Federal Unemployment Tax (FUTA)

T. Cross and J. Thorpe

Who must pay?

Most employers are required to pay Federal unemployment taxes in addition to income and Social Security taxes. This publication summarizes the guidelines for Federal Unemployment Tax (FUTA) payments.

Employers must pay FUTA if they:

1. paid cash wages of $20,000 or more to farm workers in any calendar quarter of the current or preceding year, or
2. employed 10 or more farm workers during some part of a day (whether or not at the same time) for at least 1 day during any 20 different weeks during the current or preceding year.

To determine if you meet condition 2 above, include as farm workers aliens legally admitted to the United States on a temporary basis to do farm work. Wages paid to these aliens are exempt from FUTA taxes through 1992, but they are still included to determine if you meet condition 1 above.

What about farm workers supplied by crew leaders?

Farm workers supplied by farm labor contractors are considered employees of the farm operator unless:

1. the contractor is registered under the Migrant and Seasonal Worker Protection Act, or
2. substantially all the workers supplied by the crew leader operate or maintain tractors, harvesting or crop-dusting machines, or other machines provided by the crew leader.

FUTA tax rate

The gross FUTA tax rate is 6.2% of taxable payroll. Generally, you can take a credit against your FUTA tax for amounts you paid into state unemployment funds (see EC 1337, Agricultural Labor Information: Oregon Employment Tax). This credit is limited to 5.4% of taxable wages. Net FUTA tax rate is 0.8% (.008).

Calculating payments

FUTA payments are calculated on a quarterly basis:

1. During each of the first 3 quarters of the year, multiply the first $7,000 of each employee’s wages paid during the quarter by 0.008.
2. Total the values estimated in point 1 (above).
3. If the total FUTA tax for any quarter (plus any undeposited FUTA tax for earlier quarters in the year) is more than $100, you must make a deposit during the first month following the quarter. If the total is less than $100, carry it over to the next quarter.

Deposit FUTA payments

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, Reorder Form, available from the Internal Revenue Service (IRS).

Timothy L. Cross, Extension agricultural economist, and Jim Thorpe, former Extension district agent, farm management, Oregon State University.
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<th>Filing annual FUTA tax returns</th>
<th>Calendar</th>
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<td>Employers must file Form 940, Employer’s Annual Federal Unemployment (FUTA) Tax Return, by January 31. If the FUTA tax reported on Form 940 minus the amounts deposited for the first 3 quarters of the year is more than $100, deposit the whole amount by January 31. If the amount is less than $100, either deposit the tax or include your payment with Form 940 by January 31. If you deposited all FUTA taxes when due during the first 3 quarters, you have up to 10 additional days (or until February 10) to file Form 940.</td>
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<td>Family employees</td>
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<td>Family employees are exempt from FUTA if services are performed by employer’s father, mother, or spouse, or by employer’s sons or daughters under the age of 21.</td>
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For more information

Call or write for these materials; single copies are 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

Form 940
Employer’s Annual Federal Unemployment (FUTA)

Form 8109
Federal Tax Deposit Coupon

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The mission of the Oregon Employment Division is to improve the quality of life of Oregonians by (1) providing qualified applicants for employers; (2) assisting workers in finding suitable jobs; (3) providing unemployment insurance benefits to eligible claimants; (4) supplying labor market information, and (5) participating in the economic development of Oregon.

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