

## CHANGES TO FORM 941

### USER GUIDE

The COVID-19 related credit for qualified sick and family leave wages has been extended and amended. The American Rescue Plan Act of 2021 (the ARP) adds new sections 3131, 3132, and 3133 to the Internal Revenue Code to provide credits for qualified sick and family leave wages similar to the credits that were previously enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020. The credits under sections 3131 and 3132 are available for qualified leave wages paid for leave taken after March 31, 2021, and before October 1, 2021.

Based on [Instructions for Form 941](#), the following changes have been made to Form 941 on how the qualified sick and family leave wages and the corresponding tax credits are reported.

Changes to Part 1:

- **Additional instructions for Lines 5a, 5a(i), and 5a(ii) were added:** "Include taxable qualified sick and family leave wages for leave taken after March 31, 2021, on line 5a. Use lines 5a(i) and 5a(ii) only for wages paid after March 31, 2020, for leave taken before April 1, 2021."
- **Line 11b:** Nonrefundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021. This line previously was used to report the nonrefundable portion of the credits regardless of when the attributable leave was taken.
- **Line 11d:** Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021. This line previously was used to report the total amount of nonrefundable credits.
- **Line 11e (new):** Nonrefundable portion of COBRA premium assistance credit.
- **Line 11f (new):** Number of individuals provided COBRA premium assistance.
- **Line 11g (new):** Total nonrefundable credits. Add lines 11a, 11b, 11c, 11d, and 11e.
- **Line 12:** This line was revised to report the result of subtracting the amount on Line 11g from Line 10. Previously, the line required subtracting the amount on Line 11d from Line 10.
- **Line 13c:** Refundable portion of credit for qualified sick and family leave wages for leave taken before April 1, 2021. This line previously was used to report the refundable portion of the credits regardless of when the attributable leave was taken.
- **Line 13e:** Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021. This line previously was used to report the total amount of deposits and refundable credits.
- **Line 13f:** Refundable portion of COBRA premium assistance credit. This line previously was used to report total advances received from filing Form(s) 7200 for the quarter.

- **Line 13g:** Total deposits and refundable credits. Add lines 13a, 13c, 13d, 13e, and 13f. This line previously was used to report total deposits and refundable credits less advances.
- **Line 13h (new):** Total advances received from filing Form(s) 7200 for the quarter. This information previously was reported using Line 13f.
- **Line 13i (new):** Subtract line 13h from line 13g to determine total deposits and refundable credits less advances. This information previously was reported using Line 13g and was determined by subtracting the amount from Line 13f from Line 13e.

Changes to Part 3:


**Line 18a (new):** Check the box if you're a seasonal employer and you don't have to file a return for every quarter of the year.

- **Line 18b (new):** Check the box if you're eligible for the employee retention credit solely because your business is a recovery startup business.
- **Line 19:** Qualified health plan expenses allocable to qualified sick leave wages for leave taken before April 1, 2021. This line previously was used to report qualified health plan expenses allocable to qualified sick leave wages regardless of when the attributable leave was taken.
- **Line 20:** Qualified health plan expenses allocable to qualified family leave wages for leave taken before April 1, 2021. This line previously was used to report qualified health plan expenses allocable to qualified family leave wages regardless of when the attributable leave was taken.
- **Line 22:** This line was revised to clarify that it is to be used to report qualified health plan expenses for the employee retention credit.
- **Line 23:** Qualified sick leave wages for leave taken after March 31, 2021. This line previously was used to report the amount of the credit from Form 5884-C, line 11, for the reported quarter.
- **Line 24:** Qualified health plan expenses allocable to qualified sick leave wages reported on Line 23. This line previously was indicated as reserved for future use.
- **Line 25:** Amounts under certain collectively bargained agreements allocable to qualified sick leave wages reported on Line 23. This line previously was indicated as reserved for future use.
- **Line 26 (new):** Qualified family leave wages for leave taken after March 31, 2021.
- **Line 27 (new):** Qualified health plan expenses allocable to qualified family leave wages reported on line 26.
- **Line 28 (new):** Amounts under certain collectively bargained agreements allocable to qualified family leave wages reported on line 26.

Use **Worksheet 3** (see Figure 12) to figure the credit for leave taken after March 31, 2021.

 **Note:** Refer to the updated [Instructions for Form 941](#) document from the Internal Revenue Service for more information.

**Worksheet 3. Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021**

Keep for Your Records 


Determine how you will complete this worksheet. (If you're a third-party payer, you must complete this worksheet for each client for which it is applicable, on a client-by-client basis.)  
 If you paid qualified sick leave wages and/or qualified family leave wages this quarter for leave taken after March 31, 2021, complete Step 1 and Step 2.  
**Caution:** Use Worksheet 1 to figure the credit for qualified sick and family leave wages for leave taken before April 1, 2021.

<b>Step 1. Determine the employer share of Medicare tax</b>		
1a	Enter the amount of Medicare tax from Form 941, Part 1, <a href="#">line 5c</a> , column 2	1a _____
1b	Multiply line 1a by 50% (0.50)	1b _____
1c	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of Medicare tax included on Form 941, Part 1, <a href="#">line 8</a> (enter as a positive number)	1c _____
1d	Subtract line 1c from line 1b	1d _____
1e	If you received a Section 3121(q) Notice and Demand during the quarter, enter the amount of the employer share of Medicare tax from the notice	1e _____
1f	<b>Employer share of Medicare tax.</b> Add lines 1d and 1e	1f _____
<b>Step 2. Figure the sick and family leave credit</b>		
2a	Qualified sick leave wages for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 23</a> )	2a _____
2a(i)	Qualified sick leave wages included on Form 941, Part 3, line 23, that were not included as wages reported on Form 941, Part 1, lines 5a and 5c, because the qualified sick leave wages were excluded from the definition of employment under sections 3121(b)(1)-(22)	2a(i) _____
2a(ii)	Subtract line 2a(i) from line 2(a)	2a(ii) _____
2a(iii)	Qualified sick leave wages included on Form 941, Part 3, line 23, that were not included as wages reported on Form 941, Part 1, line 5a, because the qualified sick leave wages were limited by the social security wage base	2a(iii) _____
2a(iv)	Subtract line 2a(iii) from line 2a(ii)	2a(iv) _____
2b	Qualified health plan expenses allocable to qualified sick leave wages for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 24</a> )	2b _____
2c	Amounts under certain collectively bargained agreements allocable to qualified sick leave for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 25</a> )	2c _____
2d	Employer share of social security tax on qualified sick leave wages. Multiply line 2a(iv) by 6.2% (0.062)	2d _____
2e	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2e _____
2f	<b>Credit for qualified sick leave wages.</b> Add lines 2a, 2b, 2c, 2d, and 2e	2f _____
2g	Qualified family leave wages for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 26</a> )	2g _____
2g(i)	Qualified family leave wages included on Form 941, Part 3, line 26, that were not included as wages reported on Form 941, Part 1, lines 5a and 5c, because the qualified family leave wages were excluded from the definition of employment under sections 3121(b)(1)-(22)	2g(i) _____
2g(ii)	Subtract line 2g(i) from line 2(g)	2g(ii) _____
2g(iii)	Qualified family leave wages included on Form 941, Part 3, line 26, that were not included as wages reported on Form 941, Part 1, line 5a, because the qualified family leave wages were limited by the social security wage base	2g(iii) _____
2g(iv)	Subtract line 2g(iii) from line 2g(ii)	2g(iv) _____
2h	Qualified health plan expenses allocable to qualified family leave wages for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 27</a> )	2h _____
2i	Amounts under certain collectively bargained agreements allocable to qualified family leave for leave taken after March 31, 2021 (Form 941, Part 3, <a href="#">line 28</a> )	2i _____
2j	Employer share of social security tax on qualified family leave wages. Multiply line 2g(iv) by 6.2% (0.062)	2j _____
2k	Employer share of Medicare tax on qualified family leave wages. Multiply line 2g(ii) by 1.45% (0.0145)	2k _____
2l	<b>Credit for qualified family leave wages.</b> Add lines 2g, 2h, 2i, 2j, and 2k	2l _____
2m	<b>Credit for qualified sick and family leave wages.</b> Add lines 2f and 2l	2m _____
2n	<b>For second quarter of 2021 only,</b> enter any employee retention credit claimed under section 2301 of the CARES Act (from Worksheet 2, line 2d) with respect to any wages taken into account for the credit for qualified sick and family leave wages for the quarter	2n _____
2o	Enter any credit claimed under section 41 for increasing research activities with respect to any wages taken into account for the credit for qualified sick and family leave wages	2o _____
2p	Add lines 2n and 2o	2p _____
2q	<b>Credit for qualified sick and family leave wages after adjusting for other credits.</b> Subtract line 2p from line 2m	2q _____
2r	<b>Nonrefundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021.</b> Enter the smaller of line 1f or line 2q. Enter this amount on Form 941, Part 1, line 11d	2r _____
2s	<b>Refundable portion of credit for qualified sick and family leave wages for leave taken after March 31, 2021.</b> Subtract line 2r from line 2q and enter this amount on Form 941, Part 1, line 13e	2s _____

**Worksheet 3 (Credit for Qualified Sick and Family Leave Wages for Leave Taken After March 31, 2021)**

Depending on your data condition, perform the following after you have downloaded and installed the **Payroll Tax Subscription Program** (Version # 2020.10 or higher).

- I. If you have installed the **American Rescue Plan Enhancement Package** and set up master records (e.g., paid leave codes, earning codes, employee records) as directed, then perform the following:
    1. Generate the **QTD Tax Withholdings Report** for a specific quarter (2<sup>nd</sup> Quarter or later) and take note of the following from the **Total for this Report** section of the report:
      - **FICA Gross**
      - **FICA W/H**
      - **Match FICA**
    2. Generate the **941/Schedule B/941-V Report** from the **Tax Forms** function for the same quarter as generated in the **QTD Tax Withholdings Report** and verify the values in the following fields:
      - **Taxable social security wages reported on regular pay**
      - **5a Taxable social security wages**
      - **5b Taxable social security tips**
      - **Total Qualified sick leave wages**
      - **Total Qualified family leave wages**
  3. Compare the values in Form 941 with the values in the **QTD Tax Withholdings Report**.
    - The total of Column 1 for **5a** and **5b** fields in Form 941 should match with the **FICA Gross** in the **QTD Tax Withholdings Report**.
    - The total of Column 2 for **5a** and **5b** fields in Form 941 should match with the total of **FICA WH** and **Match FICA** in the **QTD Tax Withholdings Report**.
- II. If you have installed the **American Rescue Plan Enhancement Package** but did **not** set up master records (e.g., paid leave codes, earning codes, employee records) as directed, then call Technical Support at 707-774-7599 or e-mail <<mailto:bpsupport@accountmate.com>>. Our Technical Support staff will assist you on how to populate the above Form 941 fields.
  - III. If you have not installed the **American Rescue Plan Package**, then call Technical Support at 707-774-7599 or e-mail <<mailto:bpsupport@accountmate.com>>. Our Technical Support staff will assist you on how to populate the above Form 941 fields.

 **Note:** Refer to the [American Rescue Plan Act of 2021 Enhancement User Guide](#) for more information about how the ARP enhancement was implemented in AccountMate.