Note: *The draft you are looking for begins on the next page.*

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms**. We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at IRS.gov/DraftForms and remain there after the final release is posted at IRS.gov/LatestForms. Also see IRS.gov/Forms.

Most forms and publications have a page on IRS.gov: IRS.gov/Form1040 for Form 1040; IRS.gov/Pub501 for Pub. 501; IRS.gov/W4 for Form W-4; and IRS.gov/ScheduleA for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at IRS.gov/FormsComments. Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click here.

TREASURY/IRS AND OMB USE ONLY DRAFT

2025

Instructions for Form 8941

Credit for Small Employer Health Insurance Premiums

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8941 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form8941*.

Reminder

Waiver for Hawaii. Employers in Hawaii can't claim this credit for insurance premiums paid for health plan years beginning after 2016. For more information, see *Waiver for Hawaii* in the instructions for line A.

General Instructions

Purpose of Form

Eligible small employers (defined later) use Form 8941 to figure the credit for small employer health insurance premiums for tax years beginning after 2009. For tax years beginning after 2013, the credit is only available for a 2-consecutive-tax-year credit period. The maximum credit is generally a percentage of premiums the employer paid during the tax year for certain health insurance coverage the employer provided to certain employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace. But the credit may be reduced by limitations based on the employer's full-time equivalent employees, average annual wages, adjusted average premiums, and state premium subsidies and tax credits.

TIP *For information about insurance plans offered through a SHOP Marketplace, go to Healthcare.gov.*

For **tax-exempt eligible small employers**, the maximum credit is 35% of premiums paid, is limited to the amount of certain payroll taxes paid, and is claimed as a refundable credit on Form 990-T, Exempt Organization Business Income Tax Return. A tax-exempt eligible small employer is an eligible small employer described in section 501(c) that is exempt from taxation under section 501(a). A tax-exempt employer not described in section 501(c) is generally not eligible to claim this credit. However, a tax-exempt farmers' cooperative subject to tax under section 1381 may be able to claim the credit as a general business credit, as discussed next.

For **all other eligible small employers**, the maximum credit is 50% of premiums paid and can be taken against both regular and alternative minimum tax. The credit is claimed as part of the general business credit on Form 3800, General Business Credit.

TIP *Partnerships, S corporations, cooperatives, estates, trusts, and tax-exempt eligible small employers must file this form to claim the credit. All other taxpayers must not complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate, or trust. Instead, they must report this credit directly on line 4h in Part III of Form 3800, General Business Credit.*

Eligible Small Employers

You're an eligible small employer for the tax year if you meet the following three requirements.

1. You paid premiums for employee health insurance coverage under a qualifying arrangement. A qualifying arrangement is generally an arrangement that requires you to pay a uniform percentage (not less than 50%) of the premium cost for each enrolled employee's health insurance coverage (defined later). However, an arrangement that requires you to pay a uniform premium for each enrolled employee (composite billing) and offers different tiers of coverage (for example, employee-only, dependent, and family coverage) can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for employees not enrolled in employee-only coverage.

In addition, an arrangement that requires you to pay a separate premium for each employee based on age or other factors (list billing) can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for some employees.

For details, see *Employer Premiums Paid*, *Health Insurance Coverage*, and *Qualifying Arrangement*, later.

2. You had fewer than 25 full-time equivalent employees (FTEs) for the tax year. You may be able to meet this requirement even if you had 25 or more employees. For example, an employer with 48 employees who are each half-time employees has 24 FTEs and can claim the credit. For details, see Worksheets 1 and 2.

CAUTION *Although the term "eligible small employer" is defined in the Internal Revenue Code to include employers with "no more than" 25 FTEs, the phaseout of the credit amount operates in such a way that an employer with exactly 25 FTEs is not, in fact, eligible for the credit.*

3. You paid average annual wages for the tax year of less than $67,000 per FTE. For details, see Worksheets 1 and 3.

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*If you had more than 10 FTEs **and** average annual wages of more than $33,000, the FTE and average annual wage limitations (discussed later) will separately reduce your credit. This may reduce your credit to zero even if you had fewer than 25 FTEs and average annual wages of less than $67,000.*

Employers treated as a single employer. Treat the following employers as a single employer to figure the credit.

- Employers who are corporations in a controlled group of corporations.
- Employers who are members of an affiliated service group.
- Employers who are partnerships, proprietorships, etc., under common control. See Regulations sections 1.414(c)-2, 1.414(c)-3, and 1.414(c)-4.
- Tax-exempt employers under common control. See Regulations section 1.414(c)-5.

For details, see section 45R(e)(5)(A) and Regulations section 1.45R-2(b).

No more than one Form 8941 can be filed with a tax return, unless the exception described in Example 2 *below applies.*

Example 1. You're a sole proprietor with two separate businesses and you file a separate Schedule C (Form 1040), Profit or Loss From Business, for each business. You must treat both businesses as a single employer to figure the credit. You will file one Form 8941 for both businesses.

Example 2. You and your spouse are both sole proprietors and file a separate Schedule C (Form 1040) for each of your separate businesses. Neither spouse was an employee of the other spouse or participated in the management of the other spouse's business at any time during the tax year. No more than 50% of the gross income of either business was derived from royalties, rents, dividends, interest, and annuities and you otherwise meet the requirements listed in Regulations section 1.414(c)-4(b)(5)(ii). Don't treat both businesses as a single employer to figure the credit. If you and your spouse are both eligible small employers, you can file two Forms 8941 with a jointly filed Form 1040 or 1040-SR.

Credit Period

For tax years beginning after 2013, the credit period during which the credit can be claimed is a 2-consecutive-tax-year period beginning with the first tax year in which:

- An eligible small employer (or any predecessor) files an income tax return with an attached Form 8941 with line A checked "Yes" and a positive amount on line 12, or
- A tax-exempt eligible small employer (or any predecessor) files Form 990-T with an attached Form 8941 with line A checked "Yes" and a positive amount on line 12.

Employer Premiums Paid

Only premiums you paid for health insurance coverage under a qualifying arrangement (discussed later) for individuals considered employees are counted when figuring your credit.

State premium subsidy or tax credit. If you're entitled to a state tax credit or a state premium subsidy paid directly to you for premiums you paid, don't reduce the amount you paid by the credit or subsidy amount. Also, if a state pays a premium subsidy directly to your insurance provider, treat the subsidy amount as an amount you paid for employee health insurance coverage.

Wellness programs. A wellness program is generally an insurance program of health promotion or disease prevention. If you pay part or all of the cost of an employee's participation in a wellness program, treat the amount you paid toward the employee's participation as an amount you paid for employee health insurance coverage.

Tobacco surcharges. A tobacco surcharge is generally an additional amount charged for insurance for a tobacco user. If you pay part or all of an employee's tobacco surcharge, you can't use the amount you paid to figure your employer premiums paid.

Dependent coverage. Dependent coverage is generally coverage offered separately to an individual who is or may become eligible for coverage under the terms of a group health plan because of a relationship to a participant-employee, whether or not a dependent of the participant-employee. Dependent coverage doesn't include coverage, such as family coverage, which includes coverage of the participant-employee. If you pay part or all of the cost of an employee's dependent coverage, use the amount you paid to figure your employer premiums paid.

Portion of premiums paid. If you pay only a portion of the premiums and your employees pay the rest, only the portion you pay is taken into account. For this purpose, any premium paid through a salary reduction arrangement under a section 125 cafeteria plan isn't treated as an employer paid premium. For more information on cafeteria plans, see section 1 of Pub. 15-B, Employer's Tax Guide to Fringe Benefits.

Example 3. You offer health insurance coverage to employees under a qualifying arrangement that requires you to pay 60% of the premium cost for employee-only coverage for each employee enrolled in any health insurance coverage you provide to employees. The total premium for each employee enrolled in employee-only coverage is $5,200 per year or $100 ($5,200 ÷ 52) for each weekly payday. The total premium for each employee enrolled in family coverage is $13,000 per year or $250 ($13,000 ÷ 52) for each weekly payday.

Each payday, you contribute $60 (60% of $100) toward the premium cost of each employee enrolled in employee-only coverage and withhold the remaining $40 from the employee's paycheck to obtain the $100 total weekly premium. Each payday, you contribute $60 (the same amount you pay toward the premiums of employees enrolled in employee-only coverage) toward the premium cost of each employee enrolled in family coverage and withhold the remaining $190 from the employee's paycheck to obtain the $250 total weekly premium.

To determine the premiums you paid during the tax year, multiply the number of pay periods during which the

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employee was enrolled in the health insurance coverage by $60. For example, you would've paid $3,120 ($60 × 52) for an employee who was enrolled for the entire tax year. You would've paid $600 ($60 × 10) for an employee who was only enrolled for 10 pay periods. You will need an additional set of calculations if the premium amounts changed during the tax year.

Health Insurance Coverage

For tax years beginning after 2013, health insurance coverage generally means coverage provided to employees enrolled in a qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace. For an exception that applies to certain employers in certain counties, see the instructions for *line A*, later. If this exception applies, health insurance coverage means coverage, as defined under *Health Insurance Coverage* in the 2013 Instructions for Form 8941.

TIP *A stand-alone dental plan offered through a SHOP exchange will be considered a qualified health plan for purposes of the credit.*

CAUTION *Employer premiums paid for health insurance coverage can be counted in figuring the credit only if the premiums are paid under a qualifying arrangement.*

Qualifying Arrangement

A qualifying arrangement is generally an arrangement that requires you to pay a uniform percentage (not less than 50%) of the premium cost for each enrolled employee's health insurance coverage (defined earlier). An arrangement that offers different tiers of coverage (for example, employee-only and family coverage) is generally a qualifying arrangement if it requires you to pay a uniform percentage (not less than 50%) separately for each tier of coverage you offer. However, an arrangement can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for some employees.

For more information about the following exceptions, see Regulations section 1.45R-4.

State or local law. You will be treated as satisfying the uniform percentage requirement if your failure to otherwise satisfy the requirement was solely attributable to additional contributions you made to certain employees to comply with state or local law.

Wellness program. If a plan of an employer provides a wellness program, for purposes of meeting the uniform percentage requirement, the following applies. Any additional amount of the employer contribution attributable to an employee's participation in the wellness program over the employer contribution with respect to an employee that doesn't participate in the wellness program isn't considered in calculating the uniform percentage requirement. This is true whether the difference is due to a discount for participation or a surcharge for nonparticipation. The employer contribution for employees who don't participate in the wellness program must be at least 50% of the premium (including any premium surcharge for nonparticipation). However, for purposes of figuring the credit, the employer contributions are taken into account, including those contributions attributable to an employee's participation in a wellness program.

Tobacco surcharge. Any additional amount you or your employee pays to cover a tobacco surcharge isn't taken into account in figuring the uniform percentage requirement. Amounts you or your employee pays to cover a tobacco surcharge aren't considered premiums paid for health insurance coverage when figuring this credit.

Dependent coverage. Premiums you pay for dependent coverage aren't subject to the uniform percentage requirement. You aren't required to pay a uniform percentage (not less than 50%) for dependent coverage.

Arrangements with composite billing. An arrangement that requires you to pay a uniform premium for each enrolled employee (composite billing) and offers different tiers of coverage can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for employees not enrolled in employee-only coverage. It is a qualifying arrangement (assuming employee-only coverage is the least expensive tier of coverage) if it requires you to pay each of the following amounts if you make the relevant tier of coverage available.

- A uniform percentage (not less than 50%) of the premium cost for each employee (if any) enrolled in employee-only coverage.
- A uniform amount that is no less than the amount you would've paid toward employee-only coverage for each employee (if any) enrolled in family coverage.
- A uniform amount that is no less than the amount you would've paid toward employee-only coverage for each employee (if any) enrolled in any other tier of coverage (figured separately for each tier).

Arrangements with list billing and only employee-only coverage. An arrangement that requires you to pay a separate premium for each employee based on age or other factors (list billing) that only provides employee-only coverage can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for some employees. It is a qualifying arrangement if it requires you to pay either of the following amounts.

- A uniform percentage (not less than 50%) of the premium charged for each employee enrolled in the employee-only coverage.
- A uniform percentage (not less than 50%) of your employer-computed composite rate (defined later) for your employee-only coverage for each employee enrolled in the employee-only coverage.

Arrangements with list billing and other tiers of coverage. An arrangement that requires you to pay a separate premium for each employee based on age or other factors (list billing) that provides other tiers of coverage can be a qualifying arrangement even if it requires you to pay a uniform percentage that is less than 50% of the premium cost for some employees. It is a qualifying arrangement (assuming employee-only coverage is the least expensive tier of coverage) if it

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requires you to pay each of the following amounts if you make the relevant tier of coverage available.

- A uniform percentage (not less than 50%) for each employee enrolled in employee-only coverage, as discussed under *Arrangements with list billing and only employee-only coverage*, earlier.
- A uniform amount that is either equal to the amount you would've paid toward employee-only coverage (as discussed above), a uniform percentage (not less than 50%) of the premium charged, or a uniform percentage (not less than 50%) of your employer-computed composite rate (defined below) for your family coverage, for each employee (if any) enrolled in family coverage.
- A uniform amount that is either equal to the amount you would've paid toward employee-only coverage (as discussed above), a uniform percentage (not less than 50%) of the premium charged, or a uniform percentage (not less than 50%) of your employer-computed composite rate (defined below) for any other tier of coverage, for each employee (if any) enrolled in any other tier of coverage (figured separately for each tier).

Employer-computed composite rate. The employer-computed composite rate for a tier of coverage is the average rate determined by adding the premiums for that tier of coverage for all employees eligible to participate in the health insurance plan (whether or not they actually receive coverage under the plan or under that tier of coverage) and dividing by the total number of such eligible employees.

More than one plan. Different types of health insurance plans are generally not aggregated for purposes of meeting the qualifying arrangement requirement. For example, if you offer a major medical insurance plan and a stand-alone vision plan, you generally must separately satisfy the requirements for a qualifying arrangement with respect to each type of coverage. For exceptions, see Regulations section 1.45R-4(c).

State subsidies and credits. For this purpose, if you're entitled to a state tax credit or a state premium subsidy paid directly to you for premiums you paid, don't reduce the amount you paid by the credit or subsidy amount. Also, if a state pays a premium subsidy directly to your insurance provider, treat the subsidy amount as an amount you paid for employee health insurance coverage.

State Premium Subsidy and Tax Credit Limitation

Your credit may be reduced if you're entitled to a state tax credit or a state premium subsidy for the cost of health insurance coverage you provide under a qualifying arrangement to individuals considered employees. The state tax credit may be refundable or nonrefundable and the state premium subsidy may be paid to you or directly to your insurance provider.

Although a state tax credit or premium subsidy paid directly to you doesn't reduce the amount of your employer premiums paid, and although a state premium subsidy paid directly to an insurance provider is treated as an employer premium you paid, the amount of your credit can't be more than your net premium payments.

Net premium payments are employer premiums paid (discussed earlier) minus the amount of any state tax credits you received or will receive and any state premium subsidies paid either to you or directly to your insurance provider for premiums for health insurance coverage you provide under a qualifying arrangement to individuals considered employees.

Payroll Tax Limitation for Tax-Exempt Eligible Small Employers

The credit for tax-exempt eligible small employers can't exceed the amount of certain payroll taxes. For tax years beginning in 2025, payroll taxes, for this purpose, mean only the following taxes.

- Federal income taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2025.
- Medicare taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2025.
- Medicare taxes the tax-exempt employer was required to pay for calendar year 2025.

Premium Deduction Reduced

You must reduce your deduction for the cost of providing health insurance coverage to your employees by the amount of any credit for small employer health insurance premiums allowed with respect to the coverage.

More Information

For more information about this credit, see the following.

- Section 45R.
- Regulations sections 1.45R-0 through 1.45R-5.
- *IRS.gov/Affordable-Care-Act/Employers/Small-Business-Health-Care-Tax-Credit-and-the-SHOP-Marketplace*.

Specific Instructions

TIP *Partnerships, S corporations, cooperatives, estates, trusts, and tax-exempt eligible small employers must file this form to claim the credit. All other taxpayers must not complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate, or trust. Instead, they must report this credit directly on line 4h in Part III of Form 3800.*

Use Worksheets 1 through 7 to figure the amounts to report on various lines of Form 8941.

- Use Worksheets 1, 2, and 3 to figure the amounts to report on lines 1, 2, and 3 of Form 8941.
- Use Worksheet 4 to figure the amounts to report on lines 4, 5, and 13 of Form 8941.
- Use Worksheets 5, 6, and 7 to figure the amounts to report on lines 8, 9, and 14 of Form 8941.

Line A

Answer "Yes" if one of the following applies.

- You paid premiums for employee health insurance coverage you provided through a SHOP Marketplace or through a direct enrollment process, if available in your state.

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- You qualify for an exception to this requirement, as discussed below.

If you answer "Yes" because you paid premiums for employee health insurance coverage you provided through a SHOP Marketplace, enter the Marketplace identifier, if any.

If you answer "No," don't file Form 8941 unless you're filing it for a partnership, S corporation, cooperative, estate, trust, or tax-exempt eligible small employer that received from another entity a credit that must be reported on line 15. For more information, see the instructions for line 15.

Waiver for Hawaii. Hawaii has received a 5-year State Innovation Waiver under section 1332 of the Affordable Care Act that has been extended for 5 more years. Employers in Hawaii can't participate in the SHOP Marketplace or claim the credit for insurance premiums paid for health plan years beginning after 2016. For more information on the waiver, go to *CMS.gov*.

Exception for eligible small employers in certain counties. For calendar year 2025, SHOP Marketplaces in certain counties across the United States didn't have qualified health plans available for employers to offer to employees. However, relief is available, which allows eligible small employers with a principal business address in those counties to claim the credit for 2025 if they properly claimed the credit under section 45R for all or part of 2024. For details, see Notice 2018-27, 2018-20, I.R.B. 580, available at *IRS.gov/irb/2018-20_IRB#NOT-2018-27*.

TIP *To see whether a particular county has coverage available through a SHOP Exchange for 2025 and beyond, go to Healthcare.gov/small-business and enter "plans and prices" in the search box.*

Line C

Answer "Yes" if a tax return you (or any predecessor) filed for a tax year beginning after 2013 and before 2024 included a Form 8941 with line A checked "Yes" and line 12 showing a positive amount. For more information, see *Credit Period*, earlier.

If you answer "Yes," don't file Form 8941 unless you're filing it for a partnership, S corporation, cooperative, estate, trust, or tax-exempt eligible small employer that received from another entity a credit that must be reported on line 15. An entity that qualifies for this exception shouldn't report any amount on line 12. For more information, see the instructions for line 15.

Worksheet 1. Information Needed To Complete Line 1 and Worksheets 2 and 3

If you need more rows, use a separate sheet and include the additional amounts in the totals below.

(a) Individuals Considered Employees	(b) Employee Hours of Service	(c) Employee Wages Paid
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		
Totals:		

Column (a), Individuals Considered Employees

Enter the name or other identifying information for all individuals considered employees for purposes of this credit.

In general, all employees who perform services for you during the tax year are taken into account in determining your FTEs, average annual wages, and premiums paid. Rules that apply to certain types of employees are discussed below.

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Excluded employees. The following individuals aren't considered employees when you figure this credit. Hours and wages of these employees and premiums paid for them aren't counted when you figure your credit.

- The owner of a sole proprietorship.
- A partner in a partnership.
- A shareholder who owns (after applying the section 318 constructive ownership rules) more than 2% of an S corporation.
- A shareholder who owns (after applying the section 318 constructive ownership rules) more than 5% of the outstanding stock or stock possessing more than 5% of the total combined voting power of all stock of a corporation that isn't an S corporation.
- A person who owns more than 5% of the capital or profits interest in any other business that isn't a corporation.
- Family members or a member of the household who isn't a family member but qualifies as a dependent on the individual income tax return of a person listed above. Family members include a child (or descendant of a child), a sibling or step-sibling, a parent (or ancestor of a parent), a step-parent, a niece or nephew, an aunt or uncle, or a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law. A spouse of any owner or family member listed above is also considered a family member for this purpose.

Former employees. Premiums paid on behalf of a former employee with no hours of service may be treated as paid on behalf of an employee for purposes of figuring the credit, provided that, if so treated, the former employee is also treated as an employee for purposes of the uniform percentage requirement.

Leased employees. Don't use premiums paid by the leasing organization to figure your credit. Also, a leased employee who isn't a common law employee is considered an employee for credit purposes if the employee does all the following.

- Provides services to you under an agreement between you and a leasing organization.
- Has performed services for you (or for you and a related person) substantially full time for at least 1 year.
- Performs services under your primary direction or control.

But don't use hours, wages, or premiums paid with respect to the initial year of service on which leased employee status is based.

Seasonal employees. Employees who perform labor or services on a seasonal basis and perform labor or services for you 120 or fewer days during the tax year aren't considered employees in determining FTEs and average annual wages. But premiums paid on their behalf are counted in determining the amount of the credit. Seasonal workers include retail workers employed exclusively during holiday seasons. Seasonal workers also include workers employed exclusively during the summer.

Household and other nonbusiness employees. Household employees and other employees who aren't performing services in your trade or business are considered employees if they otherwise qualify, as discussed above. A sole proprietor must include both business and nonbusiness employees to determine FTEs, average annual wages, and premiums paid.

Ministers. A minister performing services in the exercise of the minister's ministry is treated as self-employed for social security and Medicare purposes. However, for credit purposes, whether a minister is an employee or self-employed is determined under the common law test for determining worker status. Self-employed ministers aren't considered employees.

Column (b), Employee Hours of Service

Enter the total hours of service for the tax year for each employee listed in column (a). Don't enter more than 2,080 hours for any employee. But enter -0- for seasonal employees who worked 120 or fewer days during the tax year.

Employee hours of service. An employee's hours of service for a year include the following.

- Each hour for which the employee is paid, or entitled to payment, for the performance of duties for the employer during the employer's tax year.
- Each hour for which an employee is paid, or entitled to payment, by the employer on account of a period of time during the employer's tax year during which no duties are performed due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence (except that no more than 160 hours of service are required to be counted for an employee on account of any single continuous period during which the employee performs no duties).

To figure the total number of hours of service you must take into account for an employee for the year, you can use any of the following methods.

Actual-hours-worked method. Determine actual hours of service from records of hours worked and hours for which payment is made or due (payment is made or due for vacation, holiday, illness, incapacity, etc., as described above).

Days-worked equivalency method. Use a days-worked equivalency whereby the employee is credited with 8 hours of service for each day for which the employee would be required to be credited with at least 1 hour of service under the rules described above.

Weeks-worked equivalency method. Use a weeks-worked equivalency whereby the employee is credited with 40 hours of service for each week for which the employee would be required to be credited with at least 1 hour of service under the rules described above.

Column (c), Employee Wages Paid

Complete Worksheet 2 before you complete column (c) of Worksheet 1. ***Do not*** *complete column (c) if Worksheet 2, line 3, is 25 or more.*

Enter the total wages paid for the tax year for each employee listed in column (a). But enter -0- for seasonal employees who worked 120 or fewer days during the tax year.

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Wages, for this purpose, mean wages subject to social security and Medicare tax withholding determined without considering any wage base limit.

Worksheet 2. Information Needed To Complete Line 2 (FTEs)

Your credit is reduced if you had more than 10 FTEs for the tax year. If you had 25 or more FTEs for the tax year, your credit is reduced to zero.

1.	Enter the total employee hours of service from Worksheet 1, column (b)	1. _____
2.	Hours of service per FTE	2. 2,080
3.	**Full-time equivalent employees.** Divide line 1 by line 2. If the result isn't a whole number (0, 1, 2, etc.), **generally round the result down** to the next lowest whole number. For example, round 2.99 down to 2. However, if the result is less than one, enter 1. Report this number on Form 8941, line 2	3. _____

Worksheet 3. Information Needed To Complete Line 3 (Average Annual Wages)

Your credit is reduced if you paid average annual wages of more than $33,000 for the tax year. If you paid average annual wages of $67,000 or more for the tax year, your credit is reduced to zero.

1.	Enter the total employee wages paid from Worksheet 1, column (c)	1. _____
2.	Enter FTEs from Worksheet 2, line 3	2. _____
3.	**Average annual wages.** Divide line 1 by line 2. If the result isn't a multiple of $1,000 ($1,000, $2,000, $3,000, etc.), **round the result down** to the next lowest multiple of $1,000. For example, round $2,999 down to $2,000. Report this amount on Form 8941, line 3	3. _____

Worksheet 4. Information Needed To Complete Lines 4, 5, and 13 and Worksheet 7

If you need more rows, use a separate sheet and include the additional amounts in the totals below.

(a) Enrolled Individuals Considered Employees	(b) Employer Premiums Paid	(c) Adjusted Average Premiums	(d) Enrolled Employee Hours of Service
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
21.			
22.			
23.			
24.			
25.			
Totals:			

Column (a), Enrolled Individuals Considered Employees

Enter the name or other identifying information for each individual listed in column (a) of Worksheet 1 who was enrolled in health insurance coverage you provided to employees during the tax year under a qualifying arrangement. For details, see *Health Insurance Coverage* and *Qualifying Arrangement*, earlier.

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Column (b), Employer Premiums Paid

Enter the total employer premiums paid for the tax year for each employee listed in column (a). For details, see *Employer Premiums Paid*, earlier.

Column (c), Adjusted Average Premiums

Your credit is reduced if the employer premiums paid are more than the employer premiums that would've been paid if individuals considered employees were enrolled in a plan with a premium equal to the average premium for the small group market in the rating area in which the employee enrolls for coverage.

The rating area in which an employee enrolls for coverage is generally the rating area where your business is located (based on your primary business address). You will generally have selected a plan in your rating area that covers all employees located within or outside your rating area. However, if you have multiple businesses or operations in multiple states, and have set up plans in more than one SHOP Marketplace, the average premiums may be different for employees enrolled in each SHOP Marketplace.

Enter, for each employee listed in column (a), the premiums you would've paid if the employee had enrolled in a plan or plans with a total premium equal to the average premium for the small group market in the rating area in which the employee enrolls for coverage.

To find the average premium for the small group market in a rating area for tax years beginning in 2025, see the average premium tables at the end of these instructions. Family coverage includes any coverage other than employee-only coverage.

Example 4. Assume the same facts that were used in *Example 3*. The $60 you contribute each payday toward employee health insurance coverage is 60% ($60 ÷ $100) of the weekly premium for each employee enrolled in employee-only coverage and 24% ($60 ÷ $250) of the weekly premium for each employee enrolled in family coverage.

In this situation, the total average premium limitation amounts that apply are 60% of the applicable average premium amounts for each employee enrolled in employee-only coverage and 24% of the applicable average premium amounts for each employee enrolled in family coverage.

You have an employee enrolled in employee-only coverage who enrolled for coverage in your local rating area. The applicable employee-only average premium amount for the rating area is $4,940 or $95 ($4,940 ÷ 52) for each weekly payday. The amount you would've paid toward this employee's health insurance coverage based on the average premiums is $57 (60% of $95) each payday.

To determine the premiums you would've paid for this employee during the tax year if the employee had enrolled in an average premium plan, multiply the number of pay periods during which your employee was enrolled in the health insurance coverage by $57. For example, you would've paid $2,964 ($57 × 52) if the employee was enrolled for the entire tax year. You would've paid $570 ($57 × 10) if the employee was only enrolled for 10 pay periods. You'll need an additional set of calculations if the premium amounts changed during the tax year.

Column (d), Enrolled Employee Hours of Service

Don't *complete column (d) of Worksheet 4 if Form 8941, line 12, is zero.*

Enter the amount from column (b) of Worksheet 1 for each employee listed in column (a) of Worksheet 4.

Worksheet 5. Information Needed To Complete Line 8 (If Line 2 Is More Than 10)

1.	Enter the amount from Form 8941, line 7	1. _____
2.	Enter the number from Form 8941, line 2	2. _____
3.	Subtract 10 from line 2	3. _____
4.	Divide line 3 by 15. Enter the result as a decimal (rounded to at least 3 places)	4. _____
5.	Multiply line 1 by line 4	5. _____
6.	Subtract line 5 from line 1. Report this amount on Form 8941, line 8	6. _____

Worksheet 6. Information Needed To Complete Line 9 (If Line 3 Is More Than $33,000)

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 $33,300 from line 3	4. _____
5.	Divide line 4 by $33,300. 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. _____

Line 10

Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4. For details, see *State Premium Subsidy and Tax Credit Limitation*, earlier.

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Worksheet 7. Information Needed To Complete Line 14 (If Line 12 Is More Than Zero)

1. Enter the total enrolled employee hours of service from Worksheet 4, column (d)	1.	
2. Hours of service per FTE	2.	2,080
3. Divide line 1 by line 2. If the result isn't a whole number (0, 1, 2, etc.), **generally round the result down** to the next lowest whole number. For example, round 2.99 down to 2. However, if the result is less than one, enter 1. Report this number on Form 8941, line 14	3.	

Line 15

Enter any credit for small employer health insurance premiums from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code BA);
- Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code BA);
- Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., box 13 (code G); and
- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 12, or other notice of credit allocation.

TIP *Partnerships, S corporations, cooperatives, estates, trusts, and tax-exempt eligible small employers report the above credits on line 15. All other filers figuring a separate credit on earlier lines also report the above credits on line 15. All others not using earlier lines to figure a separate credit must report the above credits directly on Form 3800, Part lll, line 4h.*

Line 17

Cooperatives. A cooperative described in section 1381(a) must allocate to its patrons the credit in excess of its tax liability. Therefore, to figure the unused amount of the credit allocated to patrons, the cooperative must first figure its tax liability. While any excess is allocated to patrons, any credit recapture applies as if the cooperative had claimed the entire credit.

If the cooperative is subject to the passive activity rules, include on line 15 any credit for small employer health insurance premiums from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed credit that must be allocated to patrons. For details, see the Instructions for Form 8810.

Estates and trusts. Allocate the credit on line 16 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 17.

If the estate or trust is subject to the passive activity rules, include on line 15 any credit for small employer health insurance premiums from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

Line 19

Enter the total amount of certain payroll taxes. Payroll taxes, for this purpose, mean only the following taxes.

- Federal income taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2025.
- Medicare taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2025.
- Medicare taxes the tax-exempt employer was required to pay for calendar year 2025.

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Paperwork Reduction Act Notice. We ask for you to obtain the information on this form to carry out the Internal Revenue laws of the United States. You are required to obtain this information. You are not required to obtain the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form, or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103. The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual filers is approved under OMB control number 1545-0074, tax exempt filers under OMB control number 1545-0047, business filers is approved under OMB control number 1545-0123, and trust filers is approved under OMB control number 1545-0092, for the estimated averages, see the instructions for your income tax return. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

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Average Premiums Needed To Figure Adjusted Amounts on Worksheet 4

The following tables list the average premiums for the small group market in each rating area generally listed by county for each state for tax years beginning in 2025. (Tables not available until November 2025).

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