

IRS recognizes Small Business Week: Resources available to help employers

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WASHINGTON — During National Small Business Week, the Internal Revenue Service wants small business owners to know that information and resources to help them understand and meet their tax obligations are available free at IRS.gov.

Small businesses play a pivotal role in our nation's economy. The IRS has a variety of resources available to help employers meet their tax responsibilities as well as help their employees.

IRS online resources can also help employers with things like how to determine if workers should be classified as employees or independent contractors, when employment taxes are due and what forms they need to file.

Employer Identification Number

An [Employer Identification Number](#), also known as a Federal Tax Identification Number is a must-have for a business. Applying for an EIN can be done [online](#) for free using an interview style application offered by the IRS. [Five Things to Know about the EIN](#) is a video that helps explain why it is critical the IRS has accurate and current information related to EINs or business accounts.

Employment taxes

It's important a small business [understand employment taxes](#) such as federal income tax, Social Security and Medicare taxes as well as Federal Unemployment (FUTA) Tax. Employers must regularly report wages, tips and other compensation paid to an employee by filing the required form(s) to the IRS.

Most employers use [Form 941, Employer's Quarterly Federal Tax Return](#) to report federal income tax withheld and both the employer and employee Social Security and Medicare taxes. The smallest employers (those whose annual liability for Social Security, Medicare and withheld federal income taxes is \$1,000 or less) file [Form 944, Employer's Annual Federal Tax Return](#), and agricultural employers file [Form 943, Employer's Annual Federal Tax Return for Agricultural Employees](#). Only the employer pays FUTA tax; it is not withheld from the employee's wages. Employers report their FUTA taxes by filing [Form 940, Employer's Annual Federal Unemployment \(FUTA\) Tax Return](#).

If businesses compensate non-employees for services, or pay rent, commissions, the fees of attorneys and other professionals, or [make certain other payments](#), businesses must obtain the Taxpayer Identification Number (TIN) of the payee *before* making the payment. If businesses don't have the payee's TIN at the time payment is made, businesses must withhold 24% from the payment as backup withholding. A payer is liable for backup withholding even if the tax is not deducted from the payment. Payers may use [Form W-9](#) to request the payee's TIN. Payers use [Form 945, Annual Return of Withheld Income Tax](#), to report backup withholding.

[There are two deposit schedules for employment taxes withheld and the employer's match](#) – monthly and semi-weekly. Before the beginning of each calendar year, employers must determine which of the two deposit schedules they're required to use. To determine the businesses' payment schedule, review [Publication 15](#) for Forms 941, 944 and 945, or [Publication 51](#) for Form 943. Deposits for FUTA Tax (Form 940) are required for the quarter within which the tax due exceeds \$500. The tax must be deposited by the end of the month following the end of the quarter. Small business taxpayers **must** use electronic funds transfer ([EFTPS](#)) to make all federal tax deposits. See the [Employment Tax Due Dates](#) page for information on when deposits are due.

Estimated tax payments

[Taxes are pay-as-you-go](#). This means taxpayers need to pay most of their tax during the year, as they receive income, rather than paying at the end of the year.

Small business owners, sole proprietors, partners and S corporation shareholders who don't have tax withheld from their earnings need to make [estimated tax payments](#), usually quarterly. Anyone who [pays too little tax \(.pdf\)](#) or does not pay on-time, may owe a penalty.

Hiring others to prepare payroll

To meet payroll and employment tax responsibilities, many businesses hire a [payroll and payroll tax company](#). Most of these businesses provide quality service, however, sometimes a payroll service provider doesn't submit their client's payroll taxes and closes abruptly. The client remains legally responsible for paying the taxes due even if they sent funds for deposits or payments to the payroll service provider. [The IRS urges employers to choose carefully when selecting a payroll provider](#). The IRS also encourages employers to enroll in the [Electronic Federal Tax Payment System](#) (EFTPS). It's free and when deposits are made under their EIN, it lets them monitor that their payroll service provider is making their tax deposits.

Small businesses can share the word with employees about Child Tax Credit

Due to the COVID-19 pandemic, new legislation was enacted to aid not only struggling business owners, but also individuals. Employers have direct access to people who may be eligible for advance Child Tax Credit payments. As part of its ongoing effort to help eligible people access advance Child Tax Credit payments and the increased Child Tax Credit for the 2021 tax year; IRS will be encouraging employers to help spread the word during National Small Business Week 2021.

Materials for employers and others who can help are available on the IRS website at [2021 Child Tax Credit and Advance Child Tax Credit Payments: Resources and Guidance](#). This is part of a larger effort underway at the IRS to reach people eligible for the payments and other credits. Individuals can check their eligibility for the advance payments by using the [Advance Child Tax Credit Eligibility Assistant](#).

More information

Online IRS resources available to small businesses to learn their employer tax responsibilities include:

- The [Small Business and Self-Employed Tax Center](#) features links to a variety of useful tools, a downloadable tax calendar and common forms with instructions.
- The [IRS Tax Calendar for Businesses and Self-employed](#) has important tax dates, including federal tax deposit due dates.
- The [Self-Employed Individuals Tax Center](#) is for sole proprietors and others who are in an independent trade, business or profession.
- The [Gig Economy Tax Center](#) can help people find answers to tax questions, as well as helpful tips and tax forms for business taxpayers.
- Information on IRS.gov may also be available in Spanish, Vietnamese, Chinese (Simplified and Traditional), Korean, Russian as well as Haitian Creole.
- [IRS social media](#) channels have helpful video and audio presentations.
- IRS2Go is a free mobile app to find free tax help, watch IRS YouTube videos and get IRS Tax Tips by email in [English](#) and [Spanish](#).
- The [IRS YouTube Video Channel](#) has videos for small businesses on the [small business playlist](#), with videos available in [English](#), [Spanish](#) and [American Sign Language](#).
- [Small Business Taxes: The Virtual Workshop](#) has interactive lessons designed to help new small business owners learn their tax rights and responsibilities.