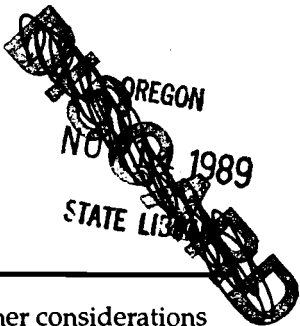


Federal Income Tax Withholding

T. Cross and J. Thorpe



Who must withhold?

You are not required to withhold income tax on wages paid to farmworkers, but you may make an agreement with them to do so. Both employee and employer must agree to the withholding. The employee must supply you with a completed Form W-4, *Employee's Withholding Allowance Certificate*. You signify your acceptance of the agreement by withholding the correct tax from the employee's wages. To terminate a withholding agreement, either the employee or employer must give a signed notice to the other.

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.

Employers of farmworkers

You employ farmworkers if you employ workers who:

1. raise or harvest agricultural or horticultural products on a farm;
2. care for a farm and equipment, when most of the work is done on a farm;
3. handle, process, or package any agricultural or horticultural commodity if the employer produced over half of the commodity;
4. do work related to cotton ginning, turpentine, or gum resin products; or
5. do housework in the employer's private home if it is on a farm that is operated for profit.

Figuring withholding tax

There are many 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. In figuring withholdings, 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 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

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,

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determines the frequency of your deposits. The deposit rules are as follows:

1. 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.
2. 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.
3. \$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 in an earlier period of the month (because of rule 4 below), you do not have to deposit them. Carry them over into the next month instead.
4. \$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.

Reporting

Report farmworker's 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.



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