

# Federal Income Tax Withholding

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## Who must withhold?

Beginning January 1, 1990, agricultural employers must withhold Federal income tax from wages paid to farm workers. The rules governing Social Security Tax (FICA) withholdings now apply to Federal income tax withholdings as well. As an agricultural employer, you may have to withhold Federal income taxes if you have one or more agricultural employees (including your parents, your spouse, or children 18 years of age or older) who meet either of these two tests:

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

Each employee subject to Federal income tax withholding must supply you with a completed Form W-4, *Employee's Withholding Allowance Certificate*.

## 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
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.

## Taxable wages

Wages include salaries, commissions, bonuses, wages, fees, or any item of value paid to an individual for services as an employee. Taxable items include: merchandise, stocks, bonds, room, board, or other considerations in payment for services. The value of meals and lodging furnished for the convenience of the employer is not taxable.

## Figuring withholding tax

There are a number of ways to calculate income tax withholding, including the percentage method, wage bracket tables, combined income tax and employee Social Security tax tables, and approved alternative methods.

For specific details, refer to Circular E, *Employer's Tax Guide*, or Publication 493, *Alternative Tax Withholding Methods and Tables*.

These publications describe the methods you should follow to figure withholdings. When you figure them, use the number of exemptions claimed by the employees on Form W-4.

## Depositing withholding taxes

Mail or deliver payments to an authorized financial institution or Federal Reserve Bank or branch in your area. Your payment should be accompanied

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OREGON STATE UNIVERSITY EXTENSION SERVICE

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). The 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 4 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 with your financial institution or the Federal Reserve 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). 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 95743-0001  
1-800-424-3676

Publication 51, Circular A  
*Agricultural Employer's Tax Guide*

Publication 15, Circular E  
*Employer's Tax Guide*

Publication 493,  
*Alternative Tax Withholding  
Methods and Tables*.

Form 8109  
*Federal Tax Deposit Coupons*

ES Pub 220 (8/92)



Extension Service, Oregon State University, Corvallis, O.E. Smith, director. This publication was produced and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914. Extension work is a cooperative program of Oregon State University, the U.S. Department of Agriculture, and Oregon counties.

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