

Social Security Tax

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Purpose

The Federal Insurance Contributions Act (FICA) provides for a Federal system of old age, survivors, disability, and medical insurance. This system is financed through Social Security taxes, also known as FICA taxes.

4. they worked fewer than 13 weeks performing agricultural labor in the previous calendar year.

Wages paid to exempt employees still contribute to your total wages paid in determining whether you paid cash wages of \$2,500 or more during the year.

Who must pay

As an agricultural employer, you may have to pay Social Security taxes if you have one or more agricultural employees (including your parents, your children 18 years of age or older, or your spouse) who meet either of these two tests:

1. you expect to pay the employee \$150 or more in cash wages during the year; or
2. you expect to pay cash wages of \$2,500 or more during the year to all your employees.

If one of these two tests is met, you are required to withhold Social Security taxes from the cash wages paid to the employee, beginning with the first dollar of cash wages paid.

Exempt hand-harvest labor

Each hand-harvest laborer you employ who meets the following conditions is exempt from Social Security taxes:

1. they work on a piece-rate basis, in jobs that are normally paid on a piece-rate basis;
2. you paid them less than \$150 per year in cash wages;
3. they commute daily from their *permanent* residence; and

Tax rates

Social Security taxes include contributions from employees and employers. You, as an employer, must collect and pay the employee's part of the tax, and you must pay a matching amount. For 1992, the employee tax rate is 7.65%, and the employer tax rate is also 7.65%. Only the first \$50,400 of wages you pay each employee during the year is subject to these taxes.

Hiring labor crews

You may use the services of farm labor contractors to provide with farm labor. For Social Security tax purposes, the contractor is considered the employer of the workers if the contractor:

1. furnishes workers to do farm labor;
2. pays the workers furnished by him or her for the farm labor done by them; and
3. has not entered into a written agreement with you in which he or she is designated as your employee.

You are considered the employer of the workers in all situations not covered above.

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OREGON STATE UNIVERSITY EXTENSION SERVICE

Depositing taxes

Mail or deliver payments to an authorized financial institution or the Federal Reserve Bank. Your payment should be accompanied by Form 8109, *Federal Tax Deposit Coupon*. You may order coupon books by using Form 8109A, *FTD Reorder Form*, available from the Internal Revenue Service (IRS). IRS automatically sends you a coupon book when you apply for an employer identification number.

The amount of your combined Social Security tax and withheld income tax determines the frequency of your deposits. The deposit rules are as follows:

1. **Less than \$500 at the end of any month except December:** If at the end of any month except December your total undeposited taxes are less than \$500, you do not have to make a deposit. Carry the taxes over to the following month.
2. **\$500 or more but less than \$3,000 at the end of any month:** If at the end of any month your total undeposited taxes are \$500 or more but less than \$3,000, you must deposit the taxes within 15 days after the end of the month. *Exception:* If your undeposited taxes are \$500 or more but less than \$3,000 at the end of a month during which you *already made* a deposit of \$3,000 or more (because of rule 3 below), you do not have to deposit them. Carry them over into the next month instead.
3. **\$3,000 or more at the end of any eighth-monthly period:** Each month is divided into eight deposit periods that end on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th, and last day of the month. If

at the end of any eighth-monthly period your total undeposited taxes are \$3,000 or more, deposit the taxes within 3 banking days after the end of the eighth-monthly period.

4. **Less than \$500 at end of December:** If at the end of December your total undeposited taxes for the year are less than \$500, you do not have to deposit the taxes. You may pay the taxes to IRS with Form 943, or you may deposit them by January 31.

Reporting

Report farm workers' income and Social Security taxes withheld on Form 943, *Employer's Annual Tax Return for Agricultural Employees*. Send Form 943, with payment of any taxes due that are not required to be deposited, to the IRS by January 31 following the year for which the return is filed (or February 10 if the tax was deposited in full and on time). Social Security earnings and withholdings are also reported on W-2 forms. Nonfarm workers' wages are reported on Form 941, and deposits are made according to Form 941 rules.

For more information

Call or write for these materials; single copies available at no charge:

Internal Revenue Service
Forms Distribution Center
Rancho Cordova, CA 95742-0001
1-800-424-3676

Publication 51, Circular A
Agricultural Employer's Tax Guide

Publication 15, Circular E
Employer's Tax Guide

Form 8109
Federal Tax Coupons

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