



**Effective January 1, 1978—**

- (1) Wage base increased to \$6,000;
- (2) Coverage extended to certain agricultural and domestic service employees; and
- (3) U.S. Virgin Islands employers are subject to FUTA.

**General Instructions**

For more detailed information on which employers must file, the types of payments defined by law as wages, and the kind of services covered by the Federal Unemployment Tax Act (FUTA), see **Publication 15**, Circular E, Employer's Tax Guide. **Publication 539**, Withholding Taxes and Reporting Requirements, has examples and a filled in copy of Form 940. Both publications are available at any Internal Revenue Service office.

Household employers, see **Publication 503**, Child Care and Disabled Dependent care. Publication 503 includes an example and a filled in copy of Form 940 for a household employer.

**Purpose of Form 940.**—Use it for the annual reporting of tax under FUTA, which is **paid only by the employer**. The tax rate is 3.4 percent on the first \$6,000 of wages paid to each employee during 1978.

**Who Must File.**—In general, every employer who during 1978 or 1977 paid wages of \$1,500 in any calendar quarter or at any time had one or more employees in any 20 calendar weeks must file. Count all regular, temporary, and part-time employees. A partnership should not count its partners. If a change of ownership or other transfer of the business occurs during the year, each employer who meets the \$1,500 a quarter or one or more employees in 20 weeks tests must file, but neither should report wages paid by the other. Organizations described in section 501(c)(3) are not required to file.

Beginning in 1978, employers who (1) paid cash wages of \$20,000 or more to agricultural workers during any calendar quarter beginning on or after January 1, 1978; or (2) employed 10 or more agricultural workers during some portion of a day (whether or not at the same time) for at least one day during any 20 different weeks beginning on or after January 1, 1978. (Aliens admitted to the U.S. on a temporary basis to perform agricultural labor are excluded until January 1, 1980.); or (3) paid cash wages of \$1,000 or more in any calendar quarter beginning on or after January 1, 1978, for domestic service in a private home, local college club, or a local chapter of a college fraternity or sorority, will be required to file Form 940.

If you receive a form and are not liable for Federal unemployment tax for 1978, write "Not Liable" across the front and return it to the IRS. If you are no longer in business at the end of the year, write "Final" on line 25.

If you sold or transferred the business during the year, attach a statement showing the name, address, and employer identification number (if known) of the new owner.

Once you have filed a Form 940, we will send you a preaddressed form near the end of the year. If you do not receive it, request one from any IRS office in time to file.

**Due Date.**—Form 940 for 1978 is due by January 31, 1979. If you made timely deposits in full payment of the tax due, you have until February 10, 1979, to file.

**Where to File.**—

| If your principal business, office, or agency is located in   | File with the Internal Revenue Service Center at |
|---|--|
| New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester  | Holtsville, NY 00501                             |
| New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont                                | Andover, MA 05501                                |
| District of Columbia, Delaware, Maryland, Pennsylvania  | Philadelphia, PA 19255                           |
| Alabama, Florida, Georgia, Mississippi, South Carolina  | Atlanta, GA 31101                                |
| Michigan, Ohio  | Cincinnati, OH 45999                             |
| Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas  | Austin, TX 73301                                 |
| Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming | Ogden, UT 84201                                  |
| Illinois, Iowa, Missouri, Wisconsin   | Kansas City, MO 64999                            |
| California, Hawaii  | Fresno, CA 93888                                 |
| Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia   | Memphis, TN 37501                                |

If you have no legal residence or principal place of business in any Internal Revenue Service district, or if your principal place of business is in Puerto Rico or the U.S. Virgin Islands, file Form 940 with the Internal Revenue Service Center, Philadelphia, PA 19255.

**Deposit Requirements.**—Deposit Federal unemployment tax in an authorized financial institution or a Federal Reserve bank according to the instructions on the reverse of a preinscribed Federal Tax Deposit Form 508 which must accompany each deposit.

Figure Federal unemployment tax on a quarterly basis. Deposit any amount due by the last day of the first month following the close of the quarter. (If you do not qualify as an employer until the second or third quarter, your deposit requirements do not begin until then.)

To determine if you must make a deposit for any of the first three quarters in 1979, compute the total tax by multiplying by .007 that part of the first \$6,000 of each employee's annual wages you paid during the quarter.

If the amount subject to deposit (plus the undeposited amount for any prior quarter) is more than \$100, deposit it during the first month following the quarter. If the amount is \$100 or less, you do not have to deposit it, but you must add it to the amount subject to deposit for the next quarter.

If the tax reportable on Form 940 less amounts deposited for the year is more than \$100, deposit the entire amount by January 31. If the tax for the year less any deposits is \$100 or less, either deposit it or pay it with Form 940 by January 31.

If you deposited the proper amounts following these rules, the balance due will not exceed \$100.

**How to Make Deposits.**—Follow the instructions on the reverse of the preinscribed Federal Tax Deposit Form 508.

**Employer's Name, Address, and Identification Number.**—Use the preaddressed Form 940 mailed to you. If you must use a nonpreaddressed form, type or print your name, trade name, address, and employer identification number on it.

**Penalties and Interest.**—Avoid penalties and interest by filing a correct return and paying the proper amount of tax when due. The law provides a penalty for late filing unless you show reasonable cause for the delay. If you file late, attach an explanation.

There are also penalties for willful failure to pay tax, keep records and make returns, and for filing false or fraudulent returns. Taxpayers who willfully claim credit for deposits not made are subject to fines and other criminal penalties.

**Credit for Contributions Paid into State Funds.**—You can claim credit for contributions you pay into a certified State unemployment compensation fund by the due date of Form 940.

"Contributions" mean payments required by State law to be made into an unemployment fund by any person on account of having individuals in his or her employ, to the extent that such payments are made without being deducted or deductible from the employee's remuneration.

You may credit contributions against the tax whether or not made with respect to "employment." You may not take credit for voluntary contributions or for penalties or interest payments to a State.

Credit for contributions you make after the due date (or extended due date) for filing Form 940 may not exceed 90 percent of the amount that would have been allowable had you paid the contributions by the due date.

Employers who have been granted an experience rate lower than 2.7 percent by a State for the whole or part of the year are entitled to an "additional credit," which is equal to the difference between actual contributions and the amount they would have been required to contribute at (1) the highest rate applied by the State, or (2) 2.7 percent, whichever is lower.

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

**Computation of Credit Against Federal Unemployment Tax**

**Experience Rate.**—If a State has granted you an experience rate lower than 2.7 percent for all or part of the taxable year, use columns 1 through 9. 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 of 2.7

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YOUR  
 COPY

Calendar Year

**1978**

Employer identification number

| Name of State<br><b>1</b> | State reporting number<br>as shown on employer's<br>State contribution returns<br><b>2</b> | Taxable payroll<br>(as defined in State act)<br><b>3</b> | Experience rate period<br><b>4</b> |     | Experi-<br>ence<br>rate<br><b>5</b> | Contributions had<br>rate been 2.7%<br>(col. 3 × 2.7%)<br><b>6</b> | Contributions pay-<br>able at experience<br>rate (col. 3 × col. 5)<br><b>7</b> | Additional<br>credit<br>(col. 6 minus col. 7)<br><b>8</b> | Contributions<br>actually paid<br>to State<br><b>9</b> |
|---------------------------|--|--|------------------------------------|-----|-------------------------------------|--|--|---|--|
|                           |  |  | From—                              | To— |                                     |  |  |   |  |
|                           |  |  |                                    |     |                                     |  |  |   |  |
|                           |  |  |                                    |     |                                     |  |  |   |  |
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|                           |  |  |                                    |     |                                     |  |  |   |  |
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|                           |  |  |                                    |     |                                     |  |  |   |  |
|                           |  |  |                                    |     |                                     |  |  |   |  |
|                           |  |  |                                    |     |                                     |  |  |   |  |
| <b>Totals ▶</b>           |  |  |                                    |     |                                     |  |  |   |  |

|   |  |  |                           |                 |
|---|--|--|---------------------------|-----------------|
| <b>10 Total tentative credit (column 8 plus column 9—see instructions on page 4) . . . . .</b>  |  |  |                           |                 |
| <b>11 Total remuneration (including exempt remuneration) paid during the calendar year for services of employees</b>  |  |  |                           |                 |
| <b>Exempt Remuneration (See Instructions on Page 4)</b>   |  |  | (a) New jobs credit wages | (b) Amount paid |
| <b>12 Exempt remuneration. (Explain each exemption shown, attaching additional sheet if necessary) ▶</b>  |  |  |                           |                 |
| <b>13 Remuneration in excess of the first \$4,200 in column (a), and the first \$6,000 in column (b), paid to individual employees exclusive of exempt amounts entered on line 12. Do not use State wage limitation . . . . .</b> |  |  |                           |                 |
| <b>14 Total exempt remuneration (line 12 plus line 13) . . . . .</b>  |  |  |                           |                 |
| <b>15 a New jobs credit total wages (subtract line 12, column (a) from line 11) .</b>   |  |  |                           |                 |
| <b>b New jobs credit wages (subtract line 14, column (a) from line 11) . . .</b>  |  |  |                           |                 |
| <b>c Total taxable FUTA wages (subtract line 14, column (b) from line 11) . . . . .</b>   |  |  |                           |                 |
| <b>16 Gross Federal tax (multiply line 15c by .034) . . . . .</b>   |  |  |                           |                 |
| <b>17 Maximum credit (multiply line 15c by .027) . . . . .</b>  |  |  |                           |                 |
| <b>18 Line 10 or line 17 whichever is smaller . . . . .</b>   |  |  |                           |                 |
| <b>19 Amount, if any, of wages on line 15c attributable to Rhode Island \$ . . . . . × .003 . . . . .</b>   |  |  |                           |                 |
| <b>20 Credit allowable (subtract line 19 from line 18) . . . . .</b>  |  |  |                           |                 |
| <b>21 Net Federal tax (subtract line 20 from line 16) . . . . .</b>   |  |  |                           |                 |

| <b>Record of Federal Tax Deposits for Unemployment Tax (Form 508)</b> |                     |                 |                   |
|---|---------------------|-----------------|-------------------|
| Quarter   | Liability by period | Date of deposit | Amount of deposit |
| First   |                     |                 |                   |
| Second  |                     |                 |                   |
| Third   |                     |                 |                   |
| Fourth  |                     |                 |                   |

|   |  |
|---|--|
| <b>22 Total Federal tax deposited . . . . .</b>   |  |
| <b>23 Balance due (subtract line 22 from line 21—this should not exceed \$100). Pay to Internal Revenue Service . . . . . ▶</b> |  |
| <b>24 Overpayment (subtract line 21 from line 22) . . . . . ▶</b>   |  |
| <b>25 If no longer in business at end of year, write "Final" here . . . . . ▶</b>   |  |

**Keep This Copy For Your Records**

You must retain this copy, and a copy of each related schedule or statement for a period of 4 years after the date the tax is due or paid, whichever is the later. These copies must be available for inspection by the Internal Revenue Service.

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percent or higher, use columns 1, 2, 3, 4, 5, and 9 only.

If a State has granted you an experience rate on part of your payroll, enter separately in columns 1, 2, 3, and 9, that part to which the experience rate does not apply.

If you were granted an experience rate for only part of the year or your experience rate was changed during the year, show in the appropriate columns the period to which each separate rate applied, your payroll, rate of contributions, and required contributions for each period.

**Column 1.**—Enter the name of the State or States (including Puerto Rico and the U.S. Virgin Islands) to which you were required to pay contributions.

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

**Column 3.**—Enter the taxable payroll on which you must pay contributions to the unemployment fund of the States shown in column 1. If you have been granted an experience rate of zero, enter the amount on which you would have had to make contributions if that rate had not been granted.

**Column 4.**—Enter the period(s) of the year to which the experience rate(s) applies.

**Column 5.**—Enter the experience rate(s) the State(s) granted you for the period(s) shown in column 4.

**Column 6.**—Multiply the payroll in column 3 by 2.7 percent and enter the result in column 6.

**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 result in column 8. If zero or less, enter zero (0).

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

**Line 10.**—Enter the sum of columns 8 and 9. Also include any special credit as explained below.

**Line 19.**—Show the FUTA wages (if any) subject to the unemployment compensation laws of Rhode Island. (If in doubt, ask your local IRS office.) Multiply the wages by .003. This adjustment is required by Internal Revenue Code section 3302(c)(2). If no wages are subject, show "none" on line 19.

**Special Credit.**—If you are claiming special credit as a successor employer, at-

tach a statement showing (a) the name, address, and employer identification number of your predecessor, (b) how you acquired your predecessor's trade or business (or a separate unit of it), (c) the date you acquired it, (d) each item in columns 1 through 9 that applies to your predecessor, (e) the number of individuals your predecessor employed immediately before the acquisition, whom you also employed immediately after the acquisition, (f) the total remuneration subject to State unemployment compensation your predecessor paid to the employees in (e) above during the calendar year.

The amount of the special credit is determined by (1) adding the "Additional Credit" and "Contributions actually paid to the State" determined for your predecessor in step (d) above, 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 "Taxable Payroll (as defined in State Act)" paid to all individuals in the employ of your predecessor prior to your acquisition during the calendar year.

## Computation of Taxable FUTA Wages

**Line 11—Total remuneration (including exempt remuneration) paid during the calendar year for services of employees.**—Show the total remuneration for services you paid employees during the calendar year, even if it is not taxable. Include salaries, wages, commissions, fees, bonuses, vacation allowances, amounts paid to temporary or part-time employees, and the value of goods, lodging, food, and clothing. Show the amount before any deductions.

How you pay the remuneration is not important in determining if it is wages. Thus, you may pay it for piecework or as a percentage of profits, and you may pay it hourly, daily, weekly, monthly, or yearly. You may pay it in cash or some other way, such as goods, lodging, food, or clothing. For items other than cash, use the fair value at time of payment.

**Line 12, column (b)—Exempt remuneration.**—"Wages" and "employment" as defined for FUTA purposes do not include every payment of remuneration and every kind of service an employee may perform. In general, remuneration excluded from wages and remuneration for services excepted from employment are not included in wages subject to tax. You may deduct these payments from total remuneration paid only if you identify them on line 12.

Show and identify on line 12 such items as (1) agricultural labor if you paid cash wages of less than \$20,000 for agricul-

tural labor for each calendar quarter in 1978, and did not employ 10 or more agricultural workers during some portion of a day during any 20 different weeks in 1978; (2) benefit payments for sickness or injury under a workmen's compensation law, insurance plan, and certain employer plans; (3) domestic service if you paid cash wages of less than \$1,000 in each calendar quarter in 1978; (4) family employment; (5) certain fishing activities; and (6) any other exempt payments or services. For more detailed information, see Circular E, Employer's Tax Guide.

**Line 13, column (b).**—Show the total amount of remuneration you paid each employee in excess of \$6,000. For example, you have 10 employees whom you paid \$8,000 each during the year. Show \$80,000 on line 11 and \$20,000 on line 13, column (b). The \$6,000 wage limitation is for FUTA purposes only. Do not use the State wage limitation for this entry.

## Computation of New Jobs Credit Wages

**Column (a).**—If you are eligible for the new jobs credit, complete column (a).

In addition to amounts shown in line 12, column (b), include in line 12, column (a) the total amounts paid to an employee if:

- (1) services performed by the employee during more than one-half of any pay period during the year are for agricultural labor; or
- (2) more than one-half of the amount paid to the employee during the year is for railroad labor; or
- (3) more than one-half of the amount paid to the employee during the year is not for services performed in the United States in the trade or business of the employer.

You need not identify these items in line 12; only show the totals in line 12, column (a).

**Line 13, column (a).**—Show the total amount of remuneration you paid each employee in excess of \$4,200. The \$4,200 limitation is for the new jobs credit computation only. The \$6,000 wage limitation in column (b) is for FUTA purposes only. Do not use the State wage limitation for either entry.

**Lines 15a and 15b.**—To determine if you are eligible to claim the new jobs credit, enter the amounts from line 15a on line 6 of Form 5884, New Jobs Credit, and from line 15b on line 1 of Form 5884, and complete that form. (If your employees perform agricultural or railroad services, see General Instruction D, Form 5884.)