

# Tax Forms & Publications

## Work Request Notification (WRN)/Circulation

Product F8941

Title Credit for Small Employer Health Insurance Premiums

Tax year 2020

Processing year 2021

This is the 1st circulation of this product for your review and comments and can be used to support any necessary work requests. Note that this document is for internal use only--Do not distribute outside of the IRS/Treasury.

Authority for changes that may impact a Unified Work Request (UWR) (For changes, see Description of Major Changes below)  
IRC 45R(d)(3)(B); Rev. Proc. 2019-44, sec. 3.11

Signature of Approving Official

**Curtis L. Freeman**

Digitally signed by Curtis L. Freeman  
DN: c=US, o=U.S. Government, ou=Department of the Treasury, ou=Internal Revenue Service,  
ou=People, serialNumber=B2ZCB, cn=Curtis L. Freeman  
Date: 2020.04.02 03:14:10 -0400

Circulation signature date

04/02/2020

Description of major changes (A description of changes to a form's instructions that may impact a UWR is also included, as applicable)

**Line C.** We are revising line C to change "2014, 2015, 2016, or 2017" to "2014, 2015, 2016, 2017, or 2018" to properly reflect the 2-consecutive-tax year credit period limitation that applies to tax years beginning after 2013. [IRC 45R(e)(2); IRC 45R(g)(1)]

**Line C.** We are adding "Go to line 1" after the "No" checkbox for clarity. We considered adding "See instructions," but decided instructions were not needed for this text. [TA]

**Line 3.** The dollar amount on line 3 is used to keep filers whose credit will be reduced to \$0 by the average annual wages phaseout from wasting time doing the calculations. For 2019, the amount was \$55,000 because the average annual wages of \$55,000 or more would produce a \$0 credit if you went through the calculations. For 2020, because the \$54,200 [27,100 x 2] phaseout threshold increased to \$55,200 [27,600 x 2], average annual wages of \$55,000, could produce a small credit based on the \$200 difference [\$55,200 - \$55,000]. For this reason, we increase the dollar amount on line 3 to \$56,000. We did not use \$55,200 because average annual wages are always rounded down to the nearest \$1,000 (in figuring average annual wages on Worksheet 3, amounts from \$55,001 to \$55,999 would be rounded down to \$55,000). [IRC 45R(c)(2); IRC 45R(d)(1)(B); IRC 45R(d)(3)(B); Rev. Proc. 2019-44, sec. 3.11]

**Line 9.** The dollar amount on line 9 is used to keep filers whose credit will not be reduced by the average annual wages phaseout from wasting time doing the calculations. For 2019, the amount was \$27,000 because average annual wages of \$27,000 or less would not trigger the average annual wages phaseout. For 2020, the dollar amount on line 9 remains at \$27,000. Even though the \$27,100 phaseout threshold increases to \$27,600, we did not use \$27,600 because the average annual wages are always rounded down to the nearest \$1,000 (in figuring average annual wages on Worksheet 3, amount from \$27,001 to \$27,999 would be rounded down to \$27,000). [IRC 45R(c)(2); IRC 45R(d)(3)(B); Rev. Proc. 2019-44, sec. 3.11]

**Line 20.** We are updating the line reference to Form 990-T based on the 2020 Form 990-T WRN that was circulated on November 4, 2019.

**Worksheet 6.** The dollar amounts on line 4 and 5 of Worksheet 6 are used to figure the average annual wages phaseout for filers with average annual wages of more than \$27,000 (see line 9) and less than \$56,000 (see line 3). For 2020, these amounts increased to \$27,600. Because of this inflation adjustment, a taxpayer, for example, with average annual wages of \$28,000 for both 2019 and 2020 will have a smaller amount on line 4 of Worksheet 6 in 2020 than in 2019, [\$28,000 - \$27,600 for 2020 versus \$28,000 - \$27,100 for 2019]. This could give them a smaller phaseout amount and thus a slightly larger credit for 2020. [IRC 45R(c)(2); IRC 45R(d)(1)(B); IRC 45R(d)(3)(B); Rev. Proc. 2019-44, sec. 3.11]

**Comments:** Comments are due **30** days after the date this circulation is signed and issued, unless a different date is specified here: \_\_\_\_\_  
Comments should be sent via email to both the Tax Law Specialist and Reviewer listed below. We will accept comments after the due date, but may not be able to consider any comments (timely or not) for this revision if implementing the comments would require a late UWR. If we need to make significant changes based on comments or other new information received, we normally will issue a subsequent circulation of this product; otherwise, these changes are final unless indicated otherwise in the Description of Major Changes.

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Name of Reviewer Lorinda O Chin

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Name(s) shown on return

Identifying number

2014, 2015, 2016, 2017, or 2018

- A** Did you pay premiums during your tax year for employee health insurance coverage you provided through a Small Business Health Options Program (SHOP) Marketplace (or do you qualify for an exception to this requirement)? See instructions.
  - Yes.** Enter Marketplace Identifier (if any) \_\_\_\_\_
  - No.** Stop. Do not file Form 8941 (see instructions for an exception that may apply to a partnership, S corporation, cooperative, estate, trust, or tax-exempt entity)
- B** Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1 below if different from the identifying number listed above \_\_\_\_\_
- C** Does a tax return you (or any predecessor) filed for a tax year beginning in ~~2014, 2015, 2016, or 2017~~ include a Form 8941 with line A checked "Yes" and line 12 showing a positive amount?
  - Yes.** Stop. Do not file Form 8941 (see instructions for an exception that may apply to a partnership, S corporation, cooperative, estate, trust, or tax-exempt entity) (also see instructions for information about the credit period limitation)
  - No.** Go to line 1

**Caution:** See the instructions and complete Worksheets 1 through 7 as needed.

<b>1</b>	Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (total from Worksheet 1, column (a)) . . . . .	<b>1</b>	
<b>2</b>	Enter the number of full-time equivalent employees (FTEs) you had for the tax year (from Worksheet 2, line 3). If you entered 25 or more, skip lines 3 through 11 and enter -0- on line 12	<b>2</b>	
<b>3</b>	Average annual wages you paid for the tax year (from Worksheet 3, line 3). This amount must be a multiple of \$1,000. If you entered <del>\$55,000</del> or more, skip lines 4 through 11 and enter -0- on line 12	<b>3</b>	
<b>4</b>	Premiums you paid during the tax year for employees included on line 1 for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (b)) . . . . .	<b>4</b>	
<b>5</b>	Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which the employee enrolls in health insurance coverage (total from Worksheet 4, column (c)) . . . . .	<b>5</b>	
<b>6</b>	Enter the <b>smaller</b> of line 4 or line 5 . . . . .	<b>6</b>	
<b>7</b>	Multiply line 6 by the applicable percentage: • Tax-exempt small employers, multiply line 6 by 35% (0.35) • All other small employers, multiply line 6 by 50% (0.50) . . . . .	<b>7</b>	
<b>8</b>	If line 2 is 10 or less, enter the amount from line 7. Otherwise, enter the amount from Worksheet 5, line 6 . . . . .	<b>8</b>	
<b>9</b>	If line 3 is \$27,000 or less, enter the amount from line 8. Otherwise, enter the amount from Worksheet 6, line 7 . . . . .	<b>9</b>	
<b>10</b>	Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4. See instructions . . . . .	<b>10</b>	
<b>11</b>	Subtract line 10 from line 4. If zero or less, enter -0- . . . . .	<b>11</b>	
<b>12</b>	Enter the <b>smaller</b> of line 9 or line 11 . . . . .	<b>12</b>	
<b>13</b>	If line 12 is zero, skip lines 13 and 14 and go to line 15. Otherwise, enter the number of employees included on line 1 for whom you paid premiums during the tax year for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (a)) . . . . .	<b>13</b>	
<b>14</b>	Enter the number of FTEs you would have entered on line 2 if you only included employees included on line 13 (from Worksheet 7, line 3) . . . . .	<b>14</b>	
<b>15</b>	Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts (see instructions) . . . . .	<b>15</b>	
<b>16</b>	Add lines 12 and 15. Cooperatives, estates, and trusts, go to line 17. Tax-exempt small employers, skip lines 17 and 18 and go to line 19. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 4h	<b>16</b>	
<b>17</b>	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)	<b>17</b>	
<b>18</b>	Cooperatives, estates, and trusts, subtract line 17 from line 16. Stop here and report this amount on Form 3800, Part III, line 4h <span style="border: 1px solid red; padding: 2px;">2020</span> . . . . .	<b>18</b>	
<b>19</b>	Enter the amount you paid in <del>2019</del> for taxes considered payroll taxes for purposes of this credit. See instructions . . . . .	<b>19</b>	
<b>20</b>	Tax-exempt small employers, enter the <b>smaller</b> of line 16 or line 19 here and on Form 990-T, line 51f	<b>20</b>	

\$56,000

**Worksheet 6. Information Needed To Complete Line 9 (If Line 3 is More Than \$27,000)**

1. Enter the amount from Form 8941, line 8 .....	1. _____
2. Enter the amount from Form 8941, line 7 .....	2. _____
3. Enter the amount from Form 8941, line 3 .....	3. _____
4. Subtract <del>\$27,100</del> from line 3 .....	4. _____
5. Divide line 4 by <del>\$27,100</del> . Enter the result as a decimal (rounded to at least 3 places) .....	5. _____
6. Multiply line 2 by line 5 .....	6. _____
7. Subtract line 6 from line 1. Report this amount on Form 8941, line 9 .....	7. _____

\$27,600