



# **The Scoop**

## **Tax Update**

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**Form 940 and 944  
revised**

### **IRS Plans Major Revision of Form 940, New Form 944 for 2006**

At the American Payroll Association's 23<sup>rd</sup> Annual Congress on May 2, the IRS circulated "vision drafts" of a revised Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; a new Schedule A (Form 940), Multi-State Employer and Credit Reduction Information; and a new Form 944, Employer's Annual Federal Tax Return. Michael Chessman, Director of the IRS' Office of Taxpayer Burden Reduction, says the draft forms and related instructions will be shared with APA within the next couple of weeks.

The forms should be used beginning with tax year 2006 (filing due date of January 31, 2007), according to Carole Barnette, IRS' Review Chief, TE/GE and Specialty Business Forms and Publications. At press time, the IRS was not yet projecting a release date for the final version of the new forms.

The form and instructions have been revised so that they are easier to read and fill out. At the same time, the new design makes the form easier and faster for the IRS to process. The redesigned form replaces previous versions of both Form 940 and Form 940-EZ. Those two forms have been replaced with one form. If you filed Form 940-EZ before, you will use the redesigned form 940. Benefits of the new form include:

1. No more need to determine which form to use
2. All advantages of 940-EZ retained.
3. Reduced burden on current "long term" filers.
4. Eight parts with visual cues.
5. Instructions on form itself in most cases, including mathematical equations to guide computation.
6. No more A,B, C questions.
7. New boxes for successor employers, final returns, and amended returns.
8. Will promote accuracy and reduce unnecessary correspondence
9. Check boxes capture most common types of exempt payments

# News from other states



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## Missouri

Missouri is expected to miss Federal Loan Repayment. Employers may lose FUTA credit. The Missouri legislature was unable to come to agreement on technical amendments to the Missouri unemployment law needed to issue bonds to re-pay federal advances this year. As a result, the state will not be able to repay federal loans within the time limits set by federal law in order to avoid a loss of FUTA credit. Missouri has until November 10, 2005 to repay the first installment of these loans. However, without the required legislation, it does not appear that tax revenues alone will be sufficient to meet this obligation

## New York

The New York Court of Appeals, the state's highest court, has upheld New York's authority to tax all the income of a telecommuter who spent about 25 percent of his workdays at the offices of his New York employer and about 75 percent at his home office in Tennessee. The "convenience of the employer" test is constitutional in this case. Under the convenience test, a nonresident employee of New York who performs services for his or her employer both inside and outside of New York may apportion income based on the number of working days actually employed within New York as long as the work is done out-of-state for the employer's necessity, and not the employee's convenience. This case has received a lot of media attention because of its negative implications for telecommuting.

## Florida

Effective 5-2-05, the minimum wage will be \$6.15 an hour and the tip credit will be \$3.02 an hour. Last November, voters approved an amendment to the Florida Constitution enacting a state minimum wage and a tip credit provision.

## North Dakota

Effective 8-1-05, the administrative fee that a creditor must pay an employer when a garnishment summons is served increases to \$25 from \$10.

## Virginia

Effective 7-1-05, the maximum amount of an employee's disposable earnings that can be garnished to repay a debt is the lesser of 25% of the disposable earnings for the week or the amount by which the disposable earnings for the week exceed 40 times (currently 30 times) the federal minimum hourly wage.