Circular E, Employer's Tax Guide

Your Financial Complexities Simplified

Circular E (Publication 15) provides IRS guidelines for employers on payroll taxes, withholding, and compliance.

A summary reference for business owners who have employees. This covers your core payroll tax responsibilities — always confirm current-year rates and thresholds, which the IRS updates annually.

Your Responsibilities as an Employer

· Obtain an Employer Identification Number (EIN)
· Have each employee complete Form W-4 (withholding) and Form I-9 (eligibility)
· Withhold federal income tax, Social Security, and Medicare from each paycheck
· Match the employee's Social Security and Medicare contributions
· Deposit withheld taxes on the appropriate schedule (monthly or semi-weekly)
· File quarterly Form 941 (or annual Form 944, if eligible)
· Provide W-2s to employees by January 31 and file with the SSA
· Pay Federal Unemployment Tax (FUTA) and applicable state unemployment tax

2025 Payroll Tax Rates (Reference)

Tax	Employee Rate	Employer Rate
Social Security	6.2% (up to $176,100 wage base)	6.2% (matching)
Medicare	1.45% (no wage limit)	1.45% (matching)
Additional Medicare Tax	0.9% (wages over $200,000)	N/A — withholding only
FUTA (Federal Unemployment)	N/A	6.0% on first $7,000 (often reduced to 0.6% with state credit)

Deposit Schedules

The IRS assigns your deposit schedule (monthly or semi-weekly) based on your total tax liability during a prior lookback period:

· Monthly depositors: Deposit by the 15th of the following month
· Semi-weekly depositors: Deposit within 3 business days after payday (varies by pay date)
· Next-day deposit rule: Applies if you accumulate $100,000+ in tax liability on any day

Key Forms to Know

Form	Purpose
Form 941	Quarterly federal tax return reporting withheld income tax and FICA
Form 944	Annual version of 941 for very small employers (if approved by IRS)
Form 940	Annual Federal Unemployment Tax (FUTA) return
Form W-2	Annual wage and tax statement provided to each employee
Form W-3	Transmittal summary filed with the SSA alongside W-2s
Form 1099-NEC	For payments to independent contractors, not employees

Common Penalties to Avoid

· Failure to deposit on time: 2%-15% of the unpaid deposit, depending on how late

· Failure to file Form 941/944: 5% of unpaid tax per month, up to 25%

· Failure to furnish W-2s on time: penalties per form, increasing the longer the delay

· Misclassifying employees as contractors: back taxes, penalties, and interest

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Payroll compliance has real financial consequences when missed. AskHolmes can help set up or review your payroll process to keep you compliant year-round.

Questions about this worksheet? Contact AskHolmes at askholmes.info or (786) 550-5959.