On April 30, 2020, the Internal Revenue Service (IRS) released a draft of Form 941, Employer’s QUARTERLY Federal Tax Return, and accompanying instructions. The revised Form 941 includes various additional entries to report and reconcile payroll tax credits and deferral opportunities available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Families First Coronavirus Response Act (FFCRA). The form is expected to be available for use by employers beginning with the second quarter of 2020.

As anticipated, the draft version of Form 941 requires an employer to report any employment taxes retained by the employer in anticipation of refundable tax credits or the deferral opportunity, as well as to report any advances received from filing Form 7200, Advance Payment of Employer Credits Due to COVID-19, for the quarter.
The new fields in part one of the draft Form 941 require employers to provide information pertaining to:

- qualified sick leave wages (line 5a(i));
- qualified family leave wages (line 5a(ii));
- the nonrefundable portion of tax credits as calculated in Worksheet 1 (lines 11b and 11c);
- the deferred amount of the employer share of social security tax (line 13b);
- the refundable portion of tax credits as calculated in Worksheet 1 (lines 13c and line 13d); and
- advances received from filing Form 7200 for the quarter (line 13f).

Further, the new entries in part three of the draft Form 941 require employers to provide information in connection with:

- qualified health plan expenses allocable to qualified leave wages under the FFCRA (lines 19 and line 20);
- qualified wages for the employee retention credit under the CARES Act (line 21);
- qualified health plan expenses allocable to qualified employee retention credit wages (line 22);
- credit received from filing Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans, for the quarter (line 23); and
- qualified wages for the employee retention credit and allocable health plan expenses paid during the first quarter from March 13 through March 31, 2020, to be used only on the second quarter filing of Form 941 (lines 24 and 25).

In addition, the IRS has indicated that an employer reporting tax credits under the CARES Act and/or FFCRA will be required to complete Worksheet 1, Credit for Sick and Family Leave Wages and the Employee Retention Credit. The three-step worksheet enables employers to quantify the refundable and nonrefundable components of the credits, including many sub-steps that guide an employer through the complex calculations.

The IRS is expected to release the final version of the Form 941 before the end of the second quarter (i.e., June 30, 2020), with second quarter Forms 941 being due by July 31, 2020.
