited in an amount not to exceed 90 percent of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such due date.

An employer who has been granted an "experience" rate lower than 2.7 percent by a State for the whole, or part, of the year may be entitled to an additional credit against the tax under Section 3302(b) of the Federal Unemployment Tax Act. If the provisions of the State law under which a taxpayer has been granted a reduced rate are not certified, or are only partially certified, the amount of additional credit claimed on this return may be disallowed in whole or in part.

Under Section 3302(e) a special credit is provided if an employer during any calendar year acquires substantially all of the property used in the trade or business (or in a separate unit of a trade or business) of another person who is not an "employer" (of 4 or more employees on at least 1 day of each of 20 calendar weeks in that year), and immediately after the acquisition the successor employs in his trade or business one or more individuals who immediately prior to the acquisition were employed in the trade or business of the predecessor. This special credit is not allowable to any successor employer whose predecessor also is an "employer," nor is it allowable to a corporation acquiring the trade or business of another corporation in a statutory merger or consolidation. The amount of the special credit is based on the amount of remuneration, subject to the unemployment compensation law of a State, paid by the predecessor to those employees who were employed by the predecessor immediately before the transfer of the trade or business (or separate unit thereof) and who also were employed by the successor immediately after the transfer.

The total credit allowable under Section 3302 may not exceed 2.7 percent of taxable wages.

SCHEDULE B—Computation of Taxable Wages (See Schedule B instructions on page 2)

1. Total remuneration (including exempt remuneration) PAID during the calendar year for services of employees . . .			\$
Exempt Remuneration (List each type of exemption)	Approximate number of employees involved	Amount paid	
2. Exempt remuneration (Explain each exemption shown, attaching additional sheet if necessary):			
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.....			
.....			
3. Remuneration in excess of \$3,000. (Enter only the excess over the first \$3,000 paid to individual employees exclusive of exempt amounts entered on line 2)			
4. Total exempt remuneration			
5. Total taxable wages (line 1 minus line 4). Enter this amount in Item 13 on other side			\$