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** and do **not** rely on draft forms, instructions, and pubs for filing. 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.

Per the Department of Labor (DOL), California, Connecticut, New York, and the U.S. Virgin Islands were subject to credit reduction as of January 1, 2025. However, the DOL will not announce the final credit reduction states until November 2025. For purposes of this draft, we assume that the 4 states listed above are the credit reduction states for 2025, but the final release of the form may show that less states are subject to credit reduction.

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.

860312

Schedule A (Form 940) for 2025:

Multi-State Employer and Credit Reduction Information

Department of the Treasury — Internal Revenue Service

OMB No. 1545-0029

Employer identification number (EIN) __ __ – __ __ __ __ __ __ __

Name *(not your trade name)*

See the instructions on page 2. File this schedule with Form 940.

Place an "X" in the box of EVERY state in which you had to pay state unemployment tax this year. For each state with a credit reduction rate greater than zero, enter the FUTA taxable wages, multiply by the reduction rate, and enter the credit reduction amount. Don't include in the *FUTA Taxable Wages* box wages that were excluded from state unemployment tax (see the instructions for Step 2). If any states don't apply to you, leave them blank.

Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction	Postal Abbreviation	FUTA Taxable Wages	Reduction Rate	Credit Reduction
AK	.		.	NC	.		.
AL	.		.	ND	.		.
AR	.		.	NE	.		.
AZ	.		.	NH	.		.
CA	.		.	NJ	.		.
CO	.		.	NM	.		.
CT	.		.	NV	.		.
DC	.		.	NY	.		.
DE	.		.	OH	.		.
FL	.		.	OK	.		.
GA	.		.	OR	.		.
HI	.		.	PA	.		.
IA	.		.	RI	.		.
ID	.		.	SC	.		.
IL	.		.	SD	.		.
IN	.		.	TN	.		.
KS	.		.	TX	.		.
KY	.		.	UT	.		.
LA	.		.	VA	.		.
MA	.		.	VT	.		.
MD	.		.	WA	.		.
ME	.		.	WI	.		.
MI	.		.	WV	.		.
MN	.		.	WY	.		.
MO	.		.	PR	.		.
MS	.		.	VI	.		.
MT	.		.				

Total Credit Reduction. Add all amounts shown in the *Credit Reduction* boxes. Enter the total here and on Form 940, line 11 . . . .

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Instructions for Schedule A (Form 940) for 2025:

860412

Multi-State Employer and Credit Reduction Information

Specific Instructions: Completing Schedule A

Step 1. Place an "X" in the box of every state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) in which you had to pay state unemployment taxes this year, even if the state's credit reduction rate is zero.

Note: Make sure that you have applied for a state reporting number for your business. If you don't have an unemployment account in a state in which you paid wages, contact the state unemployment agency to receive one. For a list of state unemployment agencies, visit the U.S. Department of Labor's website at *https://oui.doleta.gov/unemploy/agencies.asp*.

The table below provides the two-letter postal abbreviations used on Schedule A.

State	Postal Abbreviation	State	Postal Abbreviation
Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
Arizona	AZ	Nevada	NV
Arkansas	AR	New Hampshire	NH
California	CA	New Jersey	NJ
Colorado	CO	New Mexico	NM
Connecticut	CT	New York	NY
Delaware	DE	North Carolina	NC
District of Columbia	DC	North Dakota	ND
Florida	FL	Ohio	OH
Georgia	GA	Oklahoma	OK
Hawaii	HI	Oregon	OR
Idaho	ID	Pennsylvania	PA
Illinois	IL	Rhode Island	RI
Indiana	IN	South Carolina	SC
Iowa	IA	South Dakota	SD
Kansas	KS	Tennessee	TN
Kentucky	KY	Texas	TX
Louisiana	LA	Utah	UT
Maine	ME	Vermont	VT
Maryland	MD	Virginia	VA
Massachusetts	MA	Washington	WA
Michigan	MI	West Virginia	WV
Minnesota	MN	Wisconsin	WI
Mississippi	MS	Wyoming	WY
Missouri	MO	Puerto Rico	PR
		U.S. Virgin Islands	VI

Credit reduction states for 2025. The credit reduction rate for California is 0.0XX (X.X%), Connecticut is 0.0XX (X.X%), and New York is 0.0XX (X.X%). The credit reduction rate for the U.S. Virgin Islands is 0.045 (4.5%).

Step 2. You're subject to credit reduction if you paid FUTA taxable wages that were also subject to state unemployment taxes in any state listed that has a credit reduction rate greater than zero.

In the *FUTA Taxable Wages* box, enter the total FUTA taxable wages that you paid in any state that is subject to credit reduction. (The FUTA wage base for all states is $7,000.) However, don't include in the *FUTA Taxable Wages* box wages that were excluded from state unemployment tax. For example, if you paid $5,000 in FUTA taxable wages in a credit reduction state but $1,000 of those wages was excluded from state unemployment tax, report $4,000 in the *FUTA Taxable Wages* box.

Note: Don't enter your state unemployment wages in the *FUTA Taxable Wages* box.

Enter the reduction rate and then multiply the total FUTA taxable wages by the reduction rate. Enter your total in the *Credit Reduction* box at the end of the line.

Step 3. Total credit reduction

To calculate the total credit reduction, add up all of the *Credit Reduction* boxes and enter the amount in the *Total Credit Reduction* box. Then enter the total credit reduction on Form 940, line 11.

Example 1

You paid $20,000 in wages to each of three employees in State A. State A is subject to credit reduction at a rate of 0.0XX (X.X%). Because you paid wages in a state that is subject to credit reduction, you must complete Schedule A and file it with Form 940.

Total payments to all employees in State A	$60,000
Payments exempt from FUTA tax (see the Instructions for Form 940)	$0
Total payments made to each employee in excess of $7,000 (3 x ($20,000 - $7,000))	$39,000
Total FUTA taxable wages you paid in State A entered in the *FUTA Taxable Wages* box ($60,000 - $0 - $39,000)	$21,000
Credit reduction rate for State A	0.0XX
Total credit reduction for State A ($21,000 x 0.0XX)	$XXX.XX

CAUTION

Don't include in the FUTA Taxable Wages *box wages in excess of the $7,000 wage base for each employee subject to state unemployment insurance in the credit reduction state. The credit reduction applies only to FUTA taxable wages that were also subject to state unemployment tax.*

In this case, you would enter $XXX.XX in the *Total Credit Reduction* box and then enter that amount on Form 940, line 11.

Example 2

You paid $48,000 ($4,000 a month) in wages to Mary Smith and no payments were exempt from FUTA tax. Mary worked in State B (not subject to credit reduction) in January and then transferred to State C (subject to credit reduction) on February 1. Because you paid wages in more than one state, you must complete Schedule A and file it with Form 940.

The total payments in State B that aren't exempt from FUTA tax are $4,000. Because this payment to Mary doesn't exceed the $7,000 FUTA wage base, the total FUTA taxable wages paid in State B are $4,000.

The total payments in State C that aren't exempt from FUTA tax are $44,000. However, $4,000 of FUTA taxable wages was paid in State B with respect to Mary. Therefore, the total FUTA taxable wages with respect to Mary in State C are $3,000 ($7,000 (FUTA wage base) - $4,000 (total FUTA taxable wages paid in State B)). Enter $3,000 in the *FUTA Taxable Wages* box, multiply it by the reduction rate, and then enter the result in the *Credit Reduction* box.

Attach Schedule A to Form 940 when you file your return.

Paperwork Reduction Act Notice. We ask for the information on Schedule A to carry out the Internal Revenue laws of the United States. You're 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're 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 Schedule A will vary depending on individual circumstances. The estimated burden for employers filing Schedule A is approved under OMB control number 1545-0029 and is included in the estimates shown in the instructions for their employment tax return.

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