

SERVICE BULLETIN

Final FUTA Tax Rates for 2011 and Revised Form 940

November 23, 2011

The federal unemployment tax rates for 2011 have now been finalized (see table below).

FUTA Tax Rates					
State	Jan. - June 2011	July - Dec. 2011	State	Jan. - June 2011	July - Dec. 2011
AK	0.80%	0.60%	NC	1.10%	0.90%
AL	0.80%	0.60%	ND	0.80%	0.60%
AR	1.10%	0.90%	NE	0.80%	0.60%
AZ	0.80%	0.60%	NH	0.80%	0.60%
CA	1.10%	0.90%	NJ	1.10%	0.90%
CO	0.80%	0.60%	NM	0.80%	0.60%
CT	1.10%	0.90%	NV	1.10%	0.90%
DE	0.80%	0.60%	NY	1.10%	0.90%
DC	0.80%	0.60%	OH	1.10%	0.90%
FL	1.10%	0.90%	OK	0.80%	0.60%
GA	1.10%	0.90%	OR	0.80%	0.60%
HI	0.80%	0.60%	PA	1.10%	0.90%
IA	0.80%	0.60%	PR	0.80%	0.60%
ID	0.80%	0.60%	RI	1.10%	0.90%
IL	1.10%	0.90%	SC	0.80%	0.60%
IN	1.40%	1.20%	SD	0.80%	0.60%
KS	0.80%	0.60%	TN	0.80%	0.60%
KY	1.10%	0.90%	TX	0.80%	0.60%
LA	0.80%	0.60%	UT	0.80%	0.60%
MA	0.80%	0.60%	VA	1.10%	0.90%
MD	0.80%	0.60%	VI	1.10%	0.90%
ME	0.80%	0.60%	VT	0.80%	0.60%
MI	1.70%	1.50%	WA	0.80%	0.60%
MN	1.10%	0.90%	WI	1.10%	0.90%
MO	1.10%	0.90%	WV	0.80%	0.60%
MS	0.80%	0.60%	WY	0.80%	0.60%
MT	0.80%	0.60%			

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Employers in 20 states and the Virgin Islands (up from 3 states last year) with long-term UI loans must pay higher FUTA taxes for 2011.

The gross FUTA tax rate is 6.20% on the first \$7,000 of wages per worker for January through June of 2011, and 6.00% for July through December 2011. Employers usually receive a credit of 5.40% for paying state UI taxes timely, resulting in a net tax rate of 0.80% for January through June of 2011 and 0.60% for July through December of 2011. For employers in states with long-term UI loans, the 5.40% credit may be reduced in 0.30% increments.

South Carolina, which had a 0.30% credit reduction for 2010, qualified for a zero credit reduction for 2011 by taking legislative action to restore solvency to its state UI trust fund.

The Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, has been redesigned for 2011 to accommodate the mid-year change in FUTA rates. A copy of the new Form 940 and Schedule A is attached.

As always, please feel free to contact us if there are any questions.



Form **940 for 2011: Employer's Annual Federal Unemployment (FUTA) Tax Return**

Department of the Treasury — Internal Revenue Service

850111

OMB No. 1545-0028

(EIN) -

Employer identification number

Name (not your trade name)

Trade name (if any)

Address

Number Street Suite or room number

City State ZIP code

Type of Return
(Check all that apply.)

a. Amended

b. Successor employer

c. No payments to employees in 2011

d. Final: Business closed or stopped paying wages

Prior-year forms are available at www.irs.gov/form940.

Read the separate instructions before you complete this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank.

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation 1a

1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer 1b Check here. Complete Schedule A (Form 940).

2 If you paid wages in a state that is subject to CREDIT REDUCTION 2 Check here. Complete Schedule A (Form 940).

Part 2: Determine your FUTA tax before adjustments for 2011. If any line does NOT apply, leave it blank.

3 Total payments to all employees 3

4 Payments exempt from FUTA tax 4

Check all that apply: 4a Fringe benefits 4c Retirement/Pension 4e Other
4b Group-term life insurance 4d Dependent care

5 Total of payments made to each employee in excess of \$7,000 5

6 Subtotal (line 4 + line 5 = line 6) 6

7a Total taxable FUTA wages (line 3 - line 6 = line 7a) (see instructions) 7a

7b Line 7a FUTA wages paid before 7/1/2011 7b x .008 = 7c

7d Line 7a FUTA wages paid after 6/30/2011 7d x .006 = 7e

8 FUTA tax before adjustments (line 7c + line 7e = line 8) 8

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7a by .054 (line 7a x .054 = line 9). Go to line 12 9

10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), complete the worksheet in the instructions. Enter the amount from line 7 of the worksheet 10

11 If credit reduction applies, enter the amount total from Schedule A (Form 940) 11

Part 4: Determine your FUTA tax and balance due or overpayment for 2011. If any line does NOT apply, leave it blank.

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) 12

13 FUTA tax deposited for the year, including any overpayment applied from a prior year 13

14 Balance due (If line 12 is more than line 13, enter the excess on line 14.)
• If line 14 is more than \$500, you must deposit your tax.
• If line 14 is \$500 or less, you may pay with this return. (see instructions) 14

15 Overpayment (If line 13 is more than line 12, enter the excess on line 15 and check a box below.) 15

▶ You **MUST** complete both pages of this form and **SIGN** it. Check one: Apply to next return. Send a refund.

Next ▶

Name (not your trade name)

Employer identification number (EIN)

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a 1st quarter (January 1 – March 31) 16a .

16b 2nd quarter (April 1 – June 30) 16b .

16c 3rd quarter (July 1 – September 30) 16c .

16d 4th quarter (October 1 – December 31) 16d .

17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17) 17 Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number

Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS

No.

Part 7: Sign here. You MUST complete both pages of this form and SIGN it.

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 made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

X Sign your name here

Print your name here

Print your title here

Date / /

Best daytime phone

Paid preparer use only

Check if you are self-employed

Preparer's name PTIN

Preparer's signature Date / /

Firm's name (or yours if self-employed) EIN

Address Phone

City State ZIP code

Form 940-V, Payment Voucher

What Is Form 940-V?

Form 940-V is a transmittal form for your check or money order. Using Form 940-V allows us to process your payment more accurately and efficiently. If you have any balance due of \$500 or less on your 2011 Form 940, fill out Form 940-V and send it with your check or money order.

Note. If your balance is more than \$500, see *When Must You Deposit Your FUTA Tax?* in the Instructions for Form 940.

How Do You Fill Out Form 940-V?

Type or print clearly.

Box 1. Enter your employer identification number (EIN). Do not enter your social security number (SSN). If you do not have an EIN, you may apply for one online. Go to IRS.gov and click on the *Apply for an Employer Identification Number (EIN) Online* link. You may also apply for an EIN by calling 1-800-829-4933, or you can fax or mail Form SS-4, Application for Employer Identification Number. If you have not received your EIN by the due date of Form 940, write "Applied For" and the date you applied in this entry space.

Box 2. Enter the amount of your payment. Be sure to put dollars and cents in the appropriate spaces.

Box 3. Enter your business name and complete address exactly as they appear on your Form 940.

How Should You Prepare Your Payment?

- Make your check or money order payable to the *United States Treasury*. Do not send cash.
- On the memo line of your check or money order, write:
 - your EIN,
 - Form 940, and
 - 2011.
- Carefully detach Form 940-V along the dotted line.
- Do not staple your payment to the voucher.
- Mail your 2011 Form 940, your payment, and Form 940-V to the address shown in the table in the Instructions for Form 940.



▼ **Detach Here and Mail With Your Payment and Form 940.** ▼



Form **940-V**

Department of the Treasury
Internal Revenue Service

Payment Voucher

OMB No. 1545-0028

2011

▶ **Do not staple or attach this voucher to your payment.**

1 Enter your employer identification number (EIN).	2 Enter the amount of your payment. ▶	Dollars	Cents
		3 Enter your business name (individual name if sole proprietor). Enter your address. Enter your city, state, and ZIP code.	

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Chapter 23, Federal Unemployment Tax Act, of Subtitle C, Employment Taxes, of the Internal Revenue Code imposes a tax on employers with respect to employees. This form is used to determine the amount of the tax that you owe. Section 6011 requires you to provide the requested information if you are liable for FUTA tax under section 3301. Section 6109 requires you to provide your identification number. If you fail to provide this information in a timely manner or provide a false or fraudulent form, you may be subject to penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books and records relating to a form or instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others

as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 9 hr., 19 min.

Learning about the law or the form 1 hr., 23 min.

Preparing, copying, assembling, and sending the form to the IRS 1 hr., 36 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 940 simpler, we would be happy to hear from you. You can email us at taxforms@irs.gov. Enter "Form 940" on the subject line. Or write to: Internal Revenue Service, Tax Products Coordinating Committee, SD:W:CAR:MP:T:M:S, 1111 Constitution Avenue, NW, IR-6526, Washington, DC 20224. **Do not** send Form 940 to this address. Instead, see *Where Do You File?* in the Instructions for Form 940.

Schedule A (Form 940) for 2011:

860311

Multi-State Employer and Credit Reduction Information

OMB No. 1545-0028

Department of the Treasury — Internal Revenue Service

Employer identification number (EIN) -

Name (not your trade name)

See Instructions on back. File this schedule with Form 940.

Place an "X" in the box of every state in which you were required to pay state unemployment tax this year even if that state's credit reduction rate was zero. For states with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and then enter the credit reduction amount for that state. If any states do not apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
<input type="checkbox"/> AK	.		.	<input type="checkbox"/> NC	.		.
<input type="checkbox"/> AL	.		.	<input type="checkbox"/> ND	.		.
<input type="checkbox"/> AR	.		.	<input type="checkbox"/> NE	.		.
<input type="checkbox"/> AZ	.		.	<input type="checkbox"/> NH	.		.
<input type="checkbox"/> CA	.		.	<input type="checkbox"/> NJ	.		.
<input type="checkbox"/> CO	.		.	<input type="checkbox"/> NM	.		.
<input type="checkbox"/> CT	.		.	<input type="checkbox"/> NV	.		.
<input type="checkbox"/> DC	.		.	<input type="checkbox"/> NY	.		.
<input type="checkbox"/> DE	.		.	<input type="checkbox"/> OH	.		.
<input type="checkbox"/> FL	.		.	<input type="checkbox"/> OK	.		.
<input type="checkbox"/> GA	.		.	<input type="checkbox"/> OR	.		.
<input type="checkbox"/> HI	.		.	<input type="checkbox"/> PA	.		.
<input type="checkbox"/> IA	.		.	<input type="checkbox"/> RI	.		.
<input type="checkbox"/> ID	.		.	<input type="checkbox"/> SC	.		.
<input type="checkbox"/> IL	.		.	<input type="checkbox"/> SD	.		.
<input type="checkbox"/> IN	.		.	<input type="checkbox"/> TN	.		.
<input type="checkbox"/> KS	.		.	<input type="checkbox"/> TX	.		.
<input type="checkbox"/> KY	.		.	<input type="checkbox"/> UT	.		.
<input type="checkbox"/> LA	.		.	<input type="checkbox"/> VA	.		.
<input type="checkbox"/> MA	.		.	<input type="checkbox"/> VT	.		.
<input type="checkbox"/> MD	.		.	<input type="checkbox"/> WA	.		.
<input type="checkbox"/> ME	.		.	<input type="checkbox"/> WI	.		.
<input type="checkbox"/> MI	.		.	<input type="checkbox"/> WV	.		.
<input type="checkbox"/> MN	.		.	<input type="checkbox"/> WY	.		.
<input type="checkbox"/> MO	.		.	<input type="checkbox"/> PR	.		.
<input type="checkbox"/> MS	.		.	<input type="checkbox"/> VI	.		.
<input type="checkbox"/> MT	.		.				

Total credit reduction. Enter this amount on line 11 of Form 940

Instructions for Schedule A (Form 940) for 2011:

860411

Multi-State Employer and Credit Reduction Information

Specific Instructions: Completing Schedule A (Form 940)

Step 1. Check the box for every state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) in which you were required to pay state unemployment taxes this year even if the state's credit reduction rate is zero.

Note. Make sure that you have applied for a state unemployment number for your business. If you do not have an unemployment account number from a state in which you paid wages, contact the state office to receive one. For a listing of states and contact information, see the 2011 Instructions for Form 940.

For ease of reference, here is a list of the states and their 2-letter postal abbreviations.

State	Postal Abbreviation	State	Postal Abbreviation
Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
Arizona	AZ	Nevada	NV
Arkansas	AR	New Hampshire	NH
California	CA	New Jersey	NJ
Colorado	CO	New Mexico	NM
Connecticut	CT	New York	NY
Delaware	DE	North Carolina	NC
District of Columbia	DC	North Dakota	ND
Florida	FL	Ohio	OH
Georgia	GA	Oklahoma	OK
Hawaii	HI	Oregon	OR
Idaho	ID	Pennsylvania	PA
Illinois	IL	Puerto Rico	PR
Indiana	IN	Rhode Island	RI
Iowa	IA	South Carolina	SC
Kansas	KS	South Dakota	SD
Kentucky	KY	Tennessee	TN
Louisiana	LA	Texas	TX
Maine	ME	U.S. Virgin Islands	VI
Maryland	MD	Utah	UT
Massachusetts	MA	Vermont	VT
Michigan	MI	Virginia	VA
Minnesota	MN	Washington	WA
Mississippi	MS	West Virginia	WV
Missouri	MO	Wisconsin	WI
		Wyoming	WY

Step 2. You are subject to credit reduction if you paid wages in any state listed that has a credit reduction rate greater than zero.

If you paid wages in any states that are subject to credit reduction, find the lines where the states are listed and fill them in.

In the second box, enter the total FUTA taxable wages that you paid in that state. (Note that the FUTA wage base for all states is \$7,000.) **Do not use your state unemployment wages here.**

Then multiply the total taxable FUTA wages by the reduction rate.

Enter your total in the credit reduction box at the end of the line.

Step 3. Total credit reduction

To calculate the total credit reduction, add up all of the credit reduction boxes and enter the number in the total credit reduction box.

Then enter the total credit reduction onto line 11 of Form 940.

Example:

You paid \$20,000 in wages to each of three employees in State A. State A is subject to credit reduction at a rate of .003 (.3%). Because you paid wages in a state that is subject to credit reduction, you must fill out Schedule A (Form 940).

Total payments to all employees subject to unemployment insurance in State A	\$60,000
Payments exempt from FUTA tax	\$0
Total payments made to each employee in excess of \$7,000 (3 x (\$20,000 - \$7,000))	\$39,000
Total taxable FUTA wages you paid in State A entered in the FUTA Taxable Wages box (\$60,000 - \$0 - \$39,000)	\$21,000
Credit reduction rate for State A003
Total credit reduction for State A (\$21,000 x .003)	\$63

Caution. Do not include on the FUTA taxable wage line wages in excess of the \$7,000 wage base for each employee subject to unemployment insurance in the credit reduction state. The credit reduction applies only to taxable FUTA wages.

In this case, you would write \$63.00 in the Total credit reduction box and then enter that amount on line 11 of Form 940.

Attach Schedule A (Form 940) to Form 940 when you file your return.