

Federal Tax Liability

What makes up your Federal Tax Liability?

- Employee Federal Tax Withholding (FITW)
- Employee (EE) Old Age Survivors Disability Insurance (OASDI) commonly known as Social Security (SS) and Medicare (MED) tax withholding
- Employer (ER) OASDI/Social Security (SS-R) and Medicare (MED-R) tax withholding

What is the Next-Day Rule?

The IRS \$100,000 Next-Day Deposit Rule - Regardless of whether you are a monthly schedule depositor or a semiweekly schedule depositor, if you accumulate federal taxes of \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next business day after you accumulate the \$100,000.

What does this mean for you?

When any payroll, or a combination of payrolls within an assigned deposit period, has a federal tax liability amount of \$100,000 or more, the \$100,000 Next-Day Deposit Rule applies. This means the IRS requires that the tax be paid by the next banking day.

How do I determine if my federal liability is \$100,000 or more?

1. Prior to submitting your payroll, run a preprocess register.
2. Go to the totals on the last page.
3. Add the employee OASDI (SS) and employee Medicare (MED) withholding amounts and multiply by 2. Multiplying by 2 accounts for the employer portion of the tax.
4. Add this amount to the employee federal withholding (FITW).
5. The result will be your federal tax liability.

Example:

Report Totals								
	Code	Earning	Hours	Amount	Code	Tax	Taxable	Amount
Employees	17	Retro		10,220.00	FITW	Federal I	283,230.16	97,236.06
Female	12	1Sal Salary	319.50	20,300.00	MA	Massachus	283,230.16	14,184.83
Male	5	RB403b RB403b		1,160.40	MAFLI-	MA Family	191,758.00	105.48
Chks/Vchrs	18	Clean		80.00	MAPML-	MA Medica	193,358.00	599.41
Female	13	OnCall		100.00	MED	Medicare	283,664.21	4,572.13
Male	5	Travel Travel		50.00	SS	OASDI	192,864.21	11,957.58
		ERMed ERMed		55.20	CT	Connectic	2,995.00	165.28
		Holi Holiday	16.00	158.00				
		2Reg Regular	68.00	2,120.00				
		CashBo CashBonus		500.00				
		OT Overtime	10.00	270.00				
		Vaca Vacation	20.00	360.00				
		Bonus Bonus		250,000.00				
		Total Earnings	433.50	284,158.00	Total Taxes			128,820.77

(MED) \$4,572.13 + (SS) \$11,957.58 = \$16,529.71 x 2 = \$33,059.42 EE & ER SS/MED Tax Liability
 \$33,059.42 + (FITW) \$97,236.06 = \$130,295.48 Federal Tax Liability

If you continue to process payroll two business days prior to the check date, the total payroll liability will need to be wired to Checkwriters no later than 12:00 pm EST the day prior to your check date.

If you wish to maintain the standard ACH funding procedure, your payroll must be processed at least 5 business days prior to the check date.