

AMERICAN PAYROLL ASSOCIATION

June 26, 2022

Douglas O'Donnell
Deputy Commissioner, Services and Enforcement
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224-0001
douglas.w.odonnell@irs.gov

Re: Filing and Processing of Forms 941 and 941-X

Dear Doug:

The American Payroll Association (APA)¹ understands the significant burden placed upon the Internal Revenue Service (IRS) because of the COVID-19 pandemic and response as well as other congressionally-mandated measures, and that the IRS is working diligently to catch up on paper filed Forms 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund*. The backlog has raised concerns for payroll professionals and their employers for which APA asks questions for the purpose of understanding the problem and how APA can assist the IRS.

Historically, the IRS compared an employer's filed Form 941, *Employer's QUARTERLY Federal Tax Return*, with immediate past tax returns to modify claims. For example, if an employer requests a refund but owes taxes from the previous quarter, the refund amount will be reduced accordingly. Under normal circumstances, a filed Form 941-X would be considered in this process. Now, with the backlog of Forms 941-X, an employer's tax return and electronic record may appear inaccurate.

¹ The APA is a nonprofit association representing more than 20,000 payroll professionals throughout the United States. APA's primary mission is to educate its members and the payroll industry regarding best practices associated with paying America's workers while complying with applicable federal, state, and local laws. The APA's Government Relations Task Force works with government to help payroll professionals with compliance, while minimizing the administrative burden on government, employers, and individual workers.

QUESTIONS

1. Electronic Filing and Processing of Form 941-X:

- a. When will employers be able to file Form 941-X electronically?
- b. When will the IRS's processing of Form 941-X become automated?
- c. Is there a way for payroll software developers to get a head start on implementation?
- d. How can the APA assist the IRS to accomplish the goal of automation?

2. Employer Return Record:

- a. When reviewing employers' filed Forms 941 and 941-X, does the IRS have the capability to post multiple forms or is only the most recently filed form posted?
- b. Can the IRS add space on the Form 941-X for a version control or date control field? This will allow the IRS to process employer returns in sequential order. Employers will be able to file additional adjusted returns without waiting for the IRS to process a previous version.
- c. If the IRS has reduced a refund because of taxes owed and then processes a Form 941-X that shows the full refund was owed, what is the process for the IRS to adjust an employer's record? This is especially important because of COVID-19 relief and other considerations that were and are implemented retroactively.

3. Outreach to the IRS for Assistance:

- a. If an employer perceives an error in the processing of its Form 941 and Forms 941-X, what is the process for contacting the IRS?
- b. Can the IRS dedicate multiple employees to address Forms 941 and 941-X problems such that employers can get through more effectively?

Example. Employers responsible for paying deferred social security are following the IRS's scheduled payment dates; however, refund claim

are backlogged. This can put a financial strain on employers. When contacting the IRS to resolve the issue, employers are unable to get through to someone who can help.

With the number of Forms 941 and 941-X filed by employers, dedicating IRS employees to resolve issues can only help employers and the IRS.

- c. Can the IRS establish a post office box dedicated to receiving Forms 941-X?

The APA would like to meet virtually with appropriate IRS employees to discuss the processing issues for Form 941 and 941-X and what we can do together to ease the problems. Please contact me at 202-669-4001 or ajacobsohn@americanpayroll.org. Thank you.

Sincerely,



Alice P. Jacobsohn, Esq.
Director, Government Relations

For: GRTF Federal Issues Subcommittee
Chairs Rebecca Harshberger, CPP, and Jon Schausten, CPP