

# Disregarded Entities Required to Pay Own Employment Taxes

OCTOBER 31, 2008

## BE IN A POSITION OF STRENGTH

Beginning with wages paid in 2009, final regulations require “disregarded entities” to pay their own employment taxes and file their own tax reports. A new employer identification number (EIN) will be needed if the disregarded entity does not have one. Under the disregarded entity rules, certain single-owner eligible entities and Qsubs are disregarded as entities separate from their owners for tax purposes. As a result, the disregarded entity is ignored and its property and activities are treated as those of the owner of the entity.

Under the now obsolete Notice 99-6, employment tax obligations for employees of a disregarded entity may be satisfied in one of two ways: (1) payment by the owner of the entity under the owner’s name and tax ID number, or (2) separate calculation and payment by the disregarded entity under its own name and tax ID number.

The IRS issued final regulations providing that for wages paid on or after January 1, 2009, a disregarded entity is treated as a separate entity for purposes of employment taxes and related reporting requirements. This means that the entity must pay and report the employment taxes using the EIN of the entity and not the owner [Reg. § 1.1361-4(a)(7), Reg. §301.7701-2(c)(2)].

*If you have any questions, please contact the WS+B tax department.* #262

### NEW PAYROLL REQUIREMENTS FOR DISREGARDED ENTITIES

Questions or comments?  
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