Form 943 Covid-19 Related Tax Credits

Background

Shortly after the Covid-19 wage tax credits were passed by Congress, Datatech provided a method to set up wage types to track wages paid that could be taken as a credit.

The procedures recommended would allow you to track these wage tax credits. However, the software does not determine the eligibility of employees to receive these credits. Nor does it track any limits on wages paid using the Covid-19 wage type. If there are limits on the rate of pay, weekly totals, or number of hours, you must observe those limits when categorizing the wages under the Covid-19 wage type.

On the Federal Form 943, there are two categories of Covid-19 wage types that need separate totals. These are:

Line 2a, Qualified Sick Leave Wages
  (See reference that follows regarding definition)

Line 2b, Qualified Family Leave Wages
  (See reference that follows regarding definition)

Best practice for setup in Datatech software is to have a separate wage type for each type. For Farm and Farm Labor cost accounting, you can also use the same wage type but a different Job ID.

The new 943 form also provides for taking credits for wages paid under the Employee Retention Credit provisions. The program does not track these wages, but if you have paid wages under this provision, and you have used a wage type specifically set up for it, you can get a report of those wages using the labor analysis report.

Nonrefundable vs. Refundable Credits

Any credits up to the amount of the Employer Social Security tax portion will be counted as a Nonrefundable credit. This amount will be applied to the Total Amount of Taxes Due.

Any credits due over the amount of Employer Social Security will be applied as credits/payments to the Total Taxes Due.

This will be discussed further in the instructions below.

Completing Form 943

The new 943 form is more complicated, due to the breakdown of the Covid-19 wages, as well as the tax credits you need to calculate. We have provided all of the entries that are needed for the form, but we cannot provide advice on how to fill it out. The IRS has a publication to assist with this, and that publication provides a worksheet for calculating the wage credits, which include the wages paid, any prorated health insurance benefits you paid, and the Medicare tax. https://www.irs.gov/pub/irs-pdf/i943.pdf

In order to determine the qualified wages, the program must know what wage types you have used for the Qualified Sick Leave and Qualified Family Leave. The program uses the information in the Sick Leave table to figure this out when you click on the Verify button. If it can't, you can enter the wage types that you have set up.

If you have not set up any wage types for the leave wages paid, the program cannot calculate the total wages. You will need to do this yourself, and then edit the 943 form lines 2a and 2b to adjust the totals.

What the program does:

If you have used specific wage types for the Covid-19 leave payments, the program will calculate these totals for lines 2a and 2b. They are listed separately from other social security wages on these lines because they are not subject to the employer portion of social security.

What the program does not do:

You must take the total Covid-19 leave wages on these two lines and transfer to the Worksheet 1. They will be combined with the employer portion of Medicare (calculated on the worksheet) and the employer's portion of any health insurance benefits for the time the employees were on leave (you must calculate the health insurance credit).

You will then take the total of the non-refundable credits and enter on line 12a and 12b of the 943, and any refundable credits on line 14d.

If you need assistance with the worksheet, please contact your accountant. Datatech support personnel cannot assist with this worksheet, or any other data that is required on Form 943 that you need to compile separately.

If you have any questions about what wages are allowed for the Covid-19 leave, or the employee retention credit, please consult the IRS web site for more details, or contact your accountant. We cannot provide accounting or legal advice.

Specific Instructions

As noted above, the IRS provides a step by step guide to completing the 943 form.

In completing this form in our program, there are some additional steps that you must take. The screens have been changed to reflect each entry on the new form, but there will be entries that you may skip.

It is recommended that you open the 943 from the Payroll Tax Reports Control Center. To start, select the Year and Quarter from the top of the Quarter Closing tab:
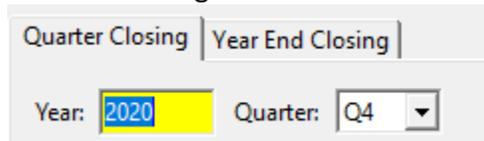
Then, click on the Year End Closing tab and Federal 943 button.
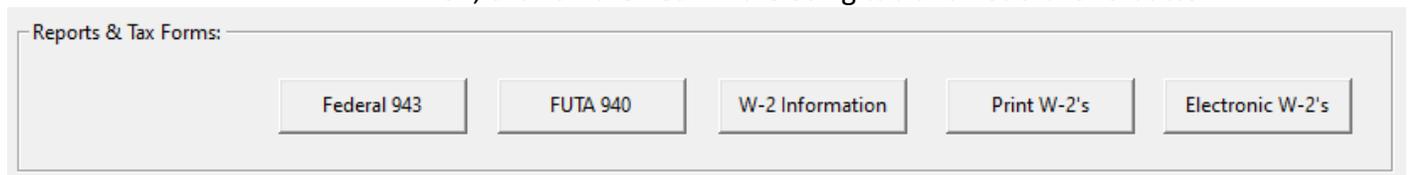
If you are running the 943 for a previous year, the software will change the entry form to the prior format. For 2020, the new format will appear.

Step 1

Click on the VERIFY button to check your Wage Types, Job ID's and/or Cost Centers used for Covid-19 Qualified Sick Leave and Qualified Family Leave wages. If you have previously defined Covid-19 Leave Wage Types the software will display them here.

If you do not have any qualified wages, you can click OK and proceed to Step 2.

Three different types of leave are used between 943 and W-2 reporting. For the 943, the program needs to distinguish between Emergency Sick Leave and Extended Paid Family Medical Leave. In addition, on W-2's, the leave types have to be distinguished between reasons 1-3 and 4-6.

When compiling the information for the 943 report, the program will also update the Archive records for the W-2's. If you need to make any corrections to the setup or jobs codes on checks, make those corrections first. Then, run the 943 report again to compile the 943 and W-2 covid leave wages.

If you have set up Covid-19 Wage Types, but they are not displayed, go to Payroll > Setup > Paid Leave Type Setup. See https://datatechag.com/initial-setup-for-covid-19-paid-leave-wages/ for more details on this setup.

Leave Type Setup						
Description	Leave Type	Wage Type	G/L #	Cost ID	Job ID	RROP # D
Covid 19 Leave 1-3	EPSL 1	CL	352.60	COVID19	PSL1	
Covid 19 Leave 4-6	EPSL 4	CL	352.60	COVID19	PSL4	
Extended Family Leave	FMLA+ (Paid)	EP	352.60	COVID19	EFPL	
California Covid	California Covid	CL	601.00		CACOVID	

Once the wage types used for Covid Leave have been set up, return to the 943 form and click Verify again to make sure the wage types are displayed.

If you didn't use a unique Wage Type for the Covid-19 leave, you may manually enter this information directly on the 943 form. See Step 3 below.

Step 2

Select the quarter and year to print, then click Calculate Totals.

STEP 2: Year to Print

Year to Print: 2020   [Calculate Totals]   ☐ Final Return
                                              ☐ New Address

The form will auto-complete based on the Archived Quarter Totals.

Step 3 – Form 943 Entries (Wages, Deposits & Credits)

STEP 3: Form 943 Entries:

1. Number of ag employees March 12 pay period:	0	
2. Total wages subject to social security tax:	43558.12	
2a. Qualified sick leave wages:	2160.00	
2b. Qualified family leave wages:	1080.00	
3. Social security tax:	5401.21	
3a. Social Security Tax on qualified sick leave wages	133.92	
3b. Social Security Tax on qualified family leave wages	66.96	
4. Total Wages subject to Medicare tax:	46798.12	
5. Medicare tax:	1357.15	
6. Additional Medicare Wages:	0.00	
7. Additional Medicare Tax:	0.00	
8. Federal income tax withheld:	2315.15	
9. Total taxes before adjustments:	9274.39	
10. Adjustment to taxes:	0.00	
11. Total taxes after adjustment:	9274.39	
12a. Qualified small business payroll tax credit Form 8974:	0.00	
12b. Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1	2700.61	
12c. Nonrefundable portion of employee retention credit from Worksheet 1	0.00	
12d. Total nonrefundable credits	2700.61	

13. Total Taxes After adjustments and credits:	6573.78
14a. Total Deposits including prior year overpayments:	9275.00
14b. Deferred amount of the employer share of social security tax	0.00
14c. Deferred amount of the employee share of social security tax	0.00
14d. Refundable portion of credit for qualified sick and family leave wages from Worksheet1	686.37
14e. Refundable portion of employee retention credit from Worksheet 1	0.00
14f. Total deposits, deferrals, and refundable credits	9961.37
14g. Total advances received from filing Form(s) 7200 for the year	0.00
14h. Total deposits, deferrals, and refundable credits less advances	9961.37
15. Balance due:	0.00
16. Overpayment:	3387.59

☐ Apply to next return   ☐ Refunded

[CONTINUE -->]

Lines 2a or 2b

If you have qualified wages, but you did not use a unique wage type to identify them, you can edit 2a or 2b to reflect those wages. When you do, box 2 will automatically be adjusted.

Line 10 Adjustment to Taxes

Enter any adjustment to the total tax due for rounding differences. To reduce the tax due, enter the adjustment with a minus (-) sign.
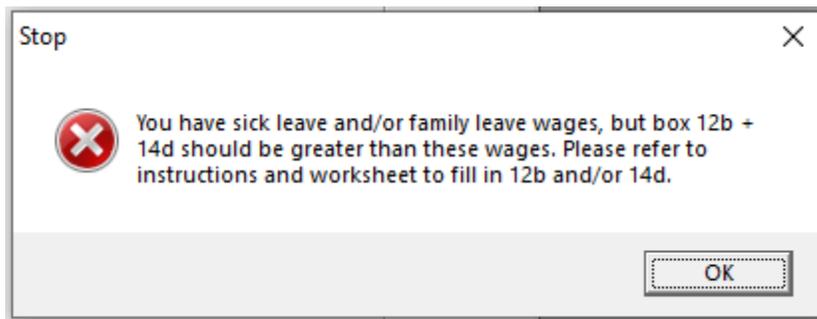
12b or 12c

If you have qualified wages, or employee retention credits, complete Worksheet 1 at this point, so that you can make entries in boxes 12b and/or 12c. Go to https://www.irs.gov/pub/irs-pdf/i943.pdf to print the Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit (page 18).

Follow the worksheet instructions to calculate the applicable credits. Step 1 of the worksheet calculates the employer share of social security tax. Step 2 calculates the credit for qualified sick and family leave, including employer share of Medicare and qualified health plan expenses allocated to the sick leave wages.

The amount of nonrefundable credit (worksheet line 2j is the smaller amount of the employer share of social security or the qualified sick and family leave wages. This is entered in box 12b on the 943 form.

The program will warn you if you have qualified wages but you have not filled in box 12.

Stop ✕

❌ You have sick leave and/or family leave wages, but box 12b + 14d should be greater than these wages. Please refer to instructions and worksheet to fill in 12b and/or 14d.

OK

Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records

Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this year, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this year but you didn't pay any qualified wages for purposes of the employee retention credit this year, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this year but you didn't pay any qualified sick and family leave wages this year, complete Step 1 and Step 3.

Step 1. **Determine the employer share of social security tax this year after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C**

1a	Enter the amount of social security tax from Form 943, line 3	1a	5401.21	
1b	**Employer share of social security tax.** Mulitply line 1a by 50% (0.50)			1b 2700.61
1c	Enter the amount from Form 943, line 12a (credit from Form 8974)	1c	0	
1d	Enter the amount to be claimed on Form 5884-C, line 11, for the year	1d	0	
1e	**Total nonrefundable credits already used against the employer share of social security tax.** Add lines 1c and 1d			1e 0
1f	**Employer share of social security tax remaining.** Subtract line 1e from line 1b			1f 2700.61

Step 2. **Figure the sick and family leave credit**

2a	Qualified sick leave wages reported on Form 943, line 2a	2a	2160.00	
2a(i)	Qualified sick leave wages included on Form 943, line 4, but not included on Form 943, line 2a, because the wages reported on that line were limited by the social security wage base	2a(i)	0	
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i)	2a(ii)	2160.00	
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 943, line 18)	2b	100.00	
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2c	31.32	
2d	**Credit for qualified sick leave wages.** Add lines 2a(ii), 2b, and 2c			2d 2291.32
2e	Qualified family leave wages reported on Form 943, line 2b	2e	1080.00	
2e(i)	Qualified family leave wages included on Form 943, line 4, but not included on Form 943, line 2b, because the wages reported on that line were limited by the social security wage base	2e(i)	0	
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i)	2e(ii)	1080.00	
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 943, line 19)	2f	0	
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	15.66	
2h	**Credit for qualified family leave wages.** Add lines 2e(ii), 2f, and 2g			2h 1095.66
2i	**Credit for qualified sick and family leave wages.** Add lines 2d and 2h			2i 3386.78
2j	**Nonrefundable portion of credit for qualified sick and family leave wages.** Enter the smaller of line 1f or line 2i. Enter this amount on Form 943, line 12b			2j 2700.61
2k	**Refundable portion of credit for qualified sick and family leave wages.** Subtract line 2j from line 2i and enter this amount on Form 943, line 14d			2k 686.37

Step 3. **Figure the employee retention credit**

3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 943, line 20)	3a	0	
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 943, line 21)	3b		
3c	Add lines 3a and 3b	3c		
3d	**Retention credit.** Multiply line 3c by 50% (0.50)			3d 0
3e	Enter the amount of the employer share of social security tax from Step 1, line 1f	3e		
3f	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3f		
3g	Subtract line 3f from line 3e	3g		
3h	**Nonrefundable portion of employee retention credit.** Enter the smaller of line 3d or line 3g. Enter this amount on Form 943, line 12c			3h 0
3i	**Refundable portion of employee retention credit.** Subtract line 3h from line 3d and enter this amount on Form 943, line 14e			3i 0

Enter the total tax deposits you have made for this quarter. If you have an overpayment from the previous quarter, include that amount.

If you enter tax payments in your Datatech software, you can get a list of tax deposits by clicking on the List Payments button in the Step 2 box. Be sure to include only payments for Form 941.

14d

From your Credit Worksheet, if you had more qualified credits than employer social security, the difference (worksheet line 2k) is the refundable portion. This is entered on line 14d of the 943 form.

Overpayment – Apply to Next Return or Refunded

If you have an overpayment, select whether you will apply that to the next return (add next year to 14a Payments) or Refunded.

Click the Continue button when finishing Step 3

943 (CONT.)

Step 4 – Federal Tax Liability

Step 4: Monthly Summary of Federal Tax Liability:

January:	0.00	July:	0.00
February:	1148.70	August:	0.00
March:	0.00	September:	2278.60
April:	1387.14	October:	300.64
May:	0.00	November:	0.00
June:	1458.70	December:	0.00

Update Tax Liability   Total Liability for year: 6573.78

Adjust Tax Liability   State Code (See Form):

☐ Semiweekly schedule depositor

☑ Monthly schedule depositor

18. Qualified health plan expenses allocable to qualified sick leave wages	100.00
19. Qualified health plan expenses allocable to qualified family leave wages	0.00
20. Qualified wages for the employee retention credit	0.00
21. Qualified health plan expenses allocable to wages reported on line 20	0.00
22. Credit from Form 5884-C, line 11, for the year	0.00

Update Tax Liability/Adjust Tax Liability

On the Form 943 (CONT.) tab, click Update Tax Liability.

NOTE: If you have Covid credits, you must fill in box 12b before you use the Update Tax Liability Button.

When you click **Update Tax Liability,** a pop-up will display the Nonrefundable Tax Credits. If these amounts are not correct, click Edit Credits and return to Step 3 to adjust credits.

The program will apply the amount of the credits against your tax liability by day or month.

You may still need to use the Adjust Tax Liability button for rounding differences.
After preforming the Tax Liability Update, you will get this message if balances do not agree. In this case, you should go back to Step 3 to review your credits:

When complete, the adjusted Tax Liability must match Line 13 – Total Taxes After Adj. and Credits:

January:	0.00	July:	0.00
February:	1148.70	August:	0.00
March:	0.00	September:	2278.60
April:	1387.14	October:	300.64
May:	0.00	November:	0.00
June:	1458.70	December:	0.00

Update Tax Liability   Total Liability for year: 6573.78

Adjust Tax Liability   State Code (See Form):

☐ Semiweekly schedule depositor

☑ Monthly schedule depositor

13. Total Taxes After adjustments and credits:	6573.78
14a. Total Deposits including prior year overpayments:	9275.00
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14e. Refundable portion of employee retention credit from Worksheet 1	0.00
14f. Total deposits, deferrals, and refundable credits	9961.37
14g. Total advances received from filing Form(s) 7200 for the year	0.00
14h. Total deposits, deferrals, and refundable credits less advances	9961.37
15. Balance due:	0.00
16. Overpayment:	3387.59

Schedule

Select whether you are a Semiweekly or Monthly schedule depositor.

If you are a semiweekly depositor, you must print the 943 schedule A form. Instructions for this form are below.

Lines 18-22

If qualified health plan expenses are added to the credits on the worksheet, enter the amount from worksheet 2b on line 18 and 2f on line 19.

If applicable enter amounts for lines 20-22.

Step 5 – 941 Part 4

Lines 19 through 25 are not calculated on the form, but are used when you fill out Worksheet 1.

Step 5 & 6– Third Party Designee /Signature Line

Step 5: Third Party Designee:

☐ Contact 3rd Party Designee

Designee's Name:

Telephone #:

Personal ID #: ____   ☑ Print Paid Preparer Information

Paid Preparer Info

Fill in this section if you want to designate an employee or other person to discuss the return with the IRS.

If you are a Paid Preparer, click the **Print Paid Preparer Information** button and click on the Paid Preparer Info to enter your information.

Signature Line

Step 6: Signature Line:

Title   HANNAH TARRATS

Date: 12/15/2020   ...

Enter your name and the preparation date to complete the form.

Form 943 Schedule A

This form must be filed along with the Form 943 if you are a semiweekly depositor. It is a day-by-day record of your tax liability.

To view the liability data, click on the 943A tab. It will look similar to this screen:

If the total tax liability on Schedule A does not equal line 13, you can adjust the last tax liability amount for the quarter by using the

Adjust Tax Liability button on the Form 943 tab.

Usually there will be a small rounding difference, but if it is a larger amount, you may need to investigate the reason for the difference before completing the return.

If the above screen does not have any tax liability amounts that is an indication that you need to click on the Update Tax Liability button to compile liability totals.

Once you have verified the liability amounts and adjusted to Line 13 of Form 943, you can print the schedule.

Additional Information

How to Verify Covid-19 Sick & Family Leave Wages?
You can use the Labor Analysis Report to get sick and family leave wage totals. Select by using start and end dates, wage type, or Job ID if applicable.

Links to Instructions
Form 943 Instructions: https://www.irs.gov/pub/irs-pdf/i943.pdf

References:

From the IRS Website

20. What is included in "qualified sick leave wages"?
Qualified sick leave wages are wages (as defined in section 3121(a) of the Internal Revenue Code for social security and Medicare tax purposes) that Eligible Employers must pay eligible employees for periods of leave during which they are unable to work or telework because the employee:
1) is subject to a Federal, State, or local quarantine or isolation order related to COVID-19-19;
2) has been advised by a health care provider to self-quarantine due to concerns related to COVID-19-19;
3) is experiencing symptoms of COVID-19-19 and seeking a medical diagnosis;
4) is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19-19;
5) is caring for a child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable due to COVID-19-19 precautions; or
6) is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

25. What is included in "qualified family leave wages"?
Qualified family leave wages are wages (as defined in section 3121(a) of the Internal Revenue Code for social security and Medicare tax purposes) that Eligible Employers must pay eligible employees for periods of leave during which they are unable to work or telework due to a need for leave to care for a child of such employee if the child's school or place of care has been closed, or

because the child care provider of the child is unavailable, due to COVID-19-19 related reasons. The first ten days for which an employee takes leave for this reason may be unpaid. However, during that 10-day period, an employee may be entitled to receive qualified sick leave wages as provided under the ESPLA or may receive other forms of paid leave, such as accrued sick leave, annual leave, or other paid time off under the Eligible Employer's policy. After an employee takes leave for ten days, the Eligible Employer must provide the employee with qualified family leave wages for up to ten weeks.

For more information, see the Department of Labor's [Families First Coronavirus Response Act: Questions and Answers](#).

72. How does an Eligible Employer claim the Employee Retention Credit for qualified wages?

Eligible Employers will report their total qualified wages for purposes of the Employee Retention Credit for each calendar quarter on their federal employment tax returns, usually Form 941, Employer's Quarterly Federal Tax Return. Employers also report any qualified sick leave and qualified family leave wages for which they are entitled to a credit under FFCRA on Form 941. The Form 941 is used to report income and social security and Medicare taxes withheld by the employer from employee wages, as well as the employer's share of social security and Medicare tax.

In anticipation of receiving the Employee Retention Credit, Eligible Employers can fund qualified wages by: (1) accessing federal employment taxes, including withheld taxes that are required to be deposited with the IRS, and (2) requesting an advance of the credit from the IRS for the amount of the credit that is not funded by accessing the federal employment tax deposits, by filing [Form 7200, Advance Payment of Employer Credits Due to COVID-19](#).

For more information, see [Deferral of employment tax deposits and payments through December 31, 2020](#).

The IRS recently posted Frequently Asked Questions addressing the employer's ability to defer the deposit of all of the employer's share of social security taxes due before January 1, 2021 under section 2302 of the CARES Act and reduce other employment taxes required to be deposited in an amount equal to the FFCRA sick leave and family leave credits and the Employee Retention Credit.

Example: Employer E paid $10,000 in qualified wages (including

qualified health plan expenses) and, after deferral of the employer's share of social security tax, is otherwise required to deposit $8,000 in federal employment taxes for all of its employees for wage payments made during the same quarter as the $10,000 in qualified wages. Employer E has no paid sick or family leave credits under the FFCRA. Employer E may keep up to $5,000 of the $8,000 of taxes Employer E was going to deposit, and it will not owe a penalty for keeping the $5,000. Employer E will later account for the $5,000 it retained when it files Form 941, Employer's Quarterly Federal Tax Return, for the quarter.