

VOLUME 29 • ISSUE 2  
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## COVID-19's Impact on Form 941

The Internal Revenue Service (IRS) released the draft copy of Form 941, Employer's Quarterly Federal Tax Return, on April 29th, 2020. The changes provide the ability to report/reconcile the FFRCA and CARES Act Tax Credits, including advance payments credits reported on the Form 7200.

### Form 941 Implementation Within PenSoft Payroll

The substantial changes present numerous challenges due to much of the information for the new data fields is outside of PenSoft Payroll. The goal is to have an update available before the second-quarter reporting due date of July 31, 2020. Per the IRS, Schedule B will not be updated, just the instructions for how to incorporate the new data elements for reporting the tax liability for semi-weekly scheduled depositors. The IRS has not provided a timeline for the availability of the final form and until the IRS finalizes the form, PenSoft cannot make the changes accessible in PenSoft Payroll.

### New 2020 Form 941 For Use in 2nd-4th Quarters

## Employer Quarterly Federal Tax Return New Data Fields

The employment return expanded to three pages with the addition of fifteen new data element lines outlined below.

1. Lines 5a (i) - Qualified sick leave wages
2. Lines 5a (ii) - Qualified family leave wages
3. Line 11b - Nonrefundable portion of credit for qualified sick & family leave wages from Worksheet 1
4. Line 11c - Nonrefundable amount of employee retention credit from Worksheet 1
5. Line 13b - The deferred amount of the employer share of Social Security tax
6. Line 13c - Refundable amount of credit for qualified sick & family leave wages from Worksheet 1
7. Line 13d - Refundable amount of employee retention credit from Worksheet 1
8. Line 13f - Total advances received from filing Form(s) 7200 for the quarter
9. Line 19 - Qualified health plan expenses allocable to qualified sick leave
10. Line 20 - Qualified health plan expenses allocable to qualified family leave wages

See **Form 941** page 3

## CARES Act: Economic Impact Payment

Did you miss PenSoft's last webinar? The complete recording and presentation handout are available on-demand!

PenSoft hosted panelists Karen Brehmer and Herbert Ley Mills of the Internal Revenue Service to discuss the CARES Act and details of the Economic Impact Payment.

Our attendees had a great time – it was fantastic the number of questions that were submitted for the Q & A session.

If you were not able to join us on May 28th, don't worry! You can now access the webinar recording and the presentation slides online. Go to the link below in your web browser for exclusive access

<https://attendee.gotowebinar.com/register/5125831256933395982?source=Newsletter>

Don't miss this opportunity to learn about the CARES Act and Economic Impact Payment directly from the IRS. Access to

the event will expire June 30th, 2020.

Watch your in-box for announcements of our upcoming events.

### Webinar Available On-Demand!

In observance of  
Independence Day,  
PenSoft will be closed  
Friday, July 3rd.

In observance of Labor  
Day, PenSoft will  
be closed Monday,  
September 7th.



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Leroy Newman  
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## President's Corner

COVID-19 has caused havoc throughout the business community. Several industries have been closed, many more are at reduced

capacity and other companies are uncertain about being in a financial position to open again after the pandemic subsides. It is the most difficult time recorded for businesses in recent history and the pandemic is far from over.

We are here to serve you and your payroll needs. PenSoft is a stable and financially secure company now in our 31st year developing, producing, distributing and supporting PenSoft Payroll. We ended 2019 with the highest renewal rate in our history and are busy preparing the 2021 software for release on December 21, 2020.

Throughout the COVID-19 pandemic PenSoft has been in a modified configuration but able to keep all our employees and serve our customers. To maintain social distancing, we dispersed our employees to work from home beginning March 23rd. There has been plenty of work for them with preparing and testing 2021 PenSoft Payroll,

making changes to the 2020 software as well as designing and developing the next generation PenSoft Payroll.

We wish you and yours the best. Stay safe and healthy.

### COVID-19 and Payroll

Stay in compliance with the latest news on the impact of COVID-19 on payroll. Below is a list of knowledge database documents answering the questions our Customer Relations routinely receive and the IRS dedicated webpage of resource information for businesses and employers.

#### Knowledge Database

- Families First Coronavirus Response Act. Emergency sick leave information from APA News. [www.pensoft.com/support/kdbshow?Doc=1576](http://www.pensoft.com/support/kdbshow?Doc=1576)
- Form 7200. Advance Payment of Employer Credits Due to COVID-19. [www.pensoft.com/support/kdbshow?Doc=1579](http://www.pensoft.com/support/kdbshow?Doc=1579)
- Paid Sick Leave for Workers. The act allows employees to receive up to 80 hours of paid sick leave based on the regulations set forth by the government. [www.pensoft.com/support/kdbshow?Doc=1581](http://www.pensoft.com/support/kdbshow?Doc=1581)
- Paycheck Protection Program. Information on the PPP loan program. [www.pensoft.com/support/kdbshow?Doc=1578](http://www.pensoft.com/support/kdbshow?Doc=1578)

### Internal Revenue Service (IRS)

Interim Guidance for Businesses and Employers

[www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html](http://www.cdc.gov/coronavirus/2019-ncov/community/guidance-business-response.html)

PenSoft stands ready to support and help you during these challenging times!

If you cannot find information related to your question online, please call 757-873-1199 to speak to a member of the customer relations team or email us at [support@pensoft.com](mailto:support@pensoft.com).

#### Employees:

Edie McAllister, Administrative Assistant, retired after ten years at PenSoft on May 29, 2020. Her duties were widespread from answering customer calls to fulfilling product and check orders. Edie was professional in every sense of the word. She was most helpful to customers calling with either questions or orders. Edie produced and packaged customer preprinted check orders, prepared receipts and packaged newsletters for distribution.

We wish Edie the very best health and happiness in her retirement. Thanks for your 10 years of dedicated service to PenSoft and congratulations!

## 2021

2021 PenSoft Payroll will be available for download December 21, 2020.

Renew Easily:

**Phone** at 888-PENSOFT (888-736-7638)

**Online** at [www.pensoft.com/customers/renewal.aspx](http://www.pensoft.com/customers/renewal.aspx)

## 2020

Prepaid 2020 tax forms will ship on or before November 16, 2020.

Order:

**Phone** at 888-PENSOFT (888-736-7638)

**Online** at [www.pensoft.com/taxforms/taxforms](http://www.pensoft.com/taxforms/taxforms)

## Q&A

**Q.** When our employees are on official FMLA leave they do not accrue PTO. How do I setup PenSoft Payroll to not accrue leave when the employee is out on FMLA?

**A.** Coordinate with Human Resources or management as to the date accrued leave will be reinstated. Then in the employee's leave area, set the effective date to begin accruing leave on the anticipated return date.

- Click Personnel
- Click Employees
- Highlight the desired employee
- Click Setup
- Click Leave under Payroll Setup
- Highlight the desired leave type
- Click Modify
- Check the option "Use a start date for this type of leave"
- Enter the leave date or click calendar to set effective date
- Click OK
- Click Close

**Q.** The employer received a Section 3121(q) Notice and Demand letter requiring the deposit of the employer's share of the FICA tax liability as a result of an employee's under-reported tips income. How is the amount entered on Line 5f of the Form 941?

**A.** To access line 5f of the Form 941:

- Click Reports
- Click Payroll Reports
- Click Federal Tax Reports
- Click Form 941
- Select the desired reporting period
- Click Setup on the 941 report screen
- Click Adjustments on the Form 941 Setup screen
- Enter the amount per the IRS notice in the "Tax on unreported tips" field
- Enter effective date of the adjustment
- Click OK

**Q.** An employee submitted a 2020 Form W-4 with the value in step 3 not being divisible by the values listed on the form. Should the Form W-4 be rejected?

**A.** PenSoft cannot provide tax advice, but per the instructions for the 2020 Form W-4 employees can include other tax credits in this step, such as education tax credits and the foreign tax credit. The employee, not the employer, is responsible for the accuracy of the information entered on the form.

### Form 941, continued from page 1

11. Line 21 - Qualified wages for the employee retention credit
12. Line 22 - Qualified health plan expenses allocable to wages reported on Line 21
13. Line 23 - Credit from Form 5884-C, Line 11, for this quarter
14. Line 24 - Qualified wages paid March 13th through March 31st, 2020, for the employee retention credit (used only for second-quarter filing)
15. Line 25 - Qualified health plan expenses allocable to wages reported on line 24 (used only for second-quarter filing)

### Worksheet 1 – Credit for Sick/Family Leave Wages and Employee Retention Credit

Employers need to complete the worksheet to quantify the refundable and nonrefundable components of the credits, including many sub-steps that guide employers through the complex calculations.

#### Step 1

Calculates the employer share of social security tax this quarter after it is reduced by credits claimed on Form 5584-C or Form 8974.

#### Step 2

Calculates the sick and family leave credit.

#### Step 3

Calculates the employee retention credit.

Employers that paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit during the quarter, complete Step 1, Step 2, and Step 3.

Employers that paid qualified sick and family leave wages this quarter but did not pay any qualified wages for purposes of the employee retention credit during the quarter, complete Step 1 and Step 2.

Employers that paid qualified wages for purposes of the employee retention credit this quarter but did not pay any qualified sick and family leave wages during the quarter, complete Step 1 and Step 3.

## Deferral of Employer Social Security Tax

Important to understand is the deferral of the employer share of social security tax applies only for deposits due on or after March 27, 2020 through December 31, 2020. Businesses having received a Paycheck Protection Program (PPP) Loan, upon the business loan being forgiven, the deposits and payments of the employer share of social security tax are no longer eligible to be deferred.

## Resources

Several government agencies provide guidance relating to coronavirus (COVID-19) for businesses and tax-exempt entities on their websites. The links below are provided based on customer support inquiries related to available loans, tax credits, required paid leave, and the deferral of employment tax deposits and payments.

### Internal Revenue Service

#### COVID-19-Related Tax Credits for Required Paid Leave Provided by Small and Midsize Businesses

[www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs](http://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs)

#### Deferral of Employment Tax Deposits and Payments

[www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020](http://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020)

### The Small Business Association

#### Paycheck Protection Program

[www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program](http://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program)

### PenSoft Knowledge Database

#### Advance Payment of Employer Credits Due to COVID-19 Form 7200

[www.pensoft.com/support/kdbshow?Doc=1579](http://www.pensoft.com/support/kdbshow?Doc=1579)

#### FFCRA-Employee Paid Leave

[www.pensoft.com/support/kdbshow?Doc=1581](http://www.pensoft.com/support/kdbshow?Doc=1581)

The laws and regulations regarding COVID-19 are complex and rapidly changing. The information contained in this article is intended as general information only. It does not carry the force of legal opinion; we recommend consulting your legal/tax counsel to obtain guidance specific to your circumstance.

PenSoft continues to work closely with the IRS and other government agencies to help keep PenSoft customers informed. When we get new information on changes impacting payroll, we will share the information via our website, e-mail, and on the PenSoft blog. Subscribe to PenSoft's blog to automatically keep up-to-date on payroll issues [www.PenSoftBlog.com](http://www.PenSoftBlog.com).

## COVID-19 KDB Resources

Families First Coronavirus Response Act. Emergency sick leave information from APA News.

[www.pensoft.com/support/kdbshow?Doc=1576](http://www.pensoft.com/support/kdbshow?Doc=1576)

Form 7200. Advance Payment of Employer Credits Due to COVID-19 information.

[www.pensoft.com/support/kdbshow?Doc=1579](http://www.pensoft.com/support/kdbshow?Doc=1579)

Paid Sick Leave for Workers. The Families First Coronavirus Response Act was signed on March 20, 2020. The act allows employees to receive up to 80 hours of paid sick leave based on the regulations set forth by the government.

[www.pensoft.com/support/kdbshow?Doc=1581](http://www.pensoft.com/support/kdbshow?Doc=1581)

Paycheck Protection Program. Information on the PPP loan program

[www.pensoft.com/support/kdbshow?Doc=1578](http://www.pensoft.com/support/kdbshow?Doc=1578)

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