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Medicare taxes? You can't deposit the taxes whenever you feel like. Your deposit frequency is based on a lookback period. So, what is a lookback period?

Mike Kappel • Feb. 13, 2020

Form 941 for 2019: Employer's QUARTERLY Federal Tax Return

(Rev. January 2019) Department of the Treasury — Internal Revenue Service

950117

OMB No. 1545-0029

Employer identification number (EIN)

Name (not your trade name)

Trade name (if any)

Address

Number

Street

Suite or room number

City

State

ZIP code

Foreign country name

Foreign province/county

Foreign postal code

Report for this Quarter of 2019

(Check one.)

☐ 1: January, February, March

☐ 2: April, May, June

☐ 3: July, August, September

☐ 4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1

Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), or Dec. 12 (Quarter 4)

1

2

Wages, tips, and other compensation

2

3

Federal income tax withheld from wages, tips, and other compensation

3

4

If no wages, tips, and other compensation are subject to social security or Medicare tax

☐ Check and go to line 6.

5a

Taxable social security wages

Column 1

■

× 0.124 =

Column 2

■

5b

Taxable social security tips

Column 1

■

× 0.124 =

Column 2

■

5c

Taxable Medicare wages & tips

Column 1

■

× 0.029 =

Column 2

■

5d

Taxable wages & tips subject to Additional Medicare Tax withholding

Column 1

■

× 0.009 =

Column 2

■

Do you know how often you need to deposit federal income, Social Security, and Medicare taxes? You can't deposit the taxes whenever you feel like. Your deposit frequency is based on a lookback period. So, what is a lookback period?

# What is a lookback period?

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Form 941, Employer's Quarterly Federal Tax Return, is a form that employers use to report employee wages and taxes quarterly. Most employers use this form.

Form 944, Employer's ANNUAL Federal Tax Return, is a form that employers use to report employee wages and taxes annually. Only very small businesses use this form.

## IRS payroll deposit schedule

Regardless of whether you file Form 941 or 944, you will either be a monthly or semiweekly depositor. Again, your total tax liability during the lookback period determines which schedule you must follow.

Take a look at the difference in tax liability between monthly and semiweekly depositors:

- **Monthly depositor:** Employers who reported a tax liability of \$50,000 or less during the lookback period
- **Semiweekly Depositor:** Employers who reported a tax liability of more than \$50,000 during the lookback period

Monthly depositors must deposit their employment taxes collected and contributed during a month by the 15th day of the following month. For example, you must deposit taxes collected in June by July 15.

Semiweekly depositors' due dates are determined by payday. If payday falls on a Wednesday, Thursday, and/or Friday, deposit taxes by the following Wednesday. If payday falls on a Saturday, Sunday, Monday, and/or Tuesday, deposit taxes by the following Friday.

You cannot pay your liabilities based on a previous deposit schedule or how often you pay your employees. Use the lookback period to determine your deposit

frequency.

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liability during the calendar year (January – December).

But, which calendar years do you look at? Let's get into the nitty-gritty of the IRS lookback period for Form 941 and Form 944 filers below.

## What is the lookback period for Form 941 filers?

Again, Form 941 filers report their Social Security, Medicare, and federal income tax liabilities on a quarterly basis.

Form 941 filers have a four-quarter lookback period that spans from July 1 to June 30 the following year.

Let's say you want to determine your deposit schedule for 2020. You would calculate your total tax liability from July 1, 2018 to June 30, 2019.

Quarter 3 (2018)	Quarter 4 (2018)	Quarter 1 (2019)	Quarter 2 (2019)
July 1 – Sept. 30	Oct. 1 – Dec. 31	Jan. 1 – Mar. 31	Apr. 1 – June 30

## Form 941 lookback period example

Let's say Karen of Karen's Pet Supply wants to know whether she's a monthly or semiweekly depositor in 2020.

To find out Karen's deposit schedule for 2020, we need to look at her tax liability in quarters 3 and 4 in 2018 as well as quarters 1 and 2 in 2019:

- **3rd Quarter 2018:** \$10,000
- **4th Quarter 2018:** \$10,000
- **1st Quarter 2019:** \$13,000

- **2nd Quarter 2019: \$13,000**

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two years, your lookback period is the second preceding calendar year. For example, the IRS lookback period for 2020 is calendar year 2018.

Depending on how you filed in the past, you might have to look at your Form 944 for that year, or all four quarters of Form 941 for that year.

## Form 944 lookback period example

Let's say Daniel of Daniel's Hauling Services wants to find out whether he's a monthly or semiweekly depositor for 2020. He reported the following tax liabilities on Form 944 during calendar year 2018:

- **Calendar Year 2018: \$1,000**

Because Daniel's tax liability was less than \$50,000 in 2018, his deposit schedule for 2020 is monthly.

## How adjustments affect the IRS lookback period

Mistakes happen. If you make an error on Form 941 or Form 944, you will need to make a correction using Form 941-X or Form 944-X.

If you make a correction, the adjustments don't affect the amount of tax liability for previous periods. You must use the amount you originally reported.

## Example of an adjustment

Let's look at the 2020 lookback period for Karen's Pet Supply again:

- **3rd Quarter 2018: \$10,000**
- **4th Quarter 2018: \$10,000**
- **1st Quarter 2019: \$13,000**

- **2nd Quarter 2019: \$13,000**

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- **1st Quarter 2019: \$13,000**
- **2nd Quarter 2019: \$18,000**

Karen can file [Form 941-X](#) to make corrections to the second quarter's report in 2019. However, the business must use the original amount reported in the lookback period. As a result, the business remains a monthly depositor instead of changing to a semiweekly depositor.

## I'm a new employer. What's my lookback period?

If you're a new employer, you obviously haven't paid Social Security, Medicare, and federal income taxes before. So, your tax liabilities are considered as zeros in your lookback period.

**This makes you a monthly depositor during your first year as an employer.**

Before the beginning of the next calendar year, make sure you examine your lookback period. You might have some tax liability to consider.

For more information on the IRS lookback period, check out [Publication 15](#).

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Mike Kappel is the CEO and founder of Patriot Software. This article first appeared on the [Patriot Software blog](#).

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