



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 www.irs.gov/form8941.

What's New

Form 8941 was revised to refer filers directly to the worksheets in the instructions. Repetitive line instructions were removed and definitions were moved closer to the related worksheets.

General Instructions

Purpose of Form

Eligible small employers (defined below) use Form 8941 to figure the credit for small employer health insurance premiums for tax years beginning after 2009. The maximum credit is a percentage of premiums the employer paid during the tax year for certain health insurance coverage the employer provided to certain employees. But the credit may be reduced by limitations based on the employer's full-time equivalent employees, average annual wages, state average premiums, and state premium subsidies and tax credits.

For **tax-exempt small employers**, the credit is generally 25% of premiums paid, is also 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 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 small employers**, the credit is generally 35% of premiums paid, can be taken against both regular and alternative minimum tax, and is claimed as part of the general business credit on Form 3800.



Taxpayers other than partnerships, S corporations, cooperatives, estates, and trusts, whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on Form 3800.

Eligible Small Employers

You are 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, self-only, self plus one, 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 self-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 details, see Worksheets 1 and 2.

3. You paid average annual wages for the tax year of less than \$50,000 per FTE. For details, see Worksheets 1 and 3.



If you had more than 10 FTEs and average annual wages of more than \$25,000, 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 \$50,000.

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 for details.
- Tax-exempt employers under common control. See Regulations section 1.414(c)-5.

For details, see section 45R(e)(5)(A).



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 are a sole proprietor with two separate businesses and you file a separate Schedule C

(Form 1040) 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). Do not 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.

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. For this purpose, if you are entitled to a state tax credit or a state premium subsidy paid directly to you for premiums you paid, do not 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.

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 is not treated as an employer paid premium. For more information on cafeteria plans, see section 1 of Publication 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 single (employee-only) coverage for each employee enrolled in any health insurance coverage you provide to employees. The total premium for each employee enrolled in single (employee-only) coverage is \$5,200 per year or \$100 ($\$5,200 \div 52$) for each weekly payday. The total premium for each employee enrolled in family coverage is \$12,376 per year or \$238 ($\$12,376 \div 52$) for each weekly payday.

Each payday you contribute \$60 (60% of \$100) toward the premium cost of each employee enrolled in single (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 single coverage) toward the premium cost of each employee enrolled in family coverage and withhold the remaining \$178 from the employee's paycheck to obtain the \$238 total weekly premium.

To determine the premiums you paid during the tax year, multiply the number of pay periods during which the employee was enrolled in the health insurance coverage by \$60. For example, you would have paid \$3,120 ($\60×52) for an employee who was enrolled for the entire tax year. You would have paid \$600 ($\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 credit purposes, health insurance coverage means benefits consisting of medical care (provided directly, through insurance or reimbursement, or otherwise) under any hospital or medical service policy or certificate, hospital or medical service plan contract, or health maintenance organization contract offered by a health insurance provider.

A health insurance provider is either an insurance company or another entity licensed under state law to provide health insurance coverage.

Health insurance coverage also includes coverage under the following plans.

- Limited scope dental or vision plans.
- Long-term care plans.
- Nursing home care plans.
- Home health care plans.
- Community-based care plans.
- Any combination of the above.

In addition, health insurance coverage includes the following.

- Coverage only for a specified disease or illness.
- Hospital indemnity or other fixed indemnity insurance.
- Medicare supplemental health insurance.
- Certain other supplemental coverage.
- Similar supplemental coverage provided to coverage under a group health plan.



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

Health insurance coverage **does not** include the following benefits.

- Coverage only for accident, or disability income insurance, or any combination thereof.
- Coverage issued as a supplement to liability insurance.
- Liability insurance, including general liability insurance and automobile liability insurance.
- Workers' compensation or similar insurance.
- Automobile medical payment insurance.
- Credit-only insurance.
- Coverage for on-site medical clinics.
- Other similar insurance coverage, specified in regulations, under which benefits for medical care are secondary or incidental to other insurance benefits.

Also, because the coverage must be offered by a health insurance provider as discussed above, health insurance coverage does not include benefits provided by the following.

- Health reimbursement arrangements (HRAs).
- Flexible spending arrangements (health FSAs).
- Coverage under other self-insured plans.
- Health savings accounts (HSAs).

However, health insurance coverage may include coverage under the following plans.

- Church welfare benefit plans.
 - Multiemployer health and welfare plans that provide coverage through a health insurance provider.
- For details, see Notice 2010-82 as discussed under *More Information*, later.

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, self-only, self plus one, 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 details about the following exceptions, see Notice 2010-82 as discussed under *More Information*, later.

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 self-only coverage. It is a qualifying arrangement (assuming self-only coverage is the least expensive tier of coverage) if it requires you to pay the following amounts.

- A uniform percentage (not less than 50%) of the premium cost for each employee (if any) enrolled in self-only coverage.
- A uniform amount that is no less than the amount you would have paid toward self-only coverage for each employee (if any) enrolled in self plus one coverage.
- A uniform amount that is no less than the amount you would have paid toward self-only coverage for each employee (if any) enrolled in family coverage.
- A uniform amount that is no less than the amount you would have paid toward self-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 self-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 self-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 self-only coverage, or
- A uniform percentage (not less than 50%) of your employer-computed composite rate (defined later) for your self-only coverage for each employee enrolled in the self-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 self-only coverage is the least expensive tier of coverage) if it requires you to pay the following amounts.

- A uniform percentage (not less than 50%) for each employee enrolled in self-only coverage as discussed under *Arrangements with list billing and only self-only coverage* above.
- A uniform amount that is either equal to the amount you would have paid toward self-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 self plus one coverage, for each employee (if any) enrolled in self plus one coverage.
- A uniform amount that is either equal to the amount you would have paid toward self-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 have paid toward self-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 Notice 2010-82 as discussed under *More Information*, later.

State subsidies and credits. For this purpose, if you are entitled to a state tax credit or a state premium subsidy paid directly to you for premiums you paid, do not 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.

Multiemployer health and welfare plans. For a special rule that applies to multiemployer health and welfare

plans, see Notice 2010-82 as discussed under *More Information*, later.

State Premium Subsidy and Tax Credit Limitation

Your credit may be reduced if you are 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 does not 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 cannot 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 Small Employers

The credit for tax-exempt small employers cannot exceed the amount of certain payroll taxes. For tax years beginning in 2013, 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 2013.
- Medicare taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2013.
- Medicare taxes the tax-exempt employer was required to pay for calendar year 2013.

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.
- Notice 2010-44, 2010-22 I.R.B. 717, available at www.irs.gov/irb/2010-22_IRB/ar12.html.
- Notice 2010-82, 2010-51 I.R.B. 857, available at www.irs.gov/irb/2010-51_IRB/ar09.html.
- IRS.gov.

Specific Instructions



If your only source for this credit is a partnership, S corporation, cooperative, estate, or trust, skip lines 1 through 14 of the form and report the credit you received from these sources on:

- *Line 15 if you are one of these entities, or*
- *Form 3800, line 4h, if you are not one of these entities.*

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 1a, 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.

Worksheet 1. Information Needed To Complete Line 1a 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.		
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18.		
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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.

Excluded employees. The following individuals are not considered employees when you figure this credit. Hours and wages of these employees and premiums paid for them are not 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 is not an S corporation.
- A person who owns more than 5% of the capital or profits interest in any other business that is not a corporation.
- Family members or a member of the household who is not 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 is also considered a family member for this purpose.

Leased employees. Do not use premiums paid by the leasing organization to figure your credit. Also, a leased employee who is not a common law employee is considered an employee for credit purposes if he or she 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 do not use hours, wages, or premiums paid with respect to the initial year of service on which leased employee status is based.

Seasonal employees. Seasonal employees who work for you 120 or fewer days during the tax year are not 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 are not 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 his or her 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 are not 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). Do not 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 one 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 one 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.

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 full-time equivalent employees (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. <u>2,080</u>
3. Full-time equivalent employees. Divide line 1 by line 2. If the result is not 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 \$25,000 for the tax year. If you paid average annual wages of \$50,000 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 is not 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) Employer State Average Premiums	(d) Enrolled Employee Hours of Service
1.			
2.			
3.			
4.			
5.			
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13.			
14.			
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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.

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), Employer State Average Premiums

Your credit is reduced if the employer premiums paid are more than the employer premiums that would have 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 state in which the employee works.

Enter, for each employee listed in column (a), the premiums you would have 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 state in which the employee works.

The following table lists the average premium for the small group market in each state for tax years beginning in 2013. Family coverage includes any coverage other than single (employee-only) coverage.

Table A. 2013 State Average Premiums for Small Group Markets

State	Single (Employee-Only) Coverage	Family Coverage
Alabama	\$5,363	\$13,185
Alaska	7,961	16,808
Arizona	4,946	12,006
Arkansas	4,546	10,575
California	5,345	12,809
Colorado	5,445	13,937
Connecticut	6,307	16,011
Delaware	6,555	15,144
District of Columbia	6,133	16,079
Florida	5,602	13,261
Georgia	5,605	12,369
Hawaii	5,246	12,782
Idaho	4,901	10,738
Illinois	6,017	14,453
Indiana	5,710	13,029
Iowa	4,963	12,071
Kansas	5,164	12,322
Kentucky	4,936	11,981
Louisiana	5,390	12,691
Maine	5,590	13,064
Maryland	5,610	13,965
Massachusetts	6,323	16,502
Michigan	5,569	13,256
Minnesota	5,588	14,077
Mississippi	5,042	11,964
Missouri	5,268	12,366
Montana	5,433	11,739
Nebraska	5,463	13,270
Nevada	5,417	12,125
New Hampshire	6,153	15,367
New Jersey	6,250	15,225

State	Single (Employee-Only) Coverage	Family Coverage
New Mexico	5,639	13,121
New York	6,242	15,478
North Carolina	5,510	12,541
North Dakota	5,073	12,343
Ohio	5,174	12,710
Oklahoma	5,142	11,995
Oregon	5,413	12,811
Pennsylvania	5,618	13,753
Rhode Island	6,345	15,363
South Carolina	5,351	12,473
South Dakota	5,364	12,750
Tennessee	5,251	11,663
Texas	5,327	13,313
Utah	4,951	12,619
Vermont	5,800	13,409
Virginia	5,449	13,241
Washington	5,292	12,196
West Virginia	5,947	13,734
Wisconsin	5,786	14,623
Wyoming	5,948	14,314

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% ($\$60 \div \100) of the weekly premium for each employee enrolled in single (employee-only) coverage and 25.21% ($\$60 \div \238) 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 amounts shown in the single coverage column of Table A for each employee enrolled in single coverage and 25.21% of the applicable amounts shown in the family coverage column of Table A for each employee enrolled in family coverage.

You have an employee enrolled in single (employee-only) coverage who works for you in Maryland. The single coverage amount shown in Table A for Maryland is \$5,610 or \$107.88 ($\$5,610 \div 52$) for each weekly payday. The amount you are considered to have paid toward this employee's health insurance coverage based on the average premiums in Table A is \$64.73 (60% of \$107.88) each payday.

To determine the premiums you would have paid for this employee during the tax year if the employee had enrolled in a state-average-premium plan, multiply the number of pay periods during which your employee was enrolled in the health insurance coverage by \$64.73. For example, you would have paid \$3,365.96 ($\64.73×52) if the employee was enrolled for the entire tax year. You would have paid \$647.30 ($\64.73×10) if the employee was only enrolled for 10 pay periods. You will need an

additional set of calculations if the premium amounts changed during the tax year.

Column (d), Enrolled Employee Hours of Service



Do not complete Worksheet 4 column (d) 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 \$25,000)

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 \$25,000 from line 3 4. _____
5. Divide line 4 by \$25,000. 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.

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 is not 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), box 15 (code P),
- Schedule K-1 (Form 1120S), box 13 (code P),
- Schedule K-1 (Form 1041), box 13 (code G), and
- Any notice of credit allocation you receive from a cooperative.



Taxpayers other than partnerships, S corporations, cooperatives, estates, and trusts, whose only source of this credit is from those pass-through entities, are not required to complete line 15. Instead, they can report this credit directly on Form 3800, 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 2013.

- Medicare taxes the tax-exempt employer was required to withhold from employees' wages in calendar year 2013.
- Medicare taxes the tax-exempt employer was required to pay for calendar year 2013.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide 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 section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	10 hr., 51 min.
Learning about the law or the form	1 hr., 23 min.
Preparing and sending the form to the IRS	2 hr., 46 min.

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.

