

1 EXECUTIVE COMMITTEE MEETING

2 TUESDAY, MARCH 22, 1994

3 U.S. Senate,

4 Committee on Finance,

5 Washington, DC.

6 The hearing was convened, pursuant to notice, at
7 10:05 a.m., in Room SD-215, Dirksen Senate Office
8 Building, Hon. Daniel Patrick Moynihan (Chairman of the
9 Committee) presiding.

10 Also present: Senators Baucus, Boren, Bradley,
11 Rockefeller, Breaux, Conrad, Packwood, Danforth, Chafee,
12 Durenberger, and Grassley.

13 Also present: Lawrence O'Donnell, Jr., Staff
14 Director; Lindy Paull, Chief of Staff, Minority.

15 Also present: Greg Powell, Minority, Tax Committee;
16 Kathy Tobin, Minority, Professional Staff; Margaret
17 Malone, Majority, Professional Staff; and Web Phillips,
18 Majority, Professional Staff.

19 [The press release announcing the hearing follows:]

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1 The Chairman. A very good morning to our welcome
2 guests. I would like to say to the once and future
3 Chairman here, I do not fail to note that inasmuch as the
4 substantive issues this morning have to do with poor
5 people, you can shoot deer in the hallways. Gucci Golf
6 and television is leaving us all to ourselves.

7 We are an Executive Session. Our first matter will
8 be to consider S.1231, the Social Security Domestic
9 Employment Reform Act of 1993.

10 We will thereafter go to the nominations of Lynn
11 Bragg and Booth Gardner and finally to a hearing where
12 Susan Esserman, who is to be our Assistant Secretary of
13 Commerce if she plays her cards right and answers all the
14 questions and Charles Meissner. I did not forget you.

15 The statute before us addresses the issue of the
16 payment of Social Security for persons who do household
17 work, as it is generally described, the domestic
18 employment as we have it here in our bill.

19 The members of the committee will recall that in the
20 spring of 1993 the House Committee on Ways and Means
21 adopted a bill on this matter which we could not accept in
22 the reconciliation bill. It is given in our rules that
23 any measure in reconciliation that touches Title II of the
24 Social Security Act a point of order can be made which
25 brings down the entire bill.

1 We undertook to get to the matter in a timely fashion
2 and in any event here we are with a bill that is
3 completely bipartisan in its content. The drafting was
4 done by our very able staff. We have a very fine
5 solution.

6 This is Kathy's first appearance at the witness
7 table. Kathy, will you explain this legislation.

8 (Laughter.)

9 Ms. Tobin. I will defer to you.

10 (Laughter.)

11 The Chairman. Well, I will in that case explain it
12 in the briefest form, which is to say that the problem we
13 are dealing with is simply that when in 1950 the domestic
14 employment was covered under the Social Security
15 amendments that year, the payment level, the cutoff point
16 after which you had to pay taxes, was \$50. \$50 being then
17 the amount of earnings that entitled you to a quarter of
18 coverage.

19 Social Security, with some exceptions, generally
20 requires that a person have 40 quarters of coverage before
21 they are vested as the usage would be in the system. That
22 \$50 was never indexed or never raised, such that today it
23 would be upwards of \$1700, such as has been price
24 inflation since the time.

25 The House has followed the point of just bringing the

1 price up to the present level. We have chosen instead to
2 set the amount at \$630, which is the present earnings
3 requirement for a quarter of coverage and then we index it
4 thereafter so it follows in itself.

5 We also do something very important which is at this
6 time households who have persons come in to work are
7 treated as if they were firms and are required to fill
8 out, I mean, an extraordinary number of quarterly returns.
9 Publications 926, Rev. November 1993, Catalog 64286A is at
10 each Senator's desk. This is just explaining the
11 quarterly payments for Social Security, over \$1,000
12 federal unemployment, FUTA, taxes comes into effect, State
13 income taxes come into effect. It is much more than
14 should be asked of a household in which someone is trying
15 to raise a family and two parents often are working.

16 We provide now that these payments be made annually
17 on the 1040, the regular income tax form. We are dealing
18 with a situation where such as the complexity becomes that
19 only a quarter of household workers are covered by Social
20 Security.

21 Now this is something that we cannot have. These are
22 women who work by the day, have very precarious incomes,
23 and have the most emphatic need for Social Security
24 benefits, to which they are entitled by law, but which
25 they are not receiving. So we are proceeding today.

1 Because we will cease the quarterly payments, it is
2 required that we make up over the next five years \$100
3 million, as Senator Packwood knows. We have done this in
4 a very orderly way. Of course, in the long run, this will
5 mean a much larger return to the trust funds and equally a
6 larger payout as these persons retire or become disabled
7 or have spousal benefits and I happy to say that this
8 measure is almost endorsed by its bipartisan measure. It
9 has the backing of a clear majority of the committee and
10 it would be my hope that, as I am sure you would agree,
11 Senator Packwood, that we do this with dispatch and I
12 would hope unanimity.

13 Senator Packwood. So much so, Mr. Chairman. We have
14 gone over and over this bill. I am prepared to hear the
15 explanation, but I am also prepared to report it out.

16 The Chairman. That is the spirit, sir.

17 Senator Rockefeller. Mr. Chairman?

18 The Chairman. Senator Rockefeller?

19 Senator Rockefeller. I also if need be can hear the
20 explanation, but it is something that is a win/win
21 situation. I think anybody who heard Congresswoman Carrie
22 Meek and heard her testimony would understand the need to
23 change the old policy. I think this is a service and I
24 hope it would be a clean bill and passed just as it is. I
25 am ready to vote.

1 The Chairman. Thank you very much, sir. I think it
2 is very important to note that we had very fine testimony
3 from our colleague, Carrie Meek, from the House of
4 Representatives, who was herself a domestic employee at
5 one point.

6 Senator Breaux?

7 Senator Breaux. Thank you, Mr. Chairman. I just
8 wanted to raise the point or the fact that this is going
9 to be a clean bill coming out of the Finance Committee. I
10 would imagine that the Chairman would also want a clean
11 bill coming out of the full Senate as well.

12 And, of course, when we get to the Senate floor,
13 there has been a number of bent up problems that have
14 occurred over the year that need to be addressed. I know
15 we have talked about the problem with agriculture and
16 disaster payments.

17 The Chairman. Right.

18 Senator Breaux. There are things coming along the
19 line with energy initiatives and other things. But I
20 wonder if the Chairman may just comment on the
21 possibility, number one, of no amendments on the floor and
22 its position on that; and, number two, whether there is
23 anything that is coming down the line that may be a
24 vehicle to address some of these other issues, if he has
25 any thoughts about that.

1 The Chairman. Yes, sir. We welcome Senator Boren,
2 who is a sponsor of the bill.

3 The undertaking with the House is that we will pass a
4 clean bill here and they will send us -- it has to
5 originate there a clean bill and return. Then there are
6 issues of which disaster insurance which is one example
7 has to be addressed and we will find a vehicle to do them.
8 I cannot make that an absolute commitment, I think, any
9 more than you can because those absolutes do not exist.

10 But may I make the point that the health bill is a
11 tax bill. And it has the capacity to contain provisions,
12 not strictly necessary to it, but which will add to
13 support for it. All such provisions as a matter of fact
14 are welcomed.

15 The House has a very complex 265-page tax
16 simplification bill which we are going to have to talk
17 about, how we will find time for. Whether we do it this
18 Congress I do not properly know. But to the Senator from
19 Louisiana, I would say, we will understand his needs and
20 we will attend to them.

21 Senator Grassley has asked recognition. I think he
22 will want to point out that we reached an informal
23 agreement yesterday that on Thursday we are going to mark
24 up the agricultural measure and report it out also, if
25 that is agreeable to Senator Packwood.

1 Senator Grassley. I think based on what the Chairman
2 just said, there is no point in my taking even 45 seconds
3 to make some comments along that line. I will just put it
4 in the record. But you have stated the case very well and
5 Senators Daschle, Dole and myself did have a chance to
6 discuss this yesterday with you.

7 What we were responding to a situation where because
8 of either bureaucracy or just mismanagement, disaster
9 checks that went out would have been applied to last
10 year's income went out this year. So farmers who were
11 hurt by the floods are going to be affected for double
12 income in 1994 if we do not do something about it. So I
13 think the Chairman understands that and I thank you very
14 much for what you have done to make that possible for us
15 on Thursday.

16 The Chairman. We thank you, sir.

17 Senator Boren, you have both an interest in this
18 bill, of which you are a cosponsor, and this other matter.

19 Senator Boren. Well, Mr. Chairman, I want to join
20 the others in thanking you for scheduling this markup on
21 Thursday on the disaster tax relief bill. Senator
22 Grassley has just explained it, and I also am a co-sponsor
23 of that measure and I think it is very important that we
24 have an opportunity to move that bill.

25 It is very time sensitive. This is something that

1 needs to be passed as an emergency measure because
2 otherwise those taxes will fall due and owing in a very
3 unfair way.

4 I want to join with what Senator Breaux has said.
5 There are a number of us -- 120 members of the House and
6 Senate, including approximately half of the members of
7 this committee -- who have signed a letter to the
8 President about the emergency situation that we face for
9 the domestic energy industry.

10 We are now at 50 percent of our oil and gas being
11 imported. The prices have fallen 45 percent in the last
12 decade in this year and we have already had a tremendous
13 loss of employment. We are in a virtual collapse.

14 I think the country understood in 1983-84 that we
15 were in a real depression in the energy business in the
16 country. I think that they have not really realized that
17 we are again in that kind of crisis and if prices stay at
18 the current level, we are going to have premature
19 abandonment of an estimated 50,000 wells this year that
20 become uneconomic.

21 That is really a disaster considering that our daily
22 production of oil has already fallen 25 percent in the
23 last four years.

24 The Chairman. Four years?

25 Senator Boren. Four years.

1 The Chairman. Twenty-five percent?

2 Senator Boren. Twenty-five percent.

3 So we have a very, very serious situation and as I
4 say 120 members of the House and Senate have asked to meet
5 with the President. My understanding is that that meeting
6 will occur after the Easter recess and there may well be
7 tax proposals, tax-related proposals, that will come out
8 of that meeting to try to do something to cushion this
9 free fall.

10 So I am glad to hear what you say about the
11 opportunity and your goal of having other vehicles. I
12 would just not want to see this bill, as strong as I am
13 for it, and I am certainly willing to move it out of
14 committee, I would not want to see it move on through the
15 whole process on the floor until we have a better fix on
16 what happens with another vehicle.

17 The Chairman. Fair point.

18 Senator Boren. But I am happy to cooperate with the
19 Chairman today in moving the bill. I am a co-sponsor of
20 the bill. I think his bill is an excellent proposal.

21 But again, I want to thank you both on the
22 agricultural matter and also on your sensitiveness on
23 these other tax matters that Senator Breaux has raised to
24 allow us an opportunity later on.

25 The Chairman. We are waiting for one more Senator.

1 May I take the occasion to say in our hearing held earlier
2 where our colleague Representative Meek testified, we also
3 heard from the administration which supports this measure.

4 I see Secretary Samuels is present. We welcome you
5 again in the chamber, sir.

6 And that Nancy Duff Campbell, the co-President of the
7 National Women's Law Center spoke on behalf of the
8 measure, Mary Gardner Jones on behalf of the Older Women's
9 League and Burt Seidman on behalf of the National Council
10 of Senior Citizens. There is no one who is opposed to
11 this measure. It is just that we need one Senator.

12 Senator Durenberger. Mr. Chairman?

13 The Chairman. Senator Durenberger.

14 Senator Durenberger. There were two, I guess, when I
15 walked in. But I have a statement in connection with the
16 passage of S.1231 that I would appreciate very much being
17 a part of the record.

18 The Chairman. So ordered.

19 (The prepared statement of Senator Durenberger
20 appears in the appendix.)

21 Senator Durenberger. On behalf of whoever was on my
22 staff at the time and prepared it, I want to say that
23 S.402 which we prepared to introduce was the first
24 effort --

25 The Chairman. Was the first such.

1 Senator Durenberger. -- at the Occasional Employment
2 Equity Act. I do not recall the significance of those
3 words, but I am sure they did at the time and they
4 probably still do.

5 Again, to give sort of credit where credit is due.
6 This is a complicated subject. Unfortunately in the press
7 of things we only deal with it when there is some politics
8 or some person involved as there was in this particular
9 case. But I am pleased that the people on my staff at the
10 time and others felt strongly enough about this issue to
11 try to deal with it, and I am even more pleased that you,
12 Mr. Chairman, with your record and background have done
13 the same and I am very pleased to support your effort.

14 The Chairman. We thank you very much, Senator. That
15 is exactly the case. I might also point out that Larry
16 Thompson, the Principal Deputy Commission of Social
17 Security is here, as is Greg, and we welcome you, sir.

18 A quorum is present and I would accordingly, if it is
19 agreeable to Senator Packwood move that this measure be
20 adopted by a voice vote.

21 Senator Packwood. Second.

22 The Chairman. Seconded. All those in favor will say
23 aye.

24 (A chorus of ayes.)

25 The Chairman. Those opposed?

1 (No audible response.)

2 The Chairman. The ayes have it. The vote is
3 unanimous. The record will be kept open for the rest of
4 the day, so that I hope we do have a unanimous.

5 The nominations of Lynn Bragg to be a member of the
6 International Trade Commission and W. Booth Gardner to be
7 Deputy United States Trade Representative are before us.
8 Once again, I would propose that we have a voice vote.

9 Senator Packwood. Second.

10 The Chairman. The matter has been seconded by the
11 ranking member.

12 Senator Durenberger. Mr. Chairman?

13 The Chairman. Sir?

14 Senator Durenberger. Mr. Chairman, I am going to put
15 a complete statement in the record. But I do want my
16 colleagues to understand that I raised some questions with
17 the nominee to the ITC and those questions have been
18 answered. I will not comment any further on the answers.

19 (The prepared statement of Senator Durenberger
20 appears in the appendix.)

21 Senator Durenberger. But I do want my colleagues to
22 know that I feel very strongly about the ITC I did not
23 care about when I came here, I probably did not care about
24 it five or six years ago as much as I do today. But
25 today, thanks to many of you, I put a much higher value on

1 the Commissioners of the ITC, the International Trade
2 Commission, than I ever have before.

3 Its independence as an independent agency is critical
4 to this country. I hope that that as a message to Ms.
5 Bragg, to the Chairman, and to a lot of other people, is
6 accepted in the spirit in which I articulated it right
7 now. That was the tenor of the question, the purpose of
8 the question, and I trust it will be accepted that way and
9 perhaps I speak for more than myself.

10 The Chairman. I think you do. Ms. Bragg, would you
11 stand, please? Is she not here? Well, let it be the
12 undertaking of our staff to see that Senator Durenberger's
13 statement is communicated to her with the emphatic
14 endorsement of the Chairman and the Ranking Member.

15 Senator Grassley. Mr. Chairman, I have an exchange
16 of questions that I want to put in the record as well.

17 The Chairman. Without objection.

18 Senator Grassley. On this same nominee.

19 (The questions appear in the appendix.)

20 The Chairman. That being the case, I will put the
21 vote. The nominations of Lynn Bragg and Booth Gardner.
22 Those in favor will say aye.

23 (A chorus of ayes.)

24 The Chairman. Those opposed?

25 (No audible response.)

1 The Chairman. Without objection.

2 One second. We have to vote to request jointly with
3 the Ways and Means Committee two requests to the
4 International Trade Commission to undertake a Section 332
5 study concerning the economic effects of the Uruguay Round
6 Agreements.

7 I suggest we have a voice vote.

8 Senator Packwood. Second.

9 The Chairman. It is seconded. Those in favor say
10 aye.

11 (A chorus of ayes.)

12 The Chairman. The ayes have it. The vote is
13 unanimous. We thank you.

14 Ms. Malone, do you have one last point here?

15 Ms. Malone. Yes, Mr. Chairman. With respect to
16 S.1231 staff would like the usual authority to make any
17 needed technical changes.

18 The Chairman. Without objection, it is so ordered.

19 (Whereupon, at 10:26 a.m., the above-entitled meeting
20 was adjourned.)

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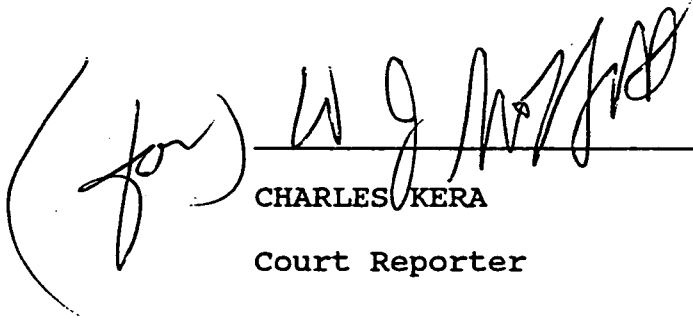
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of
an Executive Committee Meeting, Committee on Finance,
United States Senate, held on March 22, 1994, were
transcribed as herein appears and that this is the
original transcript thereof.

(for) 

CHARLES KERA
Court Reporter

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DANIEL PATRICK MOYNIHAN, NEW YORK, CHAIRMAN

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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

LAWRENCE O'DONNELL, JR., STAFF DIRECTOR
EDMUND J. MIMALSKI, MINORITY CHIEF OF STAFF

EXECUTIVE SESSION AND HEARING

Tuesday, March 22, 1994 -- 10:00 a.m.
Room 215, Dirksen Senate Office Building

A G E N D A

Part A: EXECUTIVE SESSION

- I. To consider S. 1231, the Social Security Domestic Employment Reform Act of 1993.
- II. To consider the nominations of Lynn M. Bragg to be a member of the International Trade Commission and W. Booth Gardner to be Deputy United States Trade Representative.
- III. To consider a joint request with the Ways and Means Committee for the U.S. International Trade Commission to undertake a Section 332 study concerning the economic effects of the Uruguay Round Agreements.

Part B: HEARING AND EXECUTIVE SESSION

- I. To hear and consider the nominations of Susan G. Esserman to be Assistant Secretary of Commerce for Import Administration and Charles F. Meissner to be Assistant Secretary of Commerce for International Economic Policy.

Kent Conrad

STATEMENT OF SENATOR KENT CONRAD
ON S.1231,
THE SOCIAL SECURITY DOMESTIC EMPLOYMENT ACT

Mr. Chairman, while I agree this is issue that should be addressed, and intend to vote to report the bill, I want to mention two concerns I have with the proposal before us.

First, it is clear that the current threshold of \$50 per quarter for withholding and paying Social Security taxes on domestic workers is grossly out of date. The threshold, which was enacted in 1950, is unreasonably low and imposes reporting burdens that have led many people to fall out of compliance with the law.

But, while I am pleased that the chairman's proposal increases the reporting threshold, I think the threshold proposed in the bill is too low. From a Social Security policy point of view, it might make some sense to tie the reporting requirement to the amount necessary to earn a quarter of coverage--\$620 today, and indexed over time. However, from a tax compliance standpoint, such a policy is too complicated. It would be much easier for families to deal with and remember a single number, like \$1000, when fulfilling their reporting requirements.

The House bill recommends an \$1,800 figure, which about equals \$50 indexed from 1950. It would seem that there is room for compromise on this provision.

My second concern involves the need to provide a means for people who are currently out of compliance to "come clean" and fulfill their outstanding payment obligations without penalty. Such a provision would not only encourage compliance, but would generate added revenue as delinquent debts are paid.

Mr. Chairman, while I feel compelled to mention these concerns, I also wish to point out that certain aspects of bill are quite beneficial. For example, it exempts from Social Security taxes wages that are paid to teenagers under age 18 for babysitting, mowing the lawn, and other domestic services. In addition, it helps raise revenue in the long run by increasing tax compliance. These are both important changes in the law. However, their benefit is not sufficient to completely eliminate my other concerns with this proposal.

I hope that any future deliberations on this proposal will include consideration of the concerns I have raised.

STATEMENT OF SENATOR ORRIN HATCH
FINANCE COMMITTEE MARKUP
ON SOCIAL SECURITY DOMESTIC EMPLOYMENT REFORM ACT
March 22, 1994

Mr. Chairman, I want to commend you for your leadership on the issue of Social Security domestic employment reform. This is clearly an area which needs our attention, and I think that the approach taken by S. 1231 is certainly a reasonable one. I would like to be added as a cosponsor of the bill.

You have demonstrated very clearly, Mr. Chairman, just how important this particular bill is to you personally. While I am not sure that every state in the Union views the correction of this matter as urgently as you do, I understand your wanting to move the bill as quickly as possible.

I just want to point out that there are a number of other tax problems in our society that are also in urgent need of attention. Each member of this Committee has a list of small and mostly noncontroversial amendments that he would like to put forth for the Committee's consideration.

I have agreed to withhold offering any such amendments today, Mr. Chairman. As I understand it, we are scheduled to hold another markup on Thursday to consider the important issue of the tax treatment of crop insurance proceeds and disaster payments. Am I correct in my assumption that this will be an opportunity to offer amendments covering other urgent tax matters?

Again, thank you, Mr. Chairman.

COMMITTEE ON FINANCE

Markup of S. 1231, March 22, 1994

STATEMENT OF SENATOR DAVE DURENBERGER

Mr. Chairman, I am very pleased that this Committee is acting to remedy the problems associated with the payment of Social Security taxes on behalf of domestic workers.

We all know that the current system doesn't work. General ignorance of the present law, an absurdly low threshold for triggering liability for Social Security taxes, and overly burdensome quarterly reporting and payment obligations virtually ensure very low compliance.

As a result, many Americans who, in every other respect, are meticulously law-abiding are in violation of the law.

And tragically, many domestic workers are denied the Social Security benefits to which they are properly entitled. As you have eloquently noted, Mr. Chairman, this tragedy is compounded in view of the fact that domestic workers are the very sorts of men and women whom Frances Perkins sought to help when the Social Security program was first conceived.

In the immediate aftermath of the doomed Zoe Baird nomination, I introduced as primary sponsor S. 402, the Occasional Employment Equity Act, to remedy the most egregious shortcoming of current law--the absurdly low threshold for triggering Social Security tax obligations on wages paid to domestic workers.

Under current law, an employer must withhold Social Security taxes for a domestic worker who earns more than \$50 per quarter. This threshold was established in 1954, and has never been adjusted for inflation. S. 402 would raise this amount to \$250, which the Congressional Budget Office estimates is roughly equivalent to \$50 in 1954.

S. 402 would help reduce the reporting burden on ordinary Americans--whether it's a parent who hires an occasional babysitter, or a senior citizen who needs occasional help in shoveling the sidewalk or running errands. On the other hand, S. 402 would in no way relieve employers of their responsibility to pay Social Security taxes on behalf of those workers who perform a considerable amount of work for them.

I am pleased to note that the Bill which we are marking up today, S. 1231, also recognizes the need to raise the domestic wage exclusion. However, S. 1231 provides that the threshold be

equal to the amount required for one Social Security quarter of coverage. I believe that this figure, \$620 in 1994, presents two problems.

First, it fails to reflect fully 30 years of inflation since the \$50 figure was adopted in 1954. Second, it presents a less clear threshold than \$250 per quarter, that is, \$1,000 per year. If we have learned nothing else over the past year, it is that this law must be easily understood if it is to be widely observed. Thus, I hope the domestic wage exclusion is raised prior to enactment of S. 1231.

I applaud and endorse the other reforms included in S. 1231.

Permitting employers both to pay Social Security taxes on wages paid to domestic workers annually rather than quarterly and to report those taxes on their Form 1040s is simple common sense --something that has been missing from this areas of law. Other reforms, such as exempting wages paid to domestic workers under age 18 from Social Security taxes, also make sense.

Mr. Chairman, I congratulate you on your leadership on this issue. Thanks to your efforts, many of the men and women most in need of Social Security will be covered for the first time. Frances Perkins would be pleased.

March 22, 1994

Markup Document
S. 1231, the Social Security Domestic
Employment Reform Act

DESCRIPTION OF PROVISIONS

1. Simplification of Employment Taxes on Domestic Services

Present Law.--Individuals who hire domestic employees, such as baby-sitters, housekeepers, and yard workers, are required to withhold and pay employment taxes when the worker's wages equal or exceed certain thresholds. (Individuals who hire independent contractors to provide domestic services are excluded from these requirements.) For Social Security, the wage threshold is \$50 per quarter; for Federal unemployment insurance, it is \$1,000 per quarter. The \$50 threshold was enacted in 1950 and has not changed since that time.

When the \$50 threshold is reached, the employer must file a quarterly report (form 942) with the Internal Revenue Service, submitting with it the required Social Security tax for both the employer and the employee. (The employer may pay the employee's share of the Social Security tax in lieu of withholding it from the employee's wages.) The employer must also provide the employee and the Social Security Administration with a Wage and Tax Statement (form W-2) at the end of the year. When the \$1,000 FUTA threshold is reached in any calendar quarter, the employer must file a report (form 940) with the IRS at the end of the year. Employers who owe more than \$100 in FUTA tax at the end of a calendar quarter must deposit the amount due by the end of the following month.

In addition, employers of domestic workers must file and pay State unemployment insurance tax in each quarter in which the State unemployment insurance wage threshold (equal to the \$1,000 FUTA Federal threshold in 45 States) is reached.

Proposed Change.--The provision:

--Raises the threshold for withholding and paying Social Security taxes on domestic workers from \$50 per quarter to an annual threshold equal to the amount required for one Social Security quarter of coverage (\$620 in 1994, estimated to be \$630 in 1995), indexed in future years to increases in average wages;

--Exempts from Social Security taxes any wages paid to a worker for domestic services performed in any year during which the worker is under age 18;

--Eliminates quarterly reporting of wages paid to domestic workers; allows employers of domestic workers to report on a calendar-year basis any Social Security obligations for wages

paid to these workers; and authorizes the Secretary of the Treasury to revise Federal form 1040 to enable such employers to report both Social Security and Federal unemployment taxes on their annual Federal income tax returns;

--Exempts wages paid to domestic employees from estimated tax payment requirements, thereby enabling employers of domestics to pay the applicable payroll taxes in a single payment at the same time that they file their annual income tax returns without payment of penalties and interest;

--Authorizes the Secretary of the Treasury to enter into agreements with States to collect State unemployment taxes in the manner described above; and

--Requires the Secretary of the Treasury to provide to employers of employees performing domestic services a comprehensive package of informational materials, including all requirements of Federal law and a notification that they may also be subject to State unemployment insurance and workers compensation laws.

Effective Date.--The provision applies to remuneration paid in calendar years beginning after December 31, 1994.

2. Restriction on Payment of Benefits to Individuals Confined by Court Order to Public Institutions Pursuant to Verdicts of Not Guilty by Reason of Insanity or Other Mental Disorders

Present Law.--Generally, Social Security benefits may not be paid to any individual who has been convicted of a felony while the individual is confined in a penal institution. However, there is no provision that restricts payment of Social Security benefits to individuals confined to public institutions pursuant to verdicts related to felony offenses for which the individual was found to be not guilty by reason of insanity.

Proposed Change.--Payment of any Social Security benefit payable under title II of the Social Security Act will be suspended for any individual who has been found to be not guilty of a felony offense by reason of insanity or other similar mental disorder while such individual is confined in any public institution. Federal or State agencies having jurisdiction over institutions where such individuals are confined will be required to furnish such information as the Secretary of HHS may require to carry out this provision.

Effective Date.--The provision applies with respect to benefits for months commencing after 90 days after enactment.

3. Reports by Nursing Homes

Present Law.--Supplemental Security Income recipients, or their representative payees, are required to report any change in the recipient's status (e.g., income, resources, living arrangements) that may affect the amount of benefits to which the recipient is entitled. Generally, when an SSI recipient enters a nursing home for an extended period, and payment for the recipient's care is being provided by Medicaid, the amount of the recipient's SSI benefit is reduced to no more than \$30 per month, beginning with the first full month of residence. Because nursing home admissions are not always reported promptly to SSA, some SSI recipients receive more SSI benefits than they are entitled to in the months following their admission.

Proposed Change.--Nursing home administrators will be required to report to SSA the admission of any SSI recipient within two weeks of the recipient's admission, so that SSA can make timely adjustment in the amount of the recipient's SSI benefit.

Effective Date.--The provision is effective for admissions to nursing homes occurring on or after October 1, 1995.

4. Additional Debt Collection Procedures

Present Law.--The Debt Collection Act of 1982 established debt collection procedures available for use by Federal agencies. Included in the act are provisions enabling Federal agencies to recover debts owed to them by offsetting other Federal payments to which the debtor may be entitled (called "administrative offset"); to report delinquent debtors to credit reporting agencies; and to contract with private debt collection agencies to recover delinquent debt. However, under current law, the Social Security Administration (SSA) is prohibited from using these three debt collection procedures.

Proposed Change.--As recommended by the National Performance Review (the Gore Report), authorize SSA to use certain procedures under the Debt Collection Act, including use of administrative offset, reporting delinquent debtors to credit reporting agencies, and contracting with private debt collection agencies.

These procedures will be available for use only for the purpose of recovering delinquent debt owed by former OASDI beneficiaries, and would be used only after SSA's current debt collection procedures are unsuccessful in recovering the past-due debts. The provisions will not apply to debts owed by former OASDI childhood beneficiaries who were overpaid while receiving benefits through a parent or other representative payee.

Effective Date.--These provisions would be effective with respect to debt collection activities undertaken by SSA on or after October 1, 1994, through September 30, 1999.

DRAFT

Congress of the United States

Washington, DC 20515

March 16, 1994

The Honorable Don E. Newquist
Chairman
United States International
Trade Commission
500 "E" Street, S.W.
Washington, D.C. 20436

Dear Mr. Chairman:

As you know, on December 15, 1993, the President notified the Congress of his intention to enter into trade agreements resulting from the Uruguay Round of Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade (GATT). The Agreements are scheduled to be signed on April 15, 1994.

The GATT Uruguay Round Agreements will have important implications for the U.S. economy overall and a significant impact on individual industrial, agricultural, and service sectors. An understanding of the potential costs and benefits of the Agreements for U.S. producers and workers will be crucial to the consideration of implementing legislation by the Congress.

Consequently, on behalf of the House Committee on Ways and Means and the Senate Committee on Finance, we request under section 332(g) of the Tariff Act of 1930 that you conduct a study consisting of (1) a review and analysis of economy-wide studies of the likely effects of the Uruguay Round Agreements, focusing on the effects on overall U.S. employment, output, and trade flows; and (2) analyses of the impact of both tariff and non-tariff provisions of the GATT Uruguay Round Agreements on important agricultural, industrial, and service sectors of the economy.

The Commission's review and analysis of the economy-wide studies, as well as its sectoral analyses, should include explicit consideration of the likely impact of the Agreements on U.S. production and employment, U.S. consumers, and U.S. exports and imports. The sectoral analyses should be based on the final provisions of the Agreements, including tariff and other market access agreements scheduled to be completed by April 15. The study should focus on those provisions likely to have the most direct and greatest impact on individual sectors.

DRAFT

The Honorable Don E. Newquist
March 16, 1994
Page Two

In light of the need for timely information on the Uruguay Round Agreements as Congressional Committees consider the Agreements and implementing legislation, we would appreciate receiving the study by June 17, 1994. In view of the time constraint and to provide the most useful information, the report should be concise and emphasize important implications rather than be excessively quantitative and detailed.

Thank you for your cooperation.

Sincerely,

Daniel Patrick Moynihan
Chairman
Committee on Finance
United States Senate

Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives



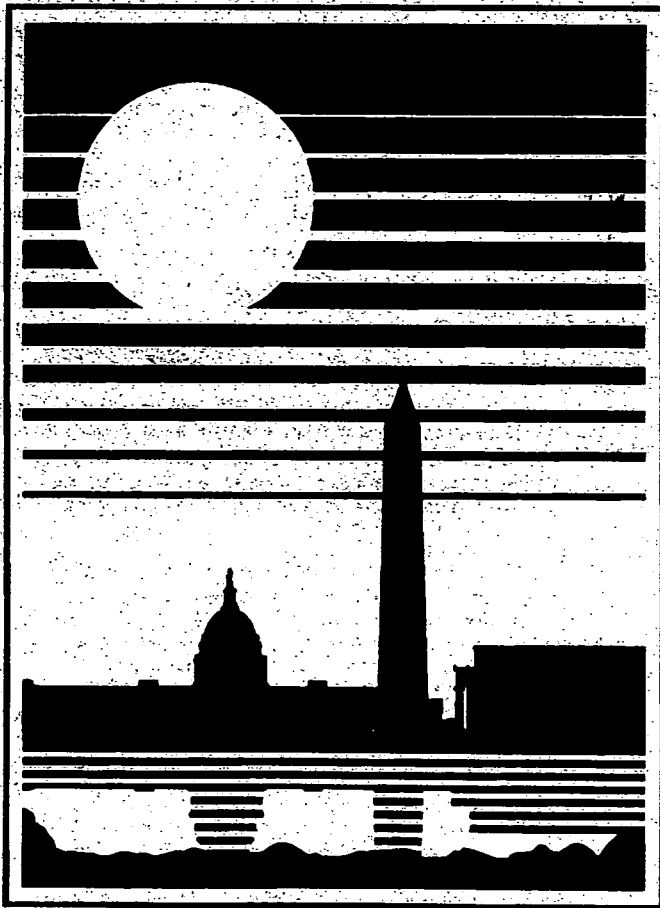
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Department
of the
Treasury

Internal
Revenue
Service

Employment Taxes for Household Employers



Important Changes

New wage maximums and tax rates for social security and Medicare taxes. The computation of social security tax is separated into two parts. The old-age, survivors, and disability insurance part is referred to as social security. The hospital insurance part is referred to as Medicare. You must report each of these items separately on Forms 942 and W-2.

The tax rate for social security is 6.2% each for employers and employees (12.4% total) and the wage base for 1993 is \$57,600. For 1994 the wage base is \$60,600.

The tax rate for Medicare is 1.45% each for employers and employees (2.9% total) and the wage base for 1993 is \$135,000. Beginning in 1994, there is no limit to the Medicare wage base.

Federal unemployment (FUTA) tax rate. The gross-FUTA tax rate remains at 6.2% through 1994.

Introduction

If you hire someone to perform household services, you may be an employer. Employers have certain responsibilities that other taxpayers do not. These responsibilities are summarized in a table, later.

This publication discusses the employer's tax responsibility for payments made in 1994 to household employees. It also discusses reporting requirements and recordkeeping. Additional information may be found in Publication 15 (Circular E) and Publication 937.

Form W-2 was substantially revised in 1993. Please see the 1993 Form W-2 and its instructions for details.

Useful Items

You may want to see:

Publication

- 15 (Circular E) Employer's Tax Guide
- 937 Employment Taxes and Information Returns

Form (and Instructions)

- SS-4 Application for Employer Identification Number
- SS-5 Application for a Social Security Card
- W-2 Wage and Tax Statement
- W-3 Transmittal of Income and Tax Statements
- W-4 Employee's Withholding Allowance Certificate
- W-5 Earned Income Credit Advance Payment Certificate
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return
- 940-EZ Employer's Annual Federal Unemployment (FUTA) Tax Return

942 Employer's Quarterly Tax Return for Household Employees

8109 Federal Tax Deposit Coupon

Ordering publications and forms. To order free publications and forms, call our toll-free telephone number 1-800-TAX-FORM (1-800-829-3676). You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

All employers must have an employer identification number (EIN). This is not the same as your social security number. If you are an employer but do not have an employer identification number, you should apply for one by filing Form SS-4. You can get this form at Internal Revenue Service or Social Security Administration offices, or by calling the toll-free number shown earlier.

Who Are Household Employers?

You are a household employer if you have household employees (also called domestic workers). If the individuals who work for you are self-employed, you are not liable for any of the taxes discussed in this publication. Self-employed persons are in business for themselves. Those whose business it is to provide lawn care to a number of homeowners, using their own tools and helpers as they feel is necessary, would not be employees of any of the homeowners. People who work for you in your trade or business are not household employees. Some examples of workers who may be household employees are:

- Babysitters
- Butlers
- Caretakers
- Cooks
- Drivers
- Gardeners
- Housekeepers
- Maids.

Who is an employee? If a worker performs services that are subject to your will and control, as to both *what* must be done and *how* it must be done, that worker is your employee. It does not matter if you exercise this control as long as you have the *legal right* to control both the method and result of the services.

It does not matter if you call an employee something else, such as an independent contractor. It also does not matter if the person works full time or part time.

Two of the usual characteristics of an employer are that he or she:

- 1) Has the right to discharge the employee, and
- 2) Supplies the employee with tools and a place to work.

Example. You pay a worker to care for your child and clean your house while you are away from home. You have the right to tell the worker what needs to be done and how you want it done. The worker is your employee.

Agencies. Generally, workers you employ through an agency are not your employees if the agency is responsible for who does the work and how it is done.

A babysitter you get through a placement agency to come to your home to care for your child is not your employee if the agency sets and collects the fee, pays the sitter, and exercises control over the sitter. An example is when the agency provides rules of conduct and appearance and requires regular reports from the sitter.

But, if you get a babysitter from a list provided by an agency or association that merely provides the list and does not regulate the hours of work, collect the pay, or set the standards and methods of work, the sitter you hire may be your employee.

Example. Anna Jordan, a parent, used such a list to hire Betty Shore to sit for her child and do some light housework. Betty works 4 days a week in Anna's home. She follows specific instructions given to her by Anna, regarding household and baby care duties. Household equipment and supplies are provided by Anna. She is paid directly by Anna. Betty is Anna's employee.

Family members. Social security, Medicare, and federal unemployment taxes do not apply to household services performed by your spouse or by your child under age 21. Federal unemployment tax does not apply to wages paid to your parents for household services. However, social security and Medicare taxes do apply to wages you pay to your parents for household services if:

- 1) Your parents care for your child who lives with you and is under age 18 or requires adult supervision for at least 4 continuous weeks in a calendar quarter due to a mental or physical condition, and
- 2) Your parents care for your child because you are divorced and have not remarried, widowed, or married to a person whose physical or mental condition prevents him or her from caring for your child.

Social Security and Medicare Taxes (FICA)

The Federal Insurance Contributions Act (FICA) provides for a federal system of old age, survivors, disability, and hospital insurance. This system is financed through social security and Medicare taxes, also known as FICA taxes. In 1993, the tax rate for social security and Medicare taxes was 7.65% for both the employee and the employer (a total of 15.3%). The 7.65% tax consisted of 6.2% for social security (old-age, survivors, and disability insurance) on wages up to \$57,600 and 1.45% for Medicare (hospital insurance) on wages up to \$135,000.

For 1994, the tax rate remains the same, but the maximum wages subject to the social security portion increases to \$60,600. However, beginning in 1994, there is no limit to wages subject to the Medicare portion.

You are subject to social security and Medicare taxes if you pay a household employee cash wages of \$50 or more during a calendar quarter for household work in or around your private residence. The \$50 applies separately to each employee. You, as an employer, must withhold the employee's share of social security and Medicare taxes

Table 1. Tax Responsibilities for a Household Employer

If you are a household employer, you are subject to:	If:
Social Security and Medicare Taxes (FICA)	You pay cash wages of \$50 or more to any employee in a calendar quarter. File Form 942, <i>Employer's Quarterly Tax Return for Household Employees</i> , each quarter and Form W-2, <i>Wage and Tax Statement</i> , at the end of the year.
Federal Income Tax Withholding	Your employee asks you to withhold income tax and you agree. The employee must complete Form W-4, <i>Employee's Withholding Allowance Certificate</i> . File Form 942 each quarter and Form W-2 at the end of the year.
Federal Unemployment Tax (FUTA)	You pay cash wages of \$1,000 or more in a calendar quarter during this year or last year. File Form 940 or Form 940-EZ, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i> , at the end of the year.
Advance Payment of Earned Income Credit	Your employee gives you Form W-5, <i>Earned Income Credit Advance Payment Certificate</i> . File Form 942 each quarter and Form W-2 at the end of the year. Give Notice 797, <i>Possible Federal Tax Refund Due to the Earned Income Credit (EIC)</i> , to all employees who may be eligible.

from wages, and you must pay an equal amount from your own funds.

Wages subject to social security and Medicare taxes. Social security and Medicare taxes apply only to cash wages paid to household employees who meet the \$50 per quarter test. Checks, money orders, etc., are the same as cash. It does not matter whether the payments are based on the hour, day, week, month, or year.

The value of food, lodging, clothes, and other noncash items given to household employees is not subject to social security and Medicare taxes. Cash given in place of these items is subject to the taxes. All wages subject to the taxes should be entered in boxes 3 and 5, as well as in box 1, of the employee's Form W-2. You also include these wages on line 1 and line 3 of Form 942.

Amount of tax. The tax rate for 1994 for both you and your employee is 7.65%. This means that from each wage payment you make in 1994, up to the maximums noted earlier, you should withhold 6.2% for social security tax and 1.45% for Medicare tax. The \$135,000 cap on earnings subject to Medicare is repealed for wages received after December 31, 1993. You match these amounts with your own contribution of 6.2% and 1.45%, or 7.65%, of your employee's wages. The total tax in 1994 is 15.3%. You can use the Tables at the end of this publication to figure the proper amount to withhold.

If you did not withhold (or withheld too much or too little) FICA taxes, you should withhold the additional FICA taxes from a later payment to the same employee, or if you withheld too much tax, you should repay the employee. If, after filing Form 942 (or Form W-2), you find that you have made an error, see the instructions for Form 942 on correcting mistakes.

You may pay the employee's share of the social security and Medicare taxes if you want to. If you do not withhold social security and Medicare taxes from the employee, you, as the employer, are liable to pay the tax. Any part of the employee's share you pay is considered additional income to the employee. You must include the additional amount in box 1 of the employee's 1994 Form W-2. Do not count it as cash wages for social security or Medicare purposes, and do not include it in boxes 3 and 5 of Form W-2. You must also include in boxes 4 and 6 of Form W-2 the employee's share of the social security and Medicare taxes you paid, even though the taxes were not actually withheld.

Hiring a new employee. When you hire a household employee, keep a record of the name and social security number exactly as they appear on the employee's social security card. If the name shown on the card is different from the name the employee uses, tell the employee to contact a Social Security office and get a new card. If your employee does not have a social security number, you should tell the employee to apply for one on Form SS-5, at the nearest Social Security office.

Reporting social security and Medicare taxes. Report social security and Medicare taxes on Form 942, along with any federal income tax withheld. See the discussion on how to report under *Reporting Federal Income Tax Withholding, Social Security and Medicare Taxes*, later.

Federal Income Tax Withholding

You do not have to withhold income tax on wages paid to a household employee for services performed in or about a private home, unless the employee asks for it and you agree to it. An employee who wants you to withhold from wages must give you a completed Form W-4. If you agree to withhold the tax, you must withhold an amount from each payment based on Form W-4. Report the total amount withheld on line 5 of Form 942.

Any income tax withholding you pay for an employee without deducting it from the employee's wages is additional income subject to income, social security, and Medicare taxes. You must include it in boxes 1, 3, and 5 on the employee's 1994 Form W-2. You must also include it on line 1 and line 3 of Form 942.

See Publication 15 (Circular E), for federal income tax withholding tables and other information.

Wages subject to income tax withholding. If you are withholding tax for an employee, almost everything you pay or give your employee for work done is income from which tax must be withheld. Enter the total amount withheld in box 2 on the employee's 1994 Form W-2. Wages include:

- Salaries
- Vacation allowances
- Bonuses
- Meals (see exception below)
- Lodging (see exception below)
- Clothing
- Bus and train tokens (see exception below)
- Other noncash items

Meals and lodging. The value of meals is not subject to income tax withholding if the meals are furnished for your convenience and on your premises. The value of lodging is not subject to withholding if the lodging is furnished for your convenience, on your premises, and you require the employee to live there. For example, if you hire a housekeeper, provide her with meals in your home, and require that she live in your home, do not withhold taxes on the value of the meals and lodging.

Bus and train tokens. Bus or train tokens (passes) up to \$60 a month, or any reimbursement up to \$60 a month, that you provided for an employee to travel by public transit is excluded from income and is not subject to withholding.

Qualified parking. Qualified parking means parking furnished to an employee on or

near the business premises of the employer or on or near a location from which the employee commutes to work. Qualified parking up to \$155 a month is excludable from an employee's gross income.

Figuring withholding. Figure withholding on gross wages before any deductions. See Publication 15 for withholding tables and detailed instructions.

Form W-4. Any employee who wants you to withhold federal income tax must give you a completed Form W-4. You should get the Form W-4 on or before the employee's first day of work. The certificate is in effect until the employee files a new one. If an employee gives you a new Form W-4, you must start using it no later than the first payroll period ending on or after 30 days from the date you receive it.

Reporting Federal Income Tax Withholding, Social Security and Medicare Taxes

You must file a Form 942 each quarter if:

- 1) You are liable for social security taxes and Medicare taxes, or
- 2) Your employee asked you to withhold federal income tax and you agreed.

You can get Form 942 from any IRS office or by calling the toll-free number shown earlier.

If you own a business as a sole proprietor, you may include your household employee on the Form 941, *Employer's Quarterly Federal Tax Return*, filed by your business. Do not include a household employee on a Form 941 that you file for a partnership or corporation.

If you own or operate a farm, report any household work performed for you on the farm by filing Form 943, *Employer's Annual Tax Return for Agricultural Employees*.

Filing Form 942. If it is time for you to file Form 942 and you have not already filed Form SS-4 to request an employer identification number, (EIN) it is too late to use Form SS-4. Instead, write "NONE" in the space provided for the number on Form 942. The IRS will then assign you a number and send you a Form 942 each quarter. The Form 942 sent to you will be preprinted with your name, address, and employer identification number. Also, an employer identification number may be assigned to you without filing Form SS-4, if your only employees are household employees (domestic workers). To be assigned an EIN, write "NONE" in the space provided for the number on Form 942.

If you have applied for an employer identification number but not yet received one, write "Applied for" in the space provided for the number. It is important that you keep a record

of the employment taxes you pay and your employer identification number.

When to file. File starting with the first quarter in which you:

- 1) Pay wages subject to social security and Medicare taxes, or
- 2) Withhold any federal income tax.

Due Dates for Returns

Quarter	Ending	Due Date
Jan.-Feb.-Mar.	Mar. 31	Apr. 30
Apr.-May-June	June 30	July 31
July-Aug.-Sept.	Sept. 30	Oct. 31
Oct.-Nov.-Dec.	Dec. 31	Jan. 31

If the due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the first business day after that day.

The instructions on page 2 of Form 942 show where to send your return.

If you receive a Form 942 for a quarter when you did not pay any taxable wages, write "NONE" on line 8, sign, and return the form to the IRS.

Final return. If you do not expect to pay taxable wages in the future, check the box above line 1 on Form 942. If you start paying taxable wages again, notify the IRS.

Forms W-2 and W-3

You must give a completed Form W-2, to each employee by January 31. If an employee stops working for you before the end of the year, give him or her Form W-2 any time after the employment ends but no later than January 31 of the following year. If the employee asks you for Form W-2 earlier, you must provide it within 30 days of his or her request or the final payment of wages, whichever is later.

The IRS will automatically send Forms W-2 and W-3 to you at the end of the year. By February 28, send Copy A of Forms W-2 with Form W-3 for the previous year to the:

Social Security Administration
Data Operations Center
Albuquerque, NM 87180

Note: If you had only one employee during the calendar year, do not send in a Form W-3. Send only Copy A of Form W-2.

If you file a final Form 942 before the end of the year, Forms W-2 and W-3 will not be sent to you. You must order them or pick them up at your nearest IRS office.

You may file Copy A of Form W-2 with the Social Security Administration and provide copies to your employee. You need not wait to do this until the following year. In this way, Forms W-2 and W-3 will be filed on time, thus avoiding any penalty later if you forget to file.

Federal Unemployment Tax (FUTA)

The state and federal unemployment tax systems pay unemployment compensation to workers who have lost their jobs. Most employers pay both a state and federal unemployment tax. However, even if you are exempt from the state tax, you must still pay the federal tax.

Total wages paid of \$1,000 or more. If you pay a total of \$1,000 or more in cash wages to your household employees in any calendar quarter this year or last year, you are liable for FUTA tax for all employees you have this year. However, FUTA does not apply to wages paid to your spouse, your parents, or your children under 21 years old for services performed in your household.

Amount of tax. The tax rate for 1994 is 6.2% of the first \$7,000 of cash wages paid to each employee. However, you may take a credit against this tax for payments made into your state unemployment fund. This credit cannot be more than 5.4% of the wages that are subject to FUTA. But, credit for payments you make to the state after the due date for filing Form 940 cannot be more than 90% of the amount that would have been allowable if you had paid the state tax by the due date.

Note: If your state is subject to a credit reduction for 1994, the state's name and the amount of the credit reduction will be shown on the 1994 Form 940.

If you have made correct and timely payments to the state, your total FUTA tax will simply be the result of multiplying the total taxable wages (Form 940, Part I, line 5) by .008.

You, as the employer, must pay this tax. Do not collect or deduct it from your employee's wages.

State unemployment tax. When you hire a household employee, you should contact your state employment tax office for information on how to file the state tax return and for a state reporting number. The state will give you your experience rate to figure the tax you owe them.

Reporting and Paying FUTA Tax

The federal unemployment tax is reported on Form 940-EZ or Form 940. Form 940-EZ is a less complicated version of Form 940 and can be used by most household employers. You can use Form 940-EZ if you meet the following four requirements.

- 1) You paid state unemployment tax (contributions) to only one state.
- 2) You paid all your state unemployment tax by January 31, the due date of Form 940-EZ.

- 3) Your federal unemployment (FUTA) wages were also taxable for your state's unemployment tax.
- 4) You paid wages in a state that was not a credit reduction state.

If you do not meet these requirements, you must use Form 940 to report your federal unemployment taxes.

Forms 940-EZ and 940 cover one calendar year and are generally due one month after the year ends. However, you may have to make deposits of the tax before filing the return. Deposits are *not* required if you owe \$100 or less in FUTA tax.

Deposits and due dates. If at the end of any calendar quarter, you owe, but have not yet deposited, more than \$100 in FUTA tax for the year, you must make a deposit by the end of the next month. Deposit the FUTA tax in an authorized financial institution or the Federal Reserve Bank for your area. Do *not* mail the deposits directly to the IRS. Use Form 8109, *Federal Tax Deposit Coupon*, when making each deposit. You will receive a book of deposit coupons when you are assigned an employer identification number.

The due dates are shown in the following chart.

If your undeposited FUTA tax is more than \$100 on:	Deposit the full amount by:
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

If the tax is \$100 or less at the end of a quarter, you do not have to deposit it, but you must add it to the tax for the next quarter. Then, in the next quarter, if the total undeposited tax is more than \$100, a deposit is required.

If a due date falls on a Saturday, Sunday, or legal holiday, it is postponed until the next business day.

Form 940-EZ or Form 940. To receive your first Form 940-EZ or Form 940, you must either go to your local IRS office or call the toll-free number shown earlier. Once you have filed your form, you will automatically be sent an addressed form near the end of the next year. If you do not receive it, however, you should obtain one in time to file it.

When to file. Normally, you must file Form 940-EZ or Form 940 by January 31. However, for 1994, if you deposit the tax on time and in full, you have until February 10 to file the return.

If you receive a Form 940-EZ or Form 940 and are not liable for FUTA tax, write "Not Liable" across the front and file the return after signing it. If you will not need to file the form in the future, check the box above Part I, sign, and send the return to the IRS.

Advance Payment of Earned Income Credit

Generally, an employee who earns less than \$23,755 in 1994 and has a qualifying child living with the employee is eligible for advance payments of the earned income credit. You must pay the earned income credit in advance to an eligible employee who requests it. The amount of credit that may be paid in advance is limited to 60% of the credit your employee would receive for having one qualifying child. Your employee makes the request by giving you a completed Form W-5. Report any advance earned income credit you pay on your employee's 1994 Form W-2, box 9.

Making the payment. Each payday you make the advance payment to your employee from the social security, Medicare and withheld federal income taxes that you would otherwise pay to the IRS. You deduct the total advance payments you made during the quarter on line 7 of Form 942. Use the tables in Publication 15 to figure the amount of the advance payment.

Notifying employees. You must notify an employee that he or she may qualify for the earned income credit if the employee:

- 1) Does not claim "Exempt" on Form W-4, and
- 2) Does not have any federal income tax withheld.

You can meet this requirement by giving the employee a copy of Notice 797, *Possible Federal Tax Refund Due to the Earned Income Credit (EIC)*, or the official IRS Form W-2, which contains the notification on the back of Copy C. It will be included with your fourth quarter Form 942, which is sent to you at the end of the year. If you do not receive it, you can get one at any IRS office or by calling the toll-free number shown earlier. See Publication 15 for more information on figuring and paying the advance earned income credit.

Recordkeeping

As an employer, you must keep all your records on employment taxes (including social security, Medicare, federal unemployment taxes, federal income tax withholding, and advance payment of earned income credit) for at least 4 years after the due date of the return or after the tax is paid, whichever is later.

Your records should contain:

- Your employer identification number,
- Copies of returns you have filed,
- Dates and amounts of any deposits or payments you made,
- Each employee's name, address, and social security number,
- Dates each employee was employed,

- Copies of each employee's withholding allowance certificate (Form W-4),
- Copies of each employee's Form W-5,
- Amount of social security and Medicare taxes collected for each payment, the date collected, and
- The reason why the wage payment and amount subject to FICA, FUTA, or federal income tax withholding are not equal, if applicable.

Examples

The following examples illustrate how to meet an employer's tax responsibilities. Filled-in forms that illustrate these examples are shown at the end of this publication.

Example 1: Social Security and Medicare Taxes

On January 3, 1994, Taunya Brown hires Helen Smith to clean her house once a week. She gives Helen specific instructions as to how and what work must be done. Taunya pays Helen \$70 for her day's work.

Because Taunya pays at least \$50 in cash wages each calendar quarter, she must file Form 942 for each quarter. Because she has never employed anyone before, Taunya does not have an employer identification number. She calls and asks the IRS to send her a Form 942.

- 1) On Form 942 Taunya enters her name, address, and ZIP code, or if these items were preprinted, makes any necessary corrections. She writes "March 31, 1994" in the space for the date the quarter ends and "NONE" in the space for showing her employer identification number.
- 2) Helen did not request that Taunya withhold any federal income tax, so Taunya makes no entry on line 5 of Form 942. Helen did not give Taunya a completed Form W-5, so Taunya made no advance earned income credit payments and has no entry for line 7 of Form 942.
- 3) Taunya enters the total wages paid, \$910 ($\70×13 weeks), on lines 1 and 3 of Form 942. She enters the social security tax, \$112.84 ($\$910 \times 12.40\%$); on line 2. She then enters the Medicare tax, \$26.39 ($\$910 \times 2.90\%$), on line 4. She adds the amounts on lines 2 and 4, and enters \$139.23 on lines 6 and 8.
- 4) Taunya signs and dates the Form 942 and sends it with her check for \$139.23 to the Internal Revenue Service Center for her state by May 2, 1994 (April 30 is a Saturday). Beginning with the second quarter, she receives her Forms 942 from the IRS automatically. These forms are preprinted with the employer identification number the IRS assigned to her. Forms W-2, W-3, and Notice 797 are automatically sent to Taunya at the end of the year. She gives the Notice 797 to Helen. (Form W-2 for 1994 was not available

when this publication went to print, so the 1993 Form W-2 was used.)

- 5) In box b, Taunya writes or types the employer identification number the IRS assigned to her after she filed her first Form 942. She completes Form W-2 by entering her name, address, and ZIP code in box c. Taunya did not have to pay unemployment tax or withhold state income tax and, therefore, did not need to get a state reporting number. If she had one, she would enter it in box 16 of the Form W-2. Taunya enters her employee's social security number in box d. Because Taunya had only one household employee during the year, she checks the "942 emp." box in box 15 of Form W-2. Taunya made no payments of advance earned income credit, so she leaves box 9 blank. Helen was employed for 51 weeks during 1994. She enters \$3,570.00 ($\70×51 weeks) in boxes 1, 3, and 5 as the total wages paid during the year. Taunya enters in box 4 the social security tax (\$221.34) she withheld from her employee's pay. She enters the Medicare tax (\$26.39) in box 6. Taunya does not include the amount of social security tax that she, as the employer, paid. She enters her employee's name, address, and ZIP code in box e. The other boxes on the form do not apply to her. She leaves them blank.

By January 31, 1995, Taunya gives Helen Form W-2. Taunya keeps Copy A of Form W-2 and by February 28, 1995, she sends it to the:

Social Security Administration
Data Operations Center
Albuquerque, NM 87180.

Taunya sends all the forms on the page even though she completed only one.

Form W-3 is not required in this example because Taunya had only one employee. If she had two or more employees, Taunya would send Copy A of the Forms W-2 to the Social Security Administration with Form W-3. She would follow the instructions that came with the Form W-3. The form is a summary of the attached Forms W-2.

Example 2: FUTA (Form 940-EZ)

Note: Form 940-EZ for 1994 was not available when this publication was printed. This illustration is for tax year 1993 and uses the 1993 Form 940-EZ.

Don and Judy Scott work and keep up a home for themselves and their young child. They hired Sara Green as a housekeeper to work Monday through Friday, looking after the child, preparing meals, and doing housework. She worked for the Scotts all year and was paid \$1,000 a month.

Since Don and Judy paid wages of over \$1,000 in at least one quarter in 1993, they must file a 1993 Form 940-EZ or Form 940 by

January 31, 1994. Don and Judy determined they could use Form 940-EZ. Judy contacted the state employment office, which issued a state reporting number and sent her the required state forms. The Scotts were assigned the state's employer contribution rate of 2.4%. (This rate may vary from state to state.) They filed the state returns on time and paid the state tax in full. Their total state unemployment tax for 1993 was \$288 ($.024 \times \$3,000$ a quarter = \$72 for each of the four quarters).

- 1) On Form 940-EZ, line A, Don entered the total contributions paid to the state during the year (\$288). On line B, he entered the state and the state reporting number.
- 2) In Part I, line 1, he entered the total wages paid to Sara Green (\$12,000). On lines 3 and 4, he entered \$5,000 (the amount of wages paid over \$7,000, the maximum amount subject to FUTA tax). On line 5, he entered \$7,000 ($\$12,000 - \$5,000$). On line 6, he multiplied \$7,000 by .008 and entered \$56 on line 6 and on line 8.
- 3) Since the Scotts owed less than \$100, they did not complete Part II. Don signed and dated the return and enclosed a check for \$56 on which he wrote the Scotts' federal employer identification number and "1993 Form 940-EZ." These were mailed to the Internal Revenue Service Center where Form 942 was filed.

Example 3: FUTA (Form 940), FICA, and Federal Income Tax Withholding

Note: Form 940 for 1994 was not available when this publication was printed. This illustration is for tax year 1993 and uses the 1993 Form 942, Form W-2 for tax year 1993 is also used for this illustration.

George and Susan Adams moved from California to Texas at the end of March 1993. They paid FICA tax from January 3, 1993, to March 30, 1993; on their housekeeper in California. They paid her \$200 a week and gave her a completed Form W-2 on her last day with them. (Her Form W-2 is not illustrated.)

They paid state unemployment taxes to both California and Texas. Since they paid unemployment taxes in more than one state in

1993, they were not eligible to file Form 940-EZ and must file Form 940 to report their federal unemployment tax.

On April 2, 1993, George and Susan Adams hired Pat Jones as a housekeeper and babysitter. They paid her \$200 at the end of each week. Pat requested income tax withholding, and George and Susan agreed to it. Pat claimed single status and one withholding allowance on her Form W-4.

- 1) George and Susan filed Form 942 for each quarter in 1993. For the second quarter, they filed the illustrated Form 942 on July 31, 1993. George entered \$2,600 ($\200×13 weeks) on line 1 and line 3 of Form 942 as the total wages paid during the quarter. He entered the social security taxes of \$322.40 ($\$2,600 \times 12.4\%$) on line 2. He entered Medicare taxes of \$75.40 ($\$2,600 \times 2.9\%$) on line 4. George entered the \$221 of federal income tax they withheld on line 5. George and Susan figured this withholding based on the Form W-4 that Pat gave them and the *Single Persons—Weekly Payroll Period Table* in Publication 15. He adds the amounts on lines 2, 4, and 5 and enters \$618.80 on lines 6 and 8.
- 2) The IRS automatically sent George and Susan Forms W-2 and W-3 near the end of the year. George fills out Form W-2, following the instructions that came with the forms. George gives Pat her copies of Form W-2 by January 31, 1994. He sends Copy A of Forms W-2 for the two employees he had during the year along with Form W-3 to the Social Security Administration by February 28, 1994.
- 3) Because they paid at least \$1,000 in cash wages in a calendar quarter, George and Susan are liable for federal unemployment tax and must file Form 940. They are also liable for state unemployment taxes. Upon hiring each of their employees, Susan contacted the state employment tax offices. Each state sent them a state reporting number and an experience rate of 5.4%. Susan was told that the wages they paid both employees were not exempt from state employment tax. George and Susan filed their state unemployment tax returns each quarter and paid the taxes on time. Their total state

unemployment tax for the year is \$561.60 (taxable wages of \$2,600 in California and \$7,800 in Texas multiplied by .054).

George checks the "No" box for the first question and skips the next three questions.

- 4) George then completes Part I of Form 940. He enters the total wages for both employees of \$10,400 ($\200×52 weeks) on line 1. Since none of their payments were exempt, George makes no entry on line 2. Because their total wage payments to Pat were more than \$7,000, George enters \$800, the excess over \$7,000 of wages paid to Pat on line 3. He also enters \$800 on line 4. This amount is exempt from tax. On line 5, he enters the difference between line 1 and line 4.
- 5) Since George paid wages in two different states, he must figure his FUTA tax in Part II. He enters his gross FUTA tax of \$595.20 on line 1. This is 6.2% of \$9,600, the total taxable wages on line 5 of Part I. He enters the maximum credit, \$518.40 (5.4% of \$9,600) on line 2. George also completes line 3 (blocks a-i), line 3a, and line 3b. He enters all the information concerning the state unemployment taxes paid to California and Texas. He then enters \$518.40 as the credit on line 6, which is the smaller of the amount on line 2 or the amount from line 3b. The total FUTA tax is \$76.80; the difference between the gross FUTA tax on line 1 and the allowable credit on line 6. This amount is entered on line 7 and, since George and Susan were not required to make any FUTA tax deposits, again on line 9. This is the amount they owe for the year.
- 6) George signs and dates Form 940 and sends it and a check for \$76.80 to the same Internal Revenue Service Center where he sent the Forms 942. George mails this by January 31, 1994. George writes their employer identification number, the tax period, and the tax form number on the check.

4141

**Employer's Quarterly Tax Return
for Household Employees**

OMB No. 1545-0034

(For Social Security, Medicare, and Withheld Income Taxes) See separate instructions.

Your name, address, employer identification number, and calendar quarter of return. (If not correct, please change.)

Name: **Taunya Brown**
Address and ZIP code: **16 Blue Street
Orange, CA 92665**

Date quarter ended: **March 31, 1994**
Employer identification number: **- NONE**

FOR IRS USE ONLY

1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	
4	4	4	5	6	7	7	7	7	7	7	7	7	7	8	8	8	9	10	10	10	10	10	10

Social security and Medicare taxes are due for each household employee to whom you paid cash wages of \$50 or more in the calendar quarter covered by this return. For information on Federal Unemployment (FUTA) Tax, see page 1 of instructions.

If you will NOT need to file Form 942 in the future, check here:

1 Total cash wages subject to social security taxes (see page 2 of instructions)	1	910		
2 Social security taxes (multiply line 1 by 12.4% (.124))	2		112	84
3 Total cash wages subject to Medicare taxes (see page 2 of instructions)	3	910		
4 Medicare taxes (multiply line 3 by 2.9% (.029))	4		26	39
5 Federal income tax withheld (if requested by your employee) (see page 2 of instructions)	5			
6 Total taxes (add lines 2, 4, and 5)	6		139	23
7 Advance earned income credit (EIC) payments ONLY, if any (see page 1 of instructions)	7			
8 Total taxes due (subtract line 7 from line 6). Pay this amount to the Internal Revenue Service. If no tax is due, write NONE.	8		139	23

Send Form 942 and your payment to your Internal Revenue Service Center (see Where To File on page 2 of instructions).

Important: You MUST give a Form W-2 to each employee and file Copy A with the Social Security Administration—see page 3 of instructions.

Under the penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of employer: *Taunya Brown*

Date: *4-30-94*

Cat. No. 10250E

Form 942 (Rev. 7-93)

a Control number	2222	Void	For Official Use Only	
b Employer's identification number		1	2	3
10-1234567		Wages, tips, other compensation	Federal income tax withheld	
c Employer's name, address, and ZIP code:		3	4	5
Taunya Brown		Social security wages	Social security tax withheld	
16 Blue Street		3570.00	221.34	
Orange, CA 92665		5	6	7
d Employer's social security number		Medicare wages and tips	Medicare tax withheld	Allocated tips
123-00-4567		3570.00	52.02	
e Employer's name (first, middle initial, last)		7	8	9
Helen R. Smith		Social security tips	Advance EIC payment	Dependent care benefits
f Employee's address and ZIP code:		11	12	13
19 Pine Avenue		Nonqualified plans	Benefits included in box 1	
Orange, CA 92665		13	14	15
g Employee's address and ZIP code:		See instrs. for box 13	Other	
16 State		17 State wages, tips, etc.	18 State income tax	19 Locality name
Employer's state I.D. No.				
20 Local wages, tips, etc.	21 Local income tax	15	Deceased employee	Pension plan
				Legal rep.
				942 emp.
				Subtotal
				Defered compensation

Cat. No. 10134D

Department of the Treasury—Internal Revenue Service

FORM W-2 Wage and Tax Statement 1994

For Paperwork Reduction Act Notice, see separate instructions.

Copy A For Social Security Administration

**Employer's Annual Federal
Unemployment (FUTA) Tax Return**

1993

If incorrect,
make any
necessary
changes.

Name (as distinguished from trade name)
Donald M. and Judy T. Scott
Trade name, if any

Calendar year
1993

Address and ZIP code
**432 Evergreen Avenue
New Haven, CT 06511**

Employer identification number
10-7654321

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Follow the chart under **Who May Use Form 940-EZ** on page 2. If you cannot use Form 940-EZ, you must use Form 940 instead.

- A** Enter the amount of contributions paid to your state unemployment fund. (See instructions for line A on page 4.) ▶ \$ **288**
- B** (1) Enter the name of the state where you have to pay contributions. ▶ **Connecticut**
- (2) Enter your state reporting number as shown on state unemployment tax return. ▶ **2345-67890**

If you will not have to file returns in the future, check here (see **Who Must File**, on page 2) complete, and sign the return ▶

If this is an Amended Return check here ▶

Part I Taxable Wages and FUTA Tax

1 Total payments (including payments shown on lines 2 and 3) during the calendar year for services of employees	1	12,000
2 Exempt payments. (Explain all exempt payments, attaching additional sheets if necessary.) ▶		
3 Payments for services of more than \$7,000. Enter only amounts over the first \$7,000 paid to each employee. Do not include any exempt payments from line 2. Do not use your state wage limitation. The \$7,000 amount is the Federal wage base. Your state wage base may be different	3	5,000
4 Total exempt payments (add lines 2 and 3)	4	5,000
5 Total taxable wages (subtract line 4 from line 1)	5	7,000
6 FUTA tax. Multiply the wages on line 5 by .008 and enter here. (If the result is over \$100, also complete Part II.)	6	56
7 Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records)	7	
8 Amount you owe (subtract line 7 from line 6). This should be \$100 or less. Pay to "Internal Revenue Service" ▶	8	56
9 Overpayment (subtract line 6 from line 7). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input type="checkbox"/> Refunded ▶	9	

Part II Record of Quarterly Federal Unemployment Tax Liability (Do not include state liability.) Complete only if line 6 is over \$100.

Quarter	First (Jan. 1 - Mar. 31)	Second (Apr. 1 - June 30)	Third (July 1 - Sept. 30)	Fourth (Oct. 1 - Dec. 31)	Total for year
Liability for quarter					

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and, to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments to employees.

Signature ▶ **Donald M. Scott** Title (Owner, etc.) ▶ **Employer** Date ▶ **1-31-94**

**Employer's Quarterly Tax Return
 for Household Employees**

(For Social Security, Medicare, and Withheld Income Taxes) See separate instructions.

Your name, address, employer identification number, and calendar quarter of return. (If not correct, please change.)

Name **George M. and Susan A. Adams** Date quarter ended **June 30, 1993**

Address and ZIP code **718 Poplar Road
 Austin, TX 78700** Employer identification number **- NONE**

FOR IRS USE ONLY

If address is different from prior return, check here.

1	1	1	1	1	1	1	1	1	2	2	2	2	2	2	2	2	3	3	3	3	3	3	3
4	4	4	5	6	7	7	7	7	7	8	8	8	9	10	10	10	10	10	10	10	10	10	10

Social security and Medicare taxes are due for each household employee to whom you paid cash wages of \$50 or more in the calendar quarter covered by this return. For information on Federal Unemployment (FUTA) Tax, see page 1 of instructions. If you will NOT need to file Form 942 in the future, check here

1 Total cash wages subject to social security taxes (see page 2 of Instructions)	1	2,600	
2 Social security taxes (multiply line 1 by 12.4% (.124))	2		322.40
3 Total cash wages subject to Medicare taxes (see page 2 of Instructions)	3	2,600	
4 Medicare taxes (multiply line 3 by 2.9% (.029))	4		75.40
5 Federal income tax withheld (if requested by your employee) (see page 2 of Instructions)	5		221.00
6 Total taxes (add lines 2, 4, and 5)	6		618.80
7 Advance earned income credit (EIC) payments ONLY, if any (see page 1 of instructions)	7		
8 Total taxes due (subtract line 7 from line 6). Pay this amount to the Internal Revenue Service. If no tax is due, write NONE.	8		618.80

Send Form 942 and your payment to your Internal Revenue Service Center (see Where To File on page 2 of instructions). Important: You MUST give a Form W-2 to each employee and file Copy A with the Social Security Administration—see page 3 of instructions.

Under the penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of employer **George M. Adams**

Date **7-31-93**

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only <input type="checkbox"/>
b Employer's identification number	10-9876543	1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code	George M. and Susan A. Adams 718 Poplar Road Austin, TX 78700	3 Social security wages	4 Social security tax withheld
d Employee's social security number	123-00-1234	5 Medicare wages and tips	6 Medicare tax withheld
e Employee's name (first, middle initial, last)	Patricia S. Jones 251 Magnolia Way Austin, TX 78700	7 Social security tips	8 Allocated tips
f Employee's address and ZIP code		9 Advance EIC payment	10 Dependent care benefits
16 State Employer's state I.D. No.	TX 000-000-10	11 Nonqualified plans	12 Benefits included in Box 1
17 State wages, tips, etc.		13 See Instrs. for Box 13	14 Other
18 State income tax		15 Statutory employee <input type="checkbox"/>	16 Deceased <input type="checkbox"/>
19 Locality name		17 Pension plan <input type="checkbox"/>	18 Legal rep. <input type="checkbox"/>
20 Local wages, tips, etc.		19 912 <input checked="" type="checkbox"/>	20 Subtotal <input type="checkbox"/>
21 Local income tax		21 Deferred compensation <input type="checkbox"/>	

**Employer's Annual Federal
Unemployment (FUTA) Tax Return**

Department of the Treasury
Internal Revenue Service

▶ For Paperwork Reduction Act Notice, see separate instructions.

1993

If incorrect,
make any
necessary
change. ▶

Name (as distinguished from trade name) George m. and Susan Adams Trade name, if any	Calendar year 1993
Address and ZIP code 718 Poplar Road Austin, TX 78700	Employer identification number 10-9876543

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FF	
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- A** Are you required to pay unemployment contributions to only one state? (If no, skip questions B through D.) Yes No
- B** Did you pay all state unemployment contributions by January 31, 1994? (If a 0% experience rate is granted, check "Yes.") (If no, skip questions C and D.) Yes No
- C** Were all wages that were taxable for FUTA tax also taxable for your state's unemployment tax? (If no, skip D.) Yes No
- D** Did you pay all wages in states or territories other than the U.S. Virgin Islands? Yes No
- If you answered "No" to any of these questions, you must file Form 940. If you answered "Yes" to all the questions, you may file Form 940-EZ, which is a simplified version of Form 940. You can get Form 940-EZ by calling 1-800-TAX-FORM (1-800-829-3676).
- E** If you will not have to file returns in the future, check here, complete, and sign the return
- F** If this is an Amended Return, check here

Part I Computation of Taxable Wages

1 Total payments (including exempt payments) during the calendar year for services of employees.	10,400
2 Exempt payments. (Explain each exemption shown, attach additional sheets if necessary.) ▶	Amount paid
3 Payments of more than \$7,000 for services. Enter only amounts over the first \$7,000 paid to each employee. Do not include payments from line 2. The \$7,000 amount is the Federal wage base. Your state wage base may be different. Do not use the state wage limitation	800
4 Total exempt payments (add lines 2 and 3)	800
5 Total taxable wages (subtract line 4 from line 1, enter result, and go to part II) ▶	9,600

Be sure to complete both sides of this return and sign in the space provided on the back.

Cat. No. 112340

Form **940** (1993)

Part II Tax Due or Refund

1	Gross FUTA tax. Multiply the wages in Part I, line 5, by .062.							
2	Maximum credit. Multiply the wages in Part I, line 5, by .054.	2	518	40	1	595	20	
3	Computation of tentative credit (Note: All taxpayers must complete the applicable columns.)							

Note: The additional credit shown in column (h) is limited to 3% of the taxable payroll for the U.S. Virgin Islands. Use 3% (.03) in column (f). See Part II, line 3, columns (f) and (h), on page 4 of the separate instructions.

(a) Name of state	(b) State reporting number(s) as shown on employer's state contribution returns	(c) Taxable payroll (as defined in state act)	(d) State experience rate period		(e) State experience rate	(f) Contributions if rate had been 5.4% (col. (c) x .054)	(g) Contributions payable at experience rate (col. (c) x col. (e))	(h) Additional credit (col. (f) minus col. (g)). If 0 or less, enter 0.	(i) Contributions actually paid to state
			From	To					
CA	000000-89	2,600	1-2-93	3-31-93	5.4	140.40	140.40	0	140.40
TX	000000-34	7,800	4-2-93	12-31-93	5.4	421.20	421.20	0	421.20
3a Totals		10,400						0	561.60
3b Total tentative credit (add line 3a, columns (f) and (i) only—see instructions for limitations on late payments)								0	561.60
4									
5									
6 Credit: Enter the smaller of the amount in Part II, line 2, or line 3b.									
7 Total FUTA tax (subtract line 6 from line 1)								6	518.40
8 Total FUTA tax deposited for the year, including any overpayment applied from a prior year								7	76.80
9 Balance due (subtract line 8 from line 7). This should be \$100 or less. Pay to the Internal Revenue Service. See page 2 of the separate instructions for details								8	0
10 Overpayment (subtract line 7 from line 8). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input checked="" type="checkbox"/> Refunded								9	76.80
								10	0

Part III Record of Quarterly Federal Unemployment Tax Liability (Do not include state liability)

Quarter	First	Second	Third	Fourth	Total for year
Liability for quarter					

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was or is to be deducted from the payments to employees.

Signature ▶ *Serge Adams* Title (Owner, etc.) ▶ *Employer* Date ▶ *1-31-94*

1993 Employee Social Security (6.2%) Tax Deduction Table. (See Circular E for income tax withholding tables.)

Note: You may use this table to figure how much employee social security tax to deduct from each wage payment. For example, if you pay total wages of \$180 during the quarter, the employee tax is \$11.16 (\$6.20 tax for \$100, plus \$4.96 for \$80 wages). The tax you report on Form 942, line 2, would be \$22.32 (\$180 × .124 (6.2% employee tax plus 6.2% employer tax)).

If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—
\$ 1.00	.06	\$21.00	\$1.30	\$41.00	\$2.54	\$61.00	\$3.78	\$81.00	\$5.02
2.00	.12	22.00	1.36	42.00	2.60	62.00	3.84	82.00	5.08
3.00	.19	23.00	1.43	43.00	2.67	63.00	3.91	83.00	5.15
4.00	.25	24.00	1.49	44.00	2.73	64.00	3.97	84.00	5.21
5.00	.31	25.00	1.55	45.00	2.79	65.00	4.03	85.00	5.27
6.00	.37	26.00	1.61	46.00	2.85	66.00	4.09	86.00	5.33
7.00	.43	27.00	1.67	47.00	2.91	67.00	4.15	87.00	5.39
8.00	.50	28.00	1.74	48.00	2.98	68.00	4.22	88.00	5.46
9.00	.56	29.00	1.80	49.00	3.04	69.00	4.28	89.00	5.52
10.00	.62	30.00	1.86	50.00	3.10	70.00	4.34	90.00	5.58
11.00	.68	31.00	1.92	51.00	3.16	71.00	4.40	91.00	5.64
12.00	.74	32.00	1.98	52.00	3.22	72.00	4.46	92.00	5.70
13.00	.81	33.00	2.05	53.00	3.29	73.00	4.53	93.00	5.77
14.00	.87	34.00	2.11	54.00	3.35	74.00	4.59	94.00	5.83
15.00	.93	35.00	2.17	55.00	3.41	75.00	4.65	95.00	5.89
16.00	.99	36.00	2.23	56.00	3.47	76.00	4.71	96.00	5.95
17.00	1.05	37.00	2.29	57.00	3.53	77.00	4.77	97.00	6.01
18.00	1.12	38.00	2.36	58.00	3.60	78.00	4.84	98.00	6.08
19.00	1.18	39.00	2.42	59.00	3.66	79.00	4.90	99.00	6.14
20.00	1.24	40.00	2.48	60.00	3.72	80.00	4.96	100.00	6.20

1993 Employee Medicare (1.45%) Tax Deduction Table. (See Circular E for income tax withholding tables.)

Note: You may use this table to figure how much employee Medicare tax to deduct from each wage payment. For example, if you pay total wages of \$180 during the quarter, the employee tax is \$2.61 (\$1.45 tax for \$100, plus \$1.16 for \$80 wages.) The tax you report on Form 942, line 4, would be \$5.22 (\$180 × .029 (1.45% employee tax plus 1.45% employer tax)).

If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—	If wage payment is—	The employee tax to be deducted is—
\$ 1.00	.01	\$21.00	.30	\$41.00	.59	\$61.00	.88	\$81.00	\$1.17
2.00	.03	22.00	.32	42.00	.61	62.00	.90	82.00	1.19
3.00	.04	23.00	.33	43.00	.62	63.00	.91	83.00	1.20
4.00	.06	24.00	.35	44.00	.64	64.00	.93	84.00	1.22
5.00	.07	25.00	.36	45.00	.65	65.00	.94	85.00	1.23
6.00	.09	26.00	.38	46.00	.67	66.00	.96	86.00	1.25
7.00	.10	27.00	.39	47.00	.68	67.00	.97	87.00	1.26
8.00	.12	28.00	.41	48.00	.70	68.00	.99	88.00	1.28
9.00	.13	29.00	.42	49.00	.71	69.00	1.00	89.00	1.29
10.00	.15	30.00	.44	50.00	.73	70.00	1.02	90.00	1.31
11.00	.16	31.00	.45	51.00	.74	71.00	1.03	91.00	1.32
12.00	.17	32.00	.46	52.00	.75	72.00	1.04	92.00	1.33
13.00	.19	33.00	.48	53.00	.77	73.00	1.06	93.00	1.35
14.00	.20	34.00	.49	54.00	.78	74.00	1.07	94.00	1.36
15.00	.22	35.00	.51	55.00	.80	75.00	1.09	95.00	1.38
16.00	.23	36.00	.52	56.00	.81	76.00	1.10	96.00	1.39
17.00	.25	37.00	.54	57.00	.83	77.00	1.12	97.00	1.41
18.00	.26	38.00	.55	58.00	.84	78.00	1.13	98.00	1.42
19.00	.28	39.00	.57	59.00	.86	79.00	1.15	99.00	1.44
20.00	.29	40.00	.58	60.00	.87	80.00	1.16	100.00	1.45

List of Tax Publications for Individuals

General Guides		529	Miscellaneous Deductions	907	Information for Persons with Disabilities
1	Your Rights as a Taxpayer	530	Tax Information for First-Time Homeowners	908	Bankruptcy and Other Debt Cancellation
17	Your Federal Income Tax	531	Reporting Tip Income	909	Alternative Minimum Tax for Individuals
225	Farmer's Tax Guide	533	Self-Employment Tax	911	Tax Information for Direct Sellers
334	Tax Guide for Small Business	534	Depreciation	915	Social Security Benefits and Equivalent Railroad Retirement Benefits
509	Tax Calendars for 1994	537	Installment Sales	917	Business Use of a Car
553	Highlights of 1993 Tax Changes	541	Tax Information on Partnerships	919	Is My Withholding Correct for 1994?
595	Tax Guide for Commercial Fishermen	544	Sales and Other Dispositions of Assets	925	Passive Activity and At-Risk Rules
910	Guide to Free Tax Services (Includes a list of publications)	547	Nonbusiness Disasters, Casualties, and Thefts	926	Employment Taxes for Household Employers
Specialized Publications		550	Investment Income and Expenses	929	Tax Rules for Children and Dependents
3	Tax Information for Military Personnel (Including Reservists Called to Active Duty)	551	Basis of Assets	936	Home Mortgage Interest Deduction
4	Student's Guide to Federal Income Tax	552	Recordkeeping for Individuals	938	Real Estate Mortgage Investment Conduits (REMICs) Reporting Information
54	Tax Guide for U.S. Citizens and Resident Aliens Abroad	554	Tax Information for Older Americans	945	Tax Information for Those Affected by Operation Desert Storm
378	Fuel Tax Credits and Refunds	555	Federal Tax Information on Community Property	946	How To Begin Depreciating Your Property
448	Federal Estate and Gift Taxes	556	Examination of Returns, Appeal Rights, and Claims for Refund	947	Practice Before the IRS and Power of Attorney
463	Travel, Entertainment, and Gift Expenses	559	Survivors, Executors, and Administrators	1244	Employee's Daily Record of Tips and Report to Employers
501	Exemptions, Standard Deduction, and Filing Information	560	Retirement Plans for the Self-Employed	1544	Reporting Cash Payments of Over \$10,000
502	Medical and Dental Expenses	561	Determining the Value of Donated Property	1546	How to use the Problem Resolution Program of the IRS
503	Child and Dependent Care Expenses	564	Mutual Fund Distributions	Spanish Language Publications	
504	Divorced or Separated Individuals	570	Tax Guide for Individuals with Income from U.S. Possessions	1SP	Derechos del Contribuyente
505	Tax Withholding and Estimated Tax	571	Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations	556SP	Revisión de las Declaraciones de Impuesto, Derecho de Apelación y Reclamaciones de Reembolsos
508	Educational Expenses	575	Pension and Annuity Income (Including Simplified General Rule)	579SP	Cómo Preparar la Declaración de Impuesto Federal
513	Tax Information for Visitors to the United States	584	Nonbusiness Disaster, Casualty, and Theft Loss Workbook	594SP	Comprendiendo el Proceso de Cobro
514	Foreign Tax Credit for Individuals	587	Business Use of Your Home	596SP	Crédito por Ingreso del Trabajo
516	Tax Information for U.S. Government Civilian Employees Stationed Abroad	590	Individual Retirement Arrangements (IRAs)	850	English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
517	Social Security and Other Information for Members of the Clergy and Religious Workers	593	Tax Highlights for U.S. Citizens and Residents Going Abroad		
519	U.S. Tax Guide for Aliens	594	Understanding The Collection Process		
520	Scholarships and Fellowships	596	Earned Income Credit		
521	Moving Expenses	597	Information on the United States-Canada Income Tax Treaty		
523	Selling Your Home	721	Tax Guide to U.S. Civil Service Retirement Benefits		
524	Credit for the Elderly or the Disabled	901	U.S. Tax Treaties		
525	Taxable and Nontaxable Income				
526	Charitable Contributions				
527	Residential Rental Property				

Tax forms, publications and instructions listed on the order blank

You can get the following forms, schedules, and instructions at participating banks, post offices, or libraries.

Form 1040

Instructions for Form 1040 & Schedules

Schedule A for itemized deductions

Schedule B for interest and dividend income if over \$400; and for answering the foreign accounts or foreign trusts questions

Schedule EIC for the earned income credit

Form 1040A

Instructions for Form 1040A & Schedules

Schedule 1 for Form 1040A filers to report interest and dividend income

Schedule 2 for Form 1040A filers to report child and dependent care expenses

Form 1040EZ

Instructions for Form 1040EZ

You can photocopy the items listed below (as well as those listed above) at participating libraries or order them from the IRS.

Schedule 3, Credit for the Elderly or the Disabled for Form 1040A Filers

Schedule C, Profit or Loss From Business

Schedule C-EZ, Net Profit From Business

Schedule D, Capital Gains and Losses

Schedule E, Supplemental Income and Loss

Schedule F, Profit or Loss From Farming

Schedule R, Credit for the Elderly or the Disabled

Schedule SE; Self-Employment Tax

Form 1040-ES, Estimated Tax for Individuals

Form 1040X, Amended U.S. Individual

Income Tax Return

Form 2106, Employee Business Expenses

Form 2119, Sale of Your Home

Form 2210, Underpayment of Estimated Tax by Individuals and Fiduciaries

Form 2441, Child and Dependent Care Expenses

Form 3903, Moving Expenses

Form 4562, Depreciation and Amortization

Form 4868, Application for Automatic Extension of Time To File U.S.

Individual Income Tax Return

Form 5329, Return for Additional Taxes

Attributable to Qualified Retirement Plans, Annuities, and Modified

Endowment Contracts

Form 8283, Noncash Charitable Contributions

Form 8582, Passive Activity Loss Limitations

Form 8606, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

Form 8822, Change of Address

Form 8829, Expenses for Business Use of Your Home

How to Get IRS Forms and Publications

You can visit your local IRS office or order tax forms and publications from the IRS Forms Distribution Center listed for your state at the address below. Or, if you prefer, you can photocopy tax forms from reproducible copies kept at participating public libraries. In addition, many of these libraries have reference sets of IRS publications that you can read or copy.

If you are located in:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Kansas, Montana, Nevada, New Mexico, Oklahoma, Oregon, Utah, Washington, Wyoming, Guam, Northern Marianas, American Samoa

Alabama, Arkansas, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Texas, Wisconsin

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V.I. Bureau of Internal Revenue

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To help reduce waste, please order only the forms, instructions, and publications you think you will need to prepare your return.

Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional forms and publications you may need.

You should either receive your order or notification of the status of your order within 7-15 work days after we receive your request.

1040	Schedule F (1040)	1040EZ	3903 & instructions	8829 & Instructions	Pub. 508	Pub. 575	
Instructions for 1040 & Schedules	Schedule R (1040) & instructions	Instructions for 1040EZ	4562 & instructions	Pub. 1	Pub. 521	Pub. 590	
Schedules A&B (1040)	Schedule SE (1040)	1040-ES (1994) & Instructions	4868 & Instructions	Pub. 17	Pub. 523	Pub. 596	
Schedule C (1040)	1040A	1040X & Instructions	5329 & Instructions	Pub. 334	Pub. 525	Pub. 910	
Schedule C-EZ (1040)	Instructions for 1040A & Schedules	2106 & Instructions	8283 & Instructions	Pub. 463	Pub. 527	Pub. 917	
Schedule D (1040)	Schedule 1 (1040A)	2119 & Instructions	8582 & Instructions	Pub. 501	Pub. 529	Pub. 929	
Schedule E (1040)	Schedule 2 (1040A)	2210 & Instructions	8606 & Instructions	Pub. 502	Pub. 550	Pub. 936	
Schedule EIC (1040A or 1040)	Schedule 3 (1040A) & Instructions	2441 & Instructions	8822 & Instructions	Pub. 505	Pub. 554		

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