



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](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.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](https://www.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](#).

2025



Instructions for Form 940

Employer's Annual Federal Unemployment (FUTA) Tax Return

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

Future Developments

For the latest information about developments related to Form 940 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form940](https://irs.gov/Form940).

What's New

Aggregate return filers must identify themselves.

Aggregate return filers must use the new Aggregate Return Filers Only section on Form 940 to identify whether they're filing an aggregate return as a section 3504 agent, certified professional employer organization (CPEO), or other third party. For more information about these types of aggregate return filers, see [Certification program for professional employer organizations \(PEOs\)](#) and [Aggregate Form 940 filers](#), later. For more information about completing this new section on Form 940, see [Aggregate Return Filers Only](#), later.

Direct deposit of Form 940 refund is now available.

[Executive Order \(EO\) 14247](#), Modernizing Payments To and From America's Bank Account, issued on March 25, 2025, promotes operational efficiency by mandating the transition to electronic payments for all federal disbursements. Accordingly, the IRS will now issue Form 940 tax refunds by direct deposit. Direct deposit is a fast, simple, safe, and secure way to have your refund deposited automatically to your checking or savings account. Instead of a direct deposit refund, you can still choose to have your Form 940 overpayment applied to your next return by checking the appropriate box on line 15b. For more information, see the instructions for [line 15b](#) and [Direct Deposit](#), later.

Make balance due payments electronically. [EO 14247](#)

also promotes operational efficiency by mandating the transition to electronic payments for all payments made to the federal government. Therefore, pay your balance due on Form 940 electronically. There are several easy, safe, and secure ways to pay your balance due electronically. For more information, see the instructions for [line 14](#), later.

Form 940 return transcripts are now available electronically.

You can now access your Form 940 return transcript for tax years 2023 and later using your IRS business tax account. For more information, go to [IRS.gov/BusinessTranscript](https://irs.gov/BusinessTranscript). To access your IRS business tax account, go to [IRS.gov/BusinessAccount](https://irs.gov/BusinessAccount).

Credit reduction state. A state that hasn't repaid money it borrowed from the federal government to pay unemployment benefits is called a credit reduction state. The U.S. Department of Labor determines these states. If

an employer pays wages that are subject to the unemployment tax laws of a credit reduction state, that employer must pay additional federal unemployment tax when filing its Form 940.

For 2025, there are credit reduction states. If you paid any wages that are subject to the unemployment compensation laws of a credit reduction state, your credit against federal unemployment tax will be reduced based on the credit reduction rate for that credit reduction state. Use Schedule A (Form 940) to figure the credit reduction. For more information, see the Schedule A (Form 940) instructions or go to [IRS.gov](https://irs.gov).

Reminders

Electronically filing an amended Form 940. The IRS now offers filing an amended Form 940 as part of Modernized e-File (MeF). For more information on electronic filing, go to [IRS.gov/EmploymentEfile](https://irs.gov/EmploymentEfile).

Form 940 (sp) available in Spanish. All employers, including employers in Puerto Rico and the U.S. Virgin Islands, have the option to file Form 940 (sp).

Moving expense and bicycle commuting reimbursements are subject to FUTA tax. The Tax Cuts and Jobs Act (P.L. 115-97) suspends the exclusion for qualified moving expense reimbursements from your employee's income under section 132 and the deduction from the employee's income under section 217, as well as the exclusion for qualified bicycle commuting reimbursements from your employee's income under section 132, beginning after 2017 and before 2026. Therefore, moving expense and bicycle commuting reimbursements aren't exempt from FUTA tax during this period. Don't include moving expense or bicycle commuting reimbursements on Form 940, line 4. P.L. 119-21 permanently eliminates these exclusions after tax year 2025 and will be discussed in more detail in the 2026 Instructions for Form 940. For more information about fringe benefits, see Pub. 15-B.

Certification program for professional employer organizations (PEOs). The Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act of 2014 required the IRS to establish a voluntary certification program for PEOs. PEOs handle various payroll administration and tax reporting responsibilities for their business clients and are typically paid a fee based on payroll costs. To become and remain certified under the certification program, certified professional employer organizations (CPEOs) must meet various requirements described in sections 3511 and 7705 and related published guidance. Certification as a CPEO may affect the employment tax liabilities of both the CPEO and its customers. A CPEO is generally treated for employment tax purposes as the employer of any individual who performs services for a customer of the CPEO and is covered by a contract described in section

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7705(e)(2) between the CPEO and the customer (CPEO contract), but only for wages and other compensation paid to the individual by the CPEO. To become a CPEO, the organization must apply through the IRS Online Registration System. For more information or to apply to become a CPEO, go to [IRS.gov/CPEO](https://www.irs.gov/CPEO).

For wages paid to a work site employee, a CPEO is eligible for the credit for state unemployment tax paid to a state unemployment fund, whether the CPEO or a customer of the CPEO made the contribution. In addition, a CPEO is allowed the additional credit if the CPEO is permitted, under state law, to collect and remit contributions to the state unemployment fund with respect to a work site employee. For more information on the credit, see [Credit for State Unemployment Tax Paid to a State Unemployment Fund](#), later.

CPEOs must generally file Form 940 and Schedule R (Form 940), Allocation Schedule for Aggregate Form 940 Filers, electronically. For more information about a CPEO's requirement to file electronically, see Rev. Proc. 2023-18, 2023-13 I.R.B. 605, available at [IRS.gov/irb/2023-13_IRB#REV-PROC-2023-18](https://www.irs.gov/irb/2023-13_IRB#REV-PROC-2023-18).

Outsourcing payroll duties. Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. Before you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and income taxes) to a third-party payer, such as a payroll service provider or reporting agent, go to [IRS.gov/OutsourcingPayrollDuties](https://www.irs.gov/OutsourcingPayrollDuties) for helpful information on this topic. If a CPEO pays wages and other compensation to an individual performing services for you, and the services are covered by a CPEO contract, then the CPEO is generally treated for employment tax purposes as the employer, but only for wages and other compensation paid to the individual by the CPEO. However, with respect to certain employees covered by a CPEO contract, you may also be treated as an employer of the employees and, consequently, may also be liable for federal employment taxes imposed on wages and other compensation paid by the CPEO to such employees. For more information on the different types of third-party payer arrangements, see section 16 of Pub. 15, Employer's Tax Guide.

Aggregate Form 940 filers. Approved section 3504 agents and CPEOs must complete Schedule R (Form 940) when filing an aggregate Form 940. Aggregate Forms 940 are filed by agents of home care service recipients approved by the IRS under section 3504. To request approval to act as an agent for an employer, the agent files Form 2678 with the IRS unless you're a state or local government agency acting as an agent under the special procedures provided in Rev. Proc. 2013-39, 2013-52 I.R.B. 830, available at [IRS.gov/irb/2013-52_IRB#RP-2013-39](https://www.irs.gov/irb/2013-52_IRB#RP-2013-39).

Aggregate Forms 940 are also filed by CPEOs approved by the IRS under section 7705. CPEOs file Form 8973, Certified Professional Employer Organization/ Customer Reporting Agreement, to notify the IRS that they

started or ended a service contract with a customer. CPEOs must generally file Form 940 and Schedule R (Form 940) electronically. For more information about a CPEO's requirement to file electronically, see [Rev. Proc. 2023-18](#).

If you're filing an aggregate Form 940, you must identify yourself on Form 940. For more information, see [Aggregate Return Filers Only](#), later.

If you change your business name, business address, or responsible party. Notify the IRS immediately if you change your business name, business address, or responsible party.

- Write to the IRS office where you file your returns (using the *Without a payment* address under [Where Do You File](#), later) to notify the IRS of any business name change. See Pub. 1635 to see if you need to apply for a new employer identification number (EIN).
- Complete and mail Form 8822-B to notify the IRS of a business address or responsible party change. Don't mail Form 8822-B with your Form 940. For a definition of "responsible party," see the Instructions for Form SS-4.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax deposits. An EFT can be made using the Electronic Federal Tax Payment System (EFTPS), IRS Direct Pay, or your IRS business tax account. If you don't want to use one of these methods, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made using IRS Direct Pay or through your IRS business tax account are also free. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

For more information on making federal tax deposits, see section 11 of Pub. 15. To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov), or call 800-555-4477 or 800-244-4829 (Spanish). To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966. For more information about IRS Direct Pay, go to [IRS.gov/DirectPay](https://www.irs.gov/DirectPay). For more information about making a payment through your IRS business tax account, go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount).

Electronic filing and payment. Businesses can enjoy the benefits of filing tax returns and paying their federal taxes electronically. Whether you rely on a tax professional or handle your own taxes, the IRS offers you convenient and secure programs to make filing and paying easier. Spend less time worrying about taxes and more time running your business. Use *e-file* and electronic payment options to your benefit.

- For *e-file*, go to [IRS.gov/EmploymentEfile](https://www.irs.gov/EmploymentEfile) for additional information. A fee may be charged to file electronically.

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- For electronic payment options, see the instructions for [line 14](#), later, and go to [IRS.gov/Pay](https://www.irs.gov/Pay).

Electronic funds withdrawal (EFW). If you file Form 940 electronically, you can *e-file* and use EFW to pay the balance due in a single step using tax preparation software or through a tax professional. However, don't use EFW to make federal tax deposits. For more information on paying your taxes using EFW, go to [IRS.gov/EFW](https://www.irs.gov/EFW).

Credit or debit card payments. You may pay your FUTA tax shown on line 14 using a credit or debit card. Your payment will be processed by a payment processor who will charge a processing fee. Don't use a credit or debit card to pay taxes that are required to be deposited (see [When Must You Deposit Your FUTA Tax](#), later). For more information on paying your taxes with a credit or debit card, go to [IRS.gov/PayByCard](https://www.irs.gov/PayByCard).

Online payment agreement. You may be eligible to apply for an installment agreement online if you can't pay the full amount of tax you owe when you file your return. For more information, see [What if you can't pay in full](#), later.

Disregarded entities and qualified subchapter S subsidiaries (QSUBS). Business entities that are disregarded as separate from their owner, including QSUBS, are required to withhold and pay employment taxes and file employment tax returns using the name and EIN of the disregarded entity. For more information, see [Disregarded entities](#), later.

State unemployment information. When you registered as an employer with your state, the state assigned you a state reporting number. If you don't have a state unemployment account and state experience tax rate, or if you have questions about your state account, you must contact your state unemployment agency. For a list of state unemployment agencies, go to the U.S. Department of Labor's website at oui.doleta.gov/unemploy/agencies.asp.

Paid preparers. If you use a paid preparer to complete Form 940, the paid preparer must complete and sign the paid preparer's section of the form.

Photographs of missing children. The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

How Can You Get More Help?

If you want more information about this form, see Pub. 15, go to [IRS.gov](https://www.irs.gov), or call the Business and Specialty Tax Line toll free at 800-829-4933 or 800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability), Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time; employers in Puerto Rico receive service from 8:00 a.m. to 8:00 p.m. local time).

For a list of related employment tax topics, go to [IRS.gov/employmenttaxes](https://www.irs.gov/employmenttaxes). You can order forms, instructions, and publications at [IRS.gov/OrderForms](https://www.irs.gov/orderforms).

General Instructions

What's the Purpose of Form 940?

These instructions give you some background information about Form 940. They tell you who must file the form, how to fill it out line by line, and when and where to file it.

Use Form 940 to report your annual Federal Unemployment Tax Act (FUTA) tax. Together with state unemployment tax systems, the FUTA tax provides funds for paying unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax. Only employers pay FUTA tax. Don't collect or deduct FUTA tax from your employees' wages.

The FUTA tax applies to the first \$7,000 you pay to each employee during a calendar year after subtracting any payments exempt from FUTA tax.

Who Must File Form 940?

Except as noted below, if you answer "Yes" to either one of these questions, you must file Form 940.

- Did you pay wages of \$1,500 or more to employees in any calendar quarter during 2024 or 2025?
- Did you have one or more employees for at least some part of a day in any 20 or more different weeks in 2024 or 20 or more different weeks in 2025? Count all full-time, part-time, and temporary employees. However, if your business is a partnership, don't count its partners.

If your business was sold or transferred during the year, each employer who answered "Yes" to at least one question above must file Form 940. However, don't include any wages paid by the predecessor employer on your Form 940 unless you're a successor employer. For details, see [Successor employer](#) under *Type of Return*, later.

If you're not liable for FUTA tax for 2025 because you made no payments to employees in 2025, check box c in the top right corner of the form. Then, go to Part 7, sign the form, and file it with the IRS.

If you won't be liable for filing Form 940 in the future because your business has closed or because you stopped paying wages, check box d in the top right corner of the form. For more information, see [Final: Business closed or stopped paying wages](#) under *Type of Return*, later.

For Employers of Household Employees . . .

If you're a household employer, you must pay FUTA tax on wages that you paid to your household employees only if you paid cash wages of \$1,000 or more in any calendar quarter in 2024 or 2025.

- A household employee performs household work in a:
 - Private home,
 - Local college club, or

- Local chapter of a college fraternity or sorority.

Generally, employers of household employees must file Schedule H (Form 1040) instead of Form 940.

However, if you have other employees in addition to household employees, you can choose to include the FUTA taxes for your household employees on Form 940 instead of filing Schedule H (Form 1040). If you choose to include household employees on your Form 940, you must also file Form 941, Employer’s QUARTERLY Federal Tax Return; Form 943, Employer’s Annual Federal Tax Return for Agricultural Employees; or Form 944, Employer’s ANNUAL Federal Tax Return, to report social security, Medicare, and any withheld federal income taxes for your household employees. See Pub. 926 for more information.

For Agricultural Employers . . .

File Form 940 if you answer “Yes” to either of these questions.

- Did you pay cash wages of \$20,000 or more to farmworkers during any calendar quarter in 2024 or 2025?
- Did you employ 10 or more farmworkers during some part of the day (whether or not at the same time) during any 20 or more different weeks in 2024 or 20 or more different weeks in 2025?

Count wages you paid to aliens who were admitted to the United States on a temporary basis to perform farmwork (workers with H-2A visas). However, wages paid to H-2A visa workers aren’t subject to FUTA tax. See Pub. 15 for more information.

For Indian Tribal Governments . . .

Services rendered by employees of a federally recognized Indian tribal government employer (including any subdivision, subsidiary, or business enterprise wholly owned by the tribe) are exempt from FUTA tax and no Form 940 is required. However, the tribe must have participated in the state unemployment system for the full year and be in compliance with applicable state unemployment law. For more information, see section 3309(d).

For Tax-Exempt Organizations . . .

Religious, educational, scientific, charitable, and other organizations described in section 501(c)(3) and exempt from tax under section 501(a) generally aren’t subject to FUTA tax. However, a section 501(c)(3) organization is subject to FUTA tax when paying wages to employees on behalf of a non-section 501(c)(3) organization (for example, a section 501(c)(3) organization paying wages to employees of a related non-section 501(c)(3) organization, a section 501(c)(3) organization that is a section 3504 agent paying wages on behalf of a non-section 501(c)(3) organization, a section 501(c)(3) organization that is a common paymaster paying wages on behalf of a non-section 501(c)(3) organization, etc.).

For State or Local Government Employers . . .

Services rendered by employees of a state, or a political subdivision or instrumentality of the state, are exempt from FUTA tax and no Form 940 is required.

When Must You File Form 940?

The due date for filing Form 940 for 2025 is February 2, 2026. However, if you deposited all your FUTA tax when it was due, you may file Form 940 by February 10, 2026.

If we receive Form 940 after the due date, we will treat Form 940 as filed on time if the envelope containing Form 940 is properly addressed, contains sufficient postage, and is postmarked by the U.S. Postal Service (USPS) on or before the due date, or sent by an IRS-designated private delivery service (PDS) on or before the due date. However, if you don’t follow these guidelines, we will generally consider Form 940 filed when it is actually received. For more information about PDSs, see [Where Do You File](#), later.

If any due date for filing falls on a Saturday, Sunday, or legal holiday, you may file your return on the next business day.

Where Do You File?

You’re encouraged to file Form 940 electronically. Go to [IRS.gov/EmploymentEfile](#) for more information on electronic filing. If you file a paper return, where you file depends on whether you include a payment with Form 940. Mail your return to the address listed for your location in the table that follows.

PDSs can’t deliver to P.O. boxes. You must use the USPS to mail an item to a P.O. box address. Go to [IRS.gov/PDS](#) for the current list of PDSs. For the IRS mailing address to use if you’re using a PDS, go to [IRS.gov/PDSstreetAddresses](#). Select the mailing address listed on the webpage that is in the same state as the address to which you would mail returns filed without a payment, as shown in the table that follows.

Mailing Addresses for Form 940

If you’re in . . .	Without a payment . . .	With a payment . . .
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0046	Internal Revenue Service P.O. Box 932000 Louisville, KY 40293-2000
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming	Department of the Treasury Internal Revenue Service Ogden, UT 84201-0046	Internal Revenue Service P.O. Box 932000 Louisville, KY 40293-2000

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If you're in . . .	Without a payment . . .	With a payment . . .
Puerto Rico, U.S. Virgin Islands	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 932000 Louisville, KY 40293-2000
If the location of your legal residence, principal place of business, office, or agency is not listed	Internal Revenue Service P.O. Box 409101 Ogden, UT 84409	Internal Revenue Service P.O. Box 932000 Louisville, KY 40293-2000
EXCEPTION for tax-exempt organizations; federal, state, and local governments; and Indian tribal governments, regardless of your location	Department of the Treasury Internal Revenue Service Ogden, UT 84201-0046	Internal Revenue Service P.O. Box 932000 Louisville, KY 40293-2000

Caution: Your filing address may have changed from that used to file your employment tax return in prior years.

Credit for State Unemployment Tax Paid to a State Unemployment Fund

Generally, you get a credit for amounts you pay to a state (including the District of Columbia, Puerto Rico, and the U.S. Virgin Islands) unemployment fund by February 2, 2026 (or February 10, 2026, if that is your Form 940 due date). Your FUTA tax may be higher if you don't pay the state unemployment tax timely by February 2, 2026 (or February 10, 2026, if that is your Form 940 due date). This is true regardless of whether state law defers the payment of taxes due until after this date. If you didn't pay all state unemployment tax by the due date of Form 940, see the [line 10](#) instructions. For wages paid to a work site employee, a CPEO is eligible for the credit whether the CPEO or a customer of the CPEO made the contribution with respect to a work site employee.

State unemployment taxes are sometimes called contributions. These contributions are payments that a state requires an employer to make to its unemployment fund for the payment of unemployment benefits. They don't include:

- Any payments deducted or deductible from your employees' pay;
- Penalties, interest, or special administrative taxes; and
- Voluntary amounts you paid to get a lower assigned state experience rate.

Additional credit. You may receive an additional credit if you have a state experience rate lower than 5.4% (0.054). This applies even if your rate varies during the year. This additional credit is the difference between your actual state unemployment tax payments and the amount you would have been required to pay at 5.4%. For wages paid to a work site employee, the CPEO is allowed the additional credit if the CPEO is allowed, under state law, to

collect and remit contributions to the state unemployment fund with respect to a work site employee.

Special credit for successor employers. You may be eligible for a credit based on the state unemployment taxes paid by a predecessor. You may claim this credit if you're a successor employer who acquired a business in 2025 from a predecessor who wasn't an employer for FUTA purposes and, therefore, wasn't required to file Form 940 for 2025. See section 3302(e). You can include amounts paid by the predecessor on the [Worksheet—Line 10](#) as if you paid them. For details on successor employers, see [Successor employer](#) under *Type of Return*, later. If the predecessor was required to file Form 940, see the [line 5](#) instructions.

When Must You Deposit Your FUTA Tax?

Although Form 940 covers a calendar year, you may have to deposit your FUTA tax before you file your return. If your FUTA tax is more than \$500 for the calendar year, you must deposit at least one quarterly payment.

You must determine when to deposit your tax based on the amount of your quarterly tax liability. If your FUTA tax is \$500 or less in a quarter, carry it over to the next quarter. Continue carrying your tax liability over until your cumulative tax is more than \$500. At that point, you must deposit your tax for the quarter. Deposit your FUTA tax by the last day of the month after the end of the quarter. If your tax for the next quarter is \$500 or less, you're not required to deposit your tax again until the cumulative amount is more than \$500.

Fourth quarter liabilities. If your FUTA tax for the fourth quarter (plus any undeposited amounts from earlier quarters) is more than \$500, deposit the entire amount by February 2, 2026. If it is \$500 or less, you can either deposit the amount or pay it with your Form 940 by February 2, 2026.

In years when there are credit reduction states, you must include liabilities owed for credit reduction with your fourth quarter deposit.

When To Deposit Your FUTA Tax

If your undeposited FUTA tax is more than \$500 on... ¹	Deposit your tax by... ²
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

¹ Also, see the instructions for [line 16](#).

² If any deposit due date falls on a Saturday, Sunday, or legal holiday, you may deposit on the next business day. See [Timeliness of federal tax deposits](#), later.

How Do You Figure Your FUTA Tax Liability for Each Quarter?

You owe FUTA tax on the first \$7,000 you pay to each employee during the calendar year after subtracting any payments exempt from FUTA tax. The FUTA tax is 6.0% (0.060) for 2025. Most employers receive a maximum

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credit of up to 5.4% (0.054) against this FUTA tax. Every quarter, you must figure how much of the first \$7,000 of each employee's annual wages you paid during that quarter.

Figure Your Tax Liability

Before you can figure the amount to deposit, figure your FUTA tax liability for the quarter. To figure your tax liability, add the first \$7,000 of each employee's annual wages you paid during the quarter for FUTA wages paid and multiply that amount by 0.006.

The tax rates are based on your receiving the maximum credit against FUTA taxes. You're entitled to the maximum credit if you paid all state unemployment tax by the due date of your Form 940 or if you weren't required to pay state unemployment tax during the calendar year due to your state experience rate.

Example. During the first quarter, you had three employees: Mary Smith, George Jones, and Jane Moore. You paid \$11,000 to Mary, \$2,000 to George, and \$4,000 to Jane. None of the payments made were exempt from FUTA tax.

To figure your liability for the first quarter, add the first \$7,000 of each employee's wages subject to FUTA tax:

\$7,000	Mary's wages subject to FUTA tax
2,000	George's wages subject to FUTA tax
+ 4,000	Jane's wages subject to FUTA tax
<hr/>	
\$13,000	Total wages subject to FUTA tax for the first quarter
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\$13,000	Total wages subject to FUTA tax for the first quarter
x 0.006	Tax rate (based on maximum credit of 5.4%)
<hr/>	
\$78	Your liability for the first quarter

In this example, you don't have to make a deposit because your liability is \$500 or less for the first quarter. However, you must carry this liability over to the second quarter.

If any wages subject to FUTA tax aren't subject to state unemployment tax, you may be liable for FUTA tax at the maximum rate of 6.0%. For instance, in certain states, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits are excluded from state unemployment tax.

Example. Mary Smith and George Jones are corporate officers whose wages are excluded from state unemployment tax in your state. Jane Moore's wages aren't excluded from state unemployment tax. During the first quarter, you paid \$11,000 to Mary, \$2,000 to George, and \$4,000 to Jane.

\$ 9,000	Total FUTA wages for Mary and George in first quarter
x 0.060	Tax rate
<hr/>	
\$540	Your liability for the first quarter for Mary and George
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\$4,000	Total FUTA wages subject to state unemployment tax
x 0.006	Tax rate (based on maximum credit of 5.4%)
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\$24	Your liability for the first quarter for Jane
<hr/>	
\$540	Your liability for the first quarter for Mary and George
+ 24	Your liability for first quarter for Jane
<hr/>	
\$564	Your liability for the first quarter for Mary, George, and Jane

In this example, you must deposit \$564 by April 30 because your liability for the first quarter is more than \$500.

How Must You Deposit Your FUTA Tax?

You Must Deposit Your FUTA Tax Using EFT

You must use EFT to make all federal tax deposits. An EFT can be made using EFTPS, IRS Direct Pay, or your IRS business tax account. If you don't want to use one of these methods, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made using IRS Direct Pay or through your IRS business tax account are also free. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

For more information on making federal tax deposits, see Pub. 966. To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call one of the numbers provided under [Federal tax deposits must be made by electronic funds transfer \(EFT\)](#), earlier.

If your business is new, the IRS will automatically pre-enroll you in EFTPS when you apply for an EIN. Follow the instructions on your EIN package to activate your enrollment. For more information about IRS Direct Pay, go to [IRS.gov/DirectPay](https://www.irs.gov/DirectPay). For more information about making a payment through your IRS business tax account, go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount).

Caution: EFTPS accepts same day payments of \$1 million or less if the payment is submitted before 3:00 p.m. Eastern time on a business day. If your payment is more than \$1 million, you must submit the deposit by 8:00 p.m. Eastern time the day before the date the deposit is due.

Same-day wire payment option. If you fail to submit a timely deposit transaction on EFTPS, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS) to make a same-day wire payment. To use the same-day wire payment method, you will need to make arrangements with your financial institution ahead of time. Check with your financial institution regarding availability, deadlines, and costs. Your financial institution may charge you a fee for payments made this way. To learn more about the information you will need to give your financial institution to make a same-day wire payment, go to [IRS.gov/SameDayWire](https://www.irs.gov/SameDayWire).

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Timeliness of federal tax deposits. If a deposit is required to be made on a day that isn't a business day, the deposit is considered timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. The term "legal holiday" for deposit purposes includes only those legal holidays in the District of Columbia. Legal holidays in the District of Columbia are provided in section 11 of Pub. 15.

How Can You Avoid Penalties and Interest?

You can avoid paying penalties and interest if you do all of the following.

- Deposit and pay your tax when it is due.
- File your fully completed Form 940 accurately and on time.
- Attach Schedule R (Form 940) if required.
- Ensure your tax payments are honored by your financial institution.

Penalties and interest are charged on taxes paid late and returns filed late at a rate set by law. See sections 11 and 12 of Pub. 15 for details.

Use Form 843 to request abatement of assessed penalties or interest. Don't request abatement of assessed penalties or interest on Form 940.

If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Don't attach an explanation when you file your return.

Can You Amend a Return?

You use the 2025 Form 940 to amend a return that you previously filed for 2025. If you're amending a return for a previous year, use that previous year's Form 940. The IRS now offers filing an amended Form 940 as part of Modernized e-File (MeF). For more information on electronic filing, go to [IRS.gov/EmploymentEfile](https://www.irs.gov/EmploymentEfile).

You're encouraged to file an amended Form 940 electronically, but you may still file a paper return to amend a Form 940. Follow the steps below to amend your return.

- Check the amended return box in the top right corner of Form 940, page 1, box a.
- Fill in all the amounts that should have been on the original form.
- Sign the form.
- Attach an explanation, including an attachment in MeF if filing the amended return electronically, telling us why you're amending your return. For example, tell us if you're filing to claim credit for tax paid to your state unemployment fund after the due date of Form 940.
- Unless filing the amended return electronically, file the amended return using the *Without a payment* address (even if a payment is included) under [Where Do You File](#), earlier.
- If you file an amended return for an aggregate Form 940, be sure to attach Schedule R (Form 940). Complete Schedule R (Form 940) only for employers who have adjustments on the amended Form 940.

Completing Your Form 940

Follow These Guidelines To Correctly Fill Out the Form

Make entries on Form 940 as follows to enable accurate scanning and processing.

- Make sure your business name and EIN are on every page of the form and any attachments.
- If you type or use a computer to fill out your form, use a 12-point Courier font, if possible. Portable Document Format (PDF) forms on [IRS.gov](https://www.irs.gov) have fillable fields with acceptable font specifications.
- Don't enter dollar signs and decimal points. Commas are optional. Enter dollars to the left of the preprinted decimal point and cents to the right of it.
- You may choose to round your amounts to the nearest dollar, instead of reporting cents on this form. If you choose to round, you must round all entries. To round, drop the amounts under 50 cents and increase the amounts from 50 to 99 cents to the next dollar. For example, \$1.49 becomes \$1.00 and \$2.50 becomes \$3.00. If you use two or more amounts to figure an entry on the form, use cents to figure the answer and round the answer only.
- If you have a line with the value of zero, leave it blank.

Employer Identification Number (EIN), Name, Trade Name, and Address

Enter Your Business Information at the Top of the Form

Enter your EIN, name, and address in the spaces provided. You must enter your name and EIN here and on page 2. Enter the business (legal) name that you used when you applied for your EIN on Form SS-4. For example, if you're a sole proprietor, enter "Ronald Smith" on the *Name* line and "Ron's Cycles" on the *Trade Name* line. Leave the *Trade Name* line blank if it is the same as your *Name*.

If you pay a tax preparer to fill out Form 940, make sure the preparer shows your business name exactly as it appeared when you applied for your EIN.

Employer identification number (EIN). To make sure that businesses comply with federal tax laws, the IRS monitors tax filings and payments by using a numerical system to identify taxpayers. A unique nine-digit EIN is assigned to all corporations, all partnerships, and some sole proprietors. Businesses needing an EIN must apply for a number and use it throughout the life of the business on all tax returns, payments, and reports.

Your business should have only one EIN. If you have more than one and aren't sure which one to use, write to the IRS office where you file your returns (using the *Without a payment* address under [Where Do You File](#), earlier) or call the IRS at 800-829-4933 (toll free). If you're outside the United States, call 267-941-1000 (toll call).

If you don't have an EIN, you may apply for one online by going to [IRS.gov/EIN](https://www.irs.gov/EIN). You may also apply for an EIN by faxing or mailing Form SS-4 or SS-4 (sp) to the IRS. If the principal business was created or organized outside the United States or U.S. territories, you may also apply for an

EIN by calling 267-941-1099 (toll call). If you haven't received your EIN by the due date of Form 940, write "Applied For" and the date you applied in the space shown for the number.

Caution: If you're filing your tax return electronically, a valid EIN is required at the time the return is filed. If a valid EIN isn't provided, the return won't be accepted. This may result in penalties.

Always be sure the EIN on the form you file exactly matches the EIN that the IRS assigned to your business. Don't use a social security number (SSN) or an individual taxpayer identification number (ITIN) on forms that ask for an EIN. Filing a Form 940 with an incorrect EIN or using the EIN of another's business may result in penalties and delays in processing your return.

Disregarded entities. A disregarded entity is required to file Form 940 using its name and EIN, not the name and EIN of its owner. An entity that has a single owner and is disregarded as separate from its owner for federal income tax purposes is treated as a separate entity for purposes of payment and reporting federal employment taxes. If the entity doesn't currently have an EIN, it must apply for one using one of the methods under [Employer identification number \(EIN\)](#), earlier. Disregarded entities include single-owner limited liability companies (LLCs) that haven't elected to be taxed as a corporation for federal income tax purposes, QSubs, and certain foreign entities treated as disregarded entities for U.S. income tax purposes. Although a disregarded entity is treated as a separate entity for employment tax purposes, it isn't subject to FUTA tax if it is owned by a tax-exempt organization under section 501(c)(3) and isn't required to file Form 940. For more information, see *Disregarded entities and qualified subchapter S subsidiaries* in the *Introduction* section of Pub. 15.

Tell Us if You Change Your Business Name, Business Address, or Responsible Party

Notify the IRS immediately if you change your business name, business address, or responsible party.

Name change. Write to the IRS office where you filed your return (using the *Without a payment* address under [Where Do You File](#), earlier) to notify the IRS of any name change. See Pub. 1635 to see if you also need to apply for a new EIN.

Address or responsible party change. Complete and mail Form 8822-B to notify the IRS of an address or responsible party change. Don't mail Form 8822-B with your Form 940. For a definition of "responsible party," see the Instructions for Form SS-4.

Type of Return

Review the box at the top of the form. If any line applies to you, check the appropriate box to tell us which type of return you're filing. You may check more than one box.

Amended. If this is an amended return that you're filing to correct a return that you previously filed, check box a.

Successor employer. Check box b if you're a successor employer and:

- You're reporting wages paid before you acquired the business by a predecessor who was required to file a Form 940 because the predecessor was an employer for FUTA tax purposes, or
- You're claiming a special credit for state unemployment tax paid before you acquired the business by a predecessor who wasn't required to file a Form 940 because the predecessor wasn't an employer for FUTA tax purposes.

A successor employer is an employer who:

- Acquires substantially all the property used in a trade or business of another person (predecessor) or used in a separate unit of a trade or business of a predecessor; and
- Immediately after the acquisition, employs one or more people who were employed by the predecessor.

No payments to employees in 2025. If you're not liable for FUTA tax for 2025 because you made no payments to employees in 2025, check box c. Then, go to Part 7, sign the form, and file it with the IRS.

Final: Business closed or stopped paying wages. If this is a final return because you went out of business or stopped paying wages and you won't be liable for filing Form 940 in the future, check box d. Complete all applicable lines on the form, sign it in Part 7, and file it with the IRS. Also attach a statement to your return showing the name of the person keeping the payroll records and the address where those records will be kept.

Aggregate Return Filers Only

If you're filing an aggregate Form 940, check the appropriate box to identify yourself. An aggregate Form 940 is a return that combines amounts from multiple clients or customers (employers) onto a single Form 940.

Section 3504 Agent. Check this box if you're a section 3504 agent filing an aggregate Form 940 as an agent of home care service recipients. You must attach Schedule R (Form 940) to your aggregate Form 940. For more information about section 3504 agents, see [Aggregate Form 940 filers](#), earlier, and section 16 of Pub. 15.

Certified Professional Employer Organization (CPEO). Check this box if you're a CPEO filing an aggregate Form 940 on behalf of your customers. You must attach Schedule R (Form 940) to your aggregate Form 940. For more information about CPEOs, see [Certification program for professional employer organizations \(PEOs\)](#), earlier, and section 16 of Pub.15.

Other Third Party. If you're filing an aggregate Form 940 but you're not a section 3504 agent or a CPEO, you must check this box. For example, a non-certified PEO filing an aggregate Form 940 must check this box.

Specific Instructions

Part 1: Tell Us About Your Return

1. If You Were Required To Pay Your State Unemployment Tax In . . .

Caution: You must complete line 1a or 1b even if you weren't required to pay any state unemployment tax because your state unemployment tax rate(s) was zero.

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You may leave lines 1a and 1b blank only if all of the wages you paid to all employees in all states were excluded from state unemployment tax. If you leave lines 1a and 1b blank, and line 7 is more than zero, you must complete line 9 because all of the taxable FUTA wages you paid were excluded from state unemployment tax.

Identify the state(s) where you were required to pay state unemployment taxes.

1a. One state only. Enter the two-letter USPS abbreviation for the state where you were required to pay your state unemployment tax on line 1a. For a list of state abbreviations, see the Schedule A (Form 940) instructions or go to the website for the U.S. Postal Service at [USPS.com](https://www.usps.com).

1b. More than one state (you're a multi-state employer). Check the box on line 1b. Then, fill out Schedule A (Form 940) and attach it to your Form 940.

2. If You Paid Wages in a State That Is Subject to Credit Reduction

A state that hasn't repaid money it borrowed from the federal government to pay unemployment benefits is called a credit reduction state. The U.S. Department of Labor determines which states are credit reduction states.

If you paid wages that are subject to the unemployment tax laws of a credit reduction state, you may have to pay more FUTA tax when filing your Form 940.

For tax year 2025, there are credit reduction states. If you paid wages subject to the unemployment tax laws of these states, check the box on line 2 and fill out Schedule A (Form 940). See the instructions for [line 9](#) before completing Schedule A (Form 940).

Part 2: Determine Your FUTA Tax Before Adjustments

If any line in Part 2 doesn't apply, leave it blank.

3. Total Payments to All Employees

Report the total payments you made during the calendar year on line 3. Include payments for the services of all employees, even if the payments aren't taxable for FUTA. Your method of payment doesn't determine whether payments are wages. You may have paid wages hourly, daily, weekly, monthly, or yearly. You may have paid wages for piecework or as a percentage of profits. Include the following.

- **Compensation**, such as the following.
 - Salaries, wages, commissions, fees, bonuses, vacation allowances, and amounts you paid to full-time, part-time, or temporary employees.
- **Fringe benefits**, such as the following.
 - Sick pay (including third-party sick pay if liability is transferred to the employer). For details on sick pay, see Pub. 15-A, Employer's Supplemental Tax Guide.
 - The value of goods, lodging, food, clothing, and non-cash fringe benefits.
 - Section 125 (cafeteria) plan benefits.
- **Retirement/Pension**, such as the following.
 - Employer contributions to a 401(k) plan, payments to an Archer MSA, payments under adoption

assistance programs, and contributions to SIMPLE retirement accounts (including elective salary reduction contributions).

—Amounts deferred under a non-qualified deferred compensation plan.

- **Other payments**, such as the following.
 - Tips of \$20 or more in a month that your employees reported to you.
 - Payments made by a predecessor employer to the employees of a business you acquired.
 - Payments to nonemployees who are treated as your employees by the state unemployment tax agency.

Caution: Wages may be subject to FUTA tax even if they're excluded from your state's unemployment tax.

For details on wages and other compensation, see section 5 of Pub. 15-A.

Example

You had three employees. You paid \$44,000 to Joan Rose, \$8,000 to Sara Blue, and \$16,000 to John Green.

\$44,000	Amount paid to Joan
8,000	Amount paid to Sara
+ 16,000	Amount paid to John
<u>\$68,000</u>	Total payments to employees. You would enter this amount on line 3.

4. Payments Exempt From FUTA Tax

If you enter an amount on line 4, check the appropriate box or boxes on lines 4a through 4e to show the types of payments exempt from FUTA tax. **You only report a payment as exempt from FUTA tax on line 4 if you included the payment on line 3.**

Some payments are exempt from FUTA tax because the payments aren't included in the definition of wages or the services aren't included in the definition of employment. Payments exempt from FUTA tax may include the following.

- **Fringe benefits**, such as the following.
 - The value of certain meals and lodging.
 - Contributions to accident or health plans for employees, including certain employer payments to a health savings account or an Archer MSA.
 - Payments for benefits excluded under section 125 (cafeteria) plans.
- **Group-term life insurance.** For information about group-term life insurance and other payments for fringe benefits that may be exempt from FUTA tax, see Pub. 15-B.
- **Retirement/Pension**, such as employer contributions to a qualified plan, including a SIMPLE retirement account (other than elective salary reduction contributions) and a 401(k) plan.
- **Dependent care**, such as payments (up to \$5,000 per employee, \$2,500 if married filing separately) for a qualifying person's care that allows your employees to work and that would be excludable by the employee under section 129.

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- **Other payments**, such as the following.
 - All non-cash payments and certain cash payments for agricultural labor, and all payments to H-2A visa workers. See [For Agricultural Employers](#), earlier, or Pub. 15.
 - Payments made under a workers' compensation law because of a work-related injury or sickness. See section 6 of Pub. 15-A.
 - Payments for domestic services if you didn't pay cash wages of \$1,000 or more (for all domestic employees) in any calendar quarter in 2024 or 2025, or if you file Schedule H (Form 1040). See [For Employers of Household Employees](#), earlier, or Pub. 926.
 - Payments for services provided to you by your parent, spouse, or child under the age of 21. See section 3 of Pub. 15.
 - Payments for certain fishing activities. See Pub. 334, Tax Guide for Small Business.
 - Payments to certain statutory employees. See section 1 of Pub. 15-A.
 - Payments to nonemployees who are treated as your employees by the state unemployment tax agency.

See section 3306 and its related regulations for more information about FUTA taxation of retirement plan contributions, dependent care payments, and other payments.

For more information on payments exempt from FUTA tax, see section 15 of Pub. 15.

Example

You had three employees. You paid \$44,000 to Joan Rose, including \$2,000 in health insurance benefits. You paid \$8,000 to Sara Blue, including \$500 in retirement benefits. You paid \$16,000 to John Green, including \$2,000 in health and retirement benefits.

\$ 2,000	Health insurance benefits for Joan
500	Retirement benefits for Sara
+ 2,000	Health and retirement benefits for John
<u>\$4,500</u>	Total payments exempt from FUTA tax. You would enter this amount on line 4 and check boxes 4a and 4c.

5. Total of Payments Made to Each Employee in Excess of \$7,000

Only the first \$7,000 you paid to each employee in a calendar year, after subtracting any payments exempt from FUTA tax, is subject to FUTA tax. This \$7,000 is called the FUTA wage base.

Enter on line 5 the total of the payments over the FUTA wage base you paid to each employee during 2025 **after subtracting any payments exempt from FUTA tax shown on line 4.**

Following Our Example

You had three employees. You paid \$44,000 to Joan Rose, \$8,000 to Sara Blue, and \$16,000 to John Green, including a total of \$4,500 in payments exempt from FUTA tax for all three employees. To determine the total payments made to each employee in excess of the FUTA wage base, the payments exempt from FUTA tax and the FUTA wage base must be subtracted from total payments. These amounts are shown in parentheses.

Employees	Joan	Sara	John
Total payments to employees	\$44,000	\$8,000	\$16,000
Payments exempt from FUTA tax	(2,000)	(500)	(2,000)
FUTA wage base	(7,000)	(7,000)	(7,000)
	<u>\$35,000</u>	<u>\$ 500</u>	<u>\$ 7,000</u>

Total of payments made to each employee in excess of the FUTA wage base. You would enter this amount on line 5. \$42,500

If you're a successor employer . . . When you figure the payments made to each employee in excess of the FUTA wage base, you may include the payments that the predecessor made to the employees who continue to work for you **only** if the predecessor was an employer for FUTA tax purposes resulting in the predecessor being required to file Form 940.

Example for Successor Employers

During the calendar year, the predecessor employer paid \$5,000 to Susan Jones. You acquired the predecessor's business. After the acquisition, you employed Susan and paid Susan an additional \$3,000 in wages. None of the amounts paid to Susan were payments exempt from FUTA tax.

\$5,000	Wages paid by predecessor employer
+ 3,000	Wages paid by you
<u>\$8,000</u>	Total payments to Susan. You would include this amount on line 3.
\$8,000	Total payments to Susan
- 7,000	FUTA wage base
<u>\$1,000</u>	Payments made to Susan in excess of the FUTA wage base
\$1,000	Payments made to Susan in excess of the FUTA wage base
+ 5,000	Taxable FUTA wages paid by predecessor employer
<u>\$6,000</u>	You would include this amount on line 5.

6. Subtotal

To figure your subtotal, add the amounts on lines 4 and 5 and enter the result on line 6.

line 4
+ line 5
<u>line 6</u>

7. Total Taxable FUTA Wages

To figure your total taxable FUTA wages, subtract line 6 from line 3 and enter the result on line 7.

line 3
- line 6
<u>line 7</u>

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8. FUTA Tax Before Adjustments

To figure your total FUTA tax before adjustments, multiply line 7 by 0.006 and then enter the result on line 8.

$$\begin{array}{r} \text{line 7} \\ \times 0.006 \\ \hline \text{line 8} \end{array}$$

Part 3: Determine Your Adjustments

If any line in Part 3 doesn't apply, leave it blank.

9. If ALL of the Taxable FUTA Wages You Paid Were Excluded From State Unemployment Tax . . .

Caution: Line 9 doesn't apply to FUTA wages on which you paid no state unemployment tax only because the state assigned you a tax rate of 0%.

If all of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by 0.054 and enter the result on line 9.

$$\begin{array}{r} \text{line 7} \\ \times 0.054 \\ \hline \text{line 9} \end{array}$$

If you weren't required to pay state unemployment tax because all of the wages you paid were excluded from state unemployment tax, you must pay FUTA tax at the 6.0% (0.060) rate. For example, if your state unemployment tax law excludes wages paid to corporate officers or employees in specific occupations, and the only wages you paid were to corporate officers or employees in those specific occupations, you must pay FUTA tax on those wages at the full FUTA rate of 6.0% (0.060). When you figured the FUTA tax before adjustments on line 8, it was based on the maximum allowable credit (5.4%) for state unemployment tax payments. Because you didn't pay state unemployment tax, you don't have a credit and must figure this adjustment.

If line 9 applies to you, lines 10 and 11 don't apply to you. Therefore, leave lines 10 and 11 blank. Don't fill out the worksheet in these instructions. Complete Schedule A (Form 940) only if you're a multi-state employer.

10. If SOME of the Taxable FUTA Wages You Paid Were Excluded From State Unemployment Tax, or You Paid Any State Unemployment Tax Late . . .

You must fill out the worksheet, later, if:

- Some of the taxable FUTA wages you paid were excluded from state unemployment tax, or
- Any of your payments of state unemployment tax were late.

The worksheet takes you step by step through the process of figuring your credit. At the end of the worksheet, you'll find an example of how to use it. Don't complete the worksheet if line 9 applied to you (see the instructions for [line 9](#), earlier).

Before you can properly fill out the worksheet, you will need to gather the following information.

- Taxable FUTA wages (Form 940, line 7).
- Taxable state unemployment wages (state and federal wage bases may differ).
- The experience rates assigned to you by the states where you paid wages.
- The amount of state unemployment taxes you paid on time. "On time" means that you paid the state unemployment taxes by the due date for filing Form 940.
- The amount of state unemployment taxes you paid late. "Late" means after the due date for filing Form 940.

Caution: Don't include any penalties, interest, or unemployment taxes deducted from your employees' pay in the amount of state unemployment taxes. Also, don't include as state unemployment taxes any special administrative taxes or voluntary contributions you paid to get a lower assigned experience rate or any surcharges, excise taxes, or employment and training taxes. These items are generally listed as separate items on the state's quarterly wage report.

For line 3 of the worksheet, the following apply.

- If any of the experience rates assigned to you were less than 5.4% for any part of the calendar year, you must list each assigned experience rate separately on the worksheet.
- If you were assigned six or more experience rates that were less than 5.4% for any part of the calendar year, you must use another sheet to figure the additional credits and then include those additional credits in your line 3 total.

After you complete the worksheet, enter the amount from line 7 of the worksheet on Form 940, line 10. **Don't attach the worksheet to your Form 940.** Keep it with your records.

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Worksheet—Line 10

Keep for Your Records

Before you begin: Read the *Example* on the next page before completing this worksheet.

Use this worksheet to figure your credit if:

- ✓ Some of the wages you paid were excluded from state unemployment tax, OR
- ✓ You paid any state unemployment tax late.

For this worksheet, **don't round your figures.**

Before you can properly fill out this worksheet, you must gather the following information.

- Taxable FUTA wages (Form 940, line 7).
- Taxable state unemployment wages.
- The experience rates assigned to you by the states where you paid wages.
- The amount of state unemployment taxes you paid on time. "On time" means that you paid the state unemployment taxes by the due date for filing Form 940. Include any state unemployment taxes you paid on nonemployees who were treated as employees by your state unemployment agency.
- The amount of state unemployment taxes you paid late. "Late" means after the due date for filing Form 940.

1. **Maximum allowable credit** — Enter Form 940, line 7 _____ x 0.054 on line 1 _____ 1. _____
 (Form 940, line 7 x 0.054 = line 1).

2. **Credit for timely state unemployment tax payments — How much did you pay on time?** 2. _____

- If line 2 is **equal to** or **more than** line 1, **STOP here.** You've completed the worksheet. Leave Form 940, line 10, blank.
- If line 2 is **less than** line 1, continue this worksheet.

3. **Additional credit — Were ALL of your assigned experience rates 5.4% or more?**

- If **yes**, enter zero on line 3. Then, go to line 4 of this worksheet.
- If **no**, fill out the computations below. List **ONLY THOSE STATES** for which your assigned experience rate for any part of the calendar year was less than 5.4%.

State	Computation rate The difference between 5.4% (0.054) and your assigned experience rate (0.054 - .XXX (assigned experience rate) = computation rate)	Taxable state unemployment wages at assigned experience rate	Additional credit
1. _____	_____	x _____	= _____
2. _____	_____	x _____	= _____
3. _____	_____	x _____	= _____
4. _____	_____	x _____	= _____
5. _____	_____	x _____	= _____

If you need more lines, use another sheet and include those additional credits in the total. **Total** _____ Enter the total on line 3.

4. **Subtotal** (line 2 + line 3 = line 4) 4. _____

- If line 4 is **equal to** or **more than** line 1, **STOP here.** You've completed the worksheet. Leave Form 940, line 10, blank.
- If line 4 is **less than** line 1, continue this worksheet.

5. **Credit for paying state unemployment taxes late:**

5a. **What is your remaining allowable credit?** (line 1 - line 4 = line 5a) 5a. _____

5b. **How much state unemployment tax did you pay late?** 5b. _____

5c. **Which is smaller, line 5a or line 5b?** Enter the smaller number here. 5c. _____

5d. **Your allowable credit for paying state unemployment taxes late** (line 5c x 0.900 = line 5d) 5d. _____

6. **Your FUTA credit** (line 4 + line 5d = line 6) 6. _____

- If line 6 is **equal to** or **more than** line 1, **STOP here.** You've completed the worksheet. Leave Form 940, line 10, blank.
- If line 6 is **less than** line 1, continue this worksheet.

7. **Your adjustment** (line 1 - line 6 = line 7) Enter line 7 from this worksheet on Form 940, line 10. 7. _____

Don't attach this worksheet to your Form 940. Keep it for your records.

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Example for Using the Worksheet

Jill Brown and Tom White are corporate officers whose wages are excluded from state unemployment tax in your state. Jack Davis's wages aren't excluded from state unemployment tax. During 2025, you paid \$44,000 to Jill, \$22,000 to Tom, and \$16,000 to Jack. Your state's wage base is \$8,000. You paid some state unemployment tax on time, some late, and some remains unpaid.

Here are the records:

Total taxable FUTA wages (Form 940, line 7)	\$21,000.00
Taxable state unemployment wages	\$ 8,000.00
Experience rate for 2025	0.041 (4.1%)
State unemployment tax paid on time	\$100.00
State unemployment tax paid late	\$78.00
State unemployment tax not paid	\$150.00

1. Maximum allowable credit

\$21,000.00 (Form 940, line 7)	
x 0.054 (maximum credit rate)	
<u>\$1,134.00</u>	1. <u>\$1,134.00</u>

2. Credit for timely state unemployment tax payments

2. <u>\$100.00</u>

3. Additional credit

0.054 (maximum credit rate)	\$8,000	
- 0.041 (your experience rate)	x 0.013	
<u>0.013 (your computation rate)</u>	\$104.00	3. <u>\$104.00</u>

4. Subtotal (line 2 + line 3)

\$100.00	
+ 104.00	
<u>\$204.00</u>	4. <u>\$204.00</u>

5. Credit for paying state unemployment taxes late

5a. Remaining allowable credit (line 1 – line 4)

\$1,134.00	
- 204.00	
<u>\$930.00</u>	5a. <u>\$930.00</u>

5b. State unemployment tax paid late

5b. <u>\$78.00</u>

5c. Which is smaller, line 5a or line 5b?

5c. <u>\$78.00</u>

5d. Allowable credit (for paying late)

\$78.00	
x 0.900	
<u>\$70.20</u>	5d. <u>\$70.20</u>

6. Your FUTA credit (line 4 + line 5d)

\$204.00	
+ 70.20	
<u>\$274.20</u>	6. <u>\$274.20</u>

7. Your adjustment (line 1 – line 6)

\$1,134.00	
- 274.20	
<u>\$859.80</u>	7. <u>\$859.80</u>

You would enter line 7 from this worksheet on Form 940, line 10.

11. If Credit Reduction Applies . . .

If you paid FUTA taxable wages that were also subject to state unemployment taxes in any states that are subject to credit reduction, enter the total amount from Schedule A (Form 940) on Form 940, line 11. However, if you entered an amount on line 9 because all the FUTA taxable wages you paid were excluded from state unemployment tax, skip line 11 and go to line 12.

Part 4: Determine Your FUTA Tax and Balance Due or Overpayment

If any line in Part 4 doesn't apply, leave it blank.

12. Total FUTA Tax After Adjustments

Add the amounts shown on lines 8, 9, 10, and 11, and enter the result on line 12.

line 8
line 9
line 10
+ line 11
<u>line 12</u>

Caution: If line 9 is greater than zero, lines 10 and 11 must be zero because they don't apply.

13. FUTA Tax Deposited for the Year

Enter the amount of FUTA tax that you deposited for the year, including any overpayment that you applied from a prior year.

14. Balance Due

If line 13 is less than line 12, enter the difference on line 14.

line 12
- line 13
<u>line 14</u>

If line 14 is:

- More than \$500, you must deposit your tax—see [When Must You Deposit Your FUTA Tax](#), earlier;
- \$500 or less, you can deposit your tax, pay your tax by EFT, pay your tax with a credit card or debit card, pay your tax by EFW if filing electronically, or pay your tax by check or money order with your return—for more information on electronic payment options, go to [IRS.gov/Pay](#); or
- Less than \$1, you don't have to pay it.

Caution: If you don't deposit as required and pay any balance due with Form 940, you may be subject to a penalty.

If you pay by EFT, credit card, or debit card, file your return using the *Without a payment* address under [Where Do You File](#), earlier. Don't file Form 940-V, Payment Voucher.

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What if you can't pay in full? If you can't pay the full amount of tax you owe, you can apply for an installment agreement online. You can apply for an installment agreement online if:

- You can't pay the full amount shown on line 14,
- The total amount you owe is \$25,000 or less, and
- You can pay the liability in full in 24 months.

To apply using the Online Payment Agreement Application, go to [IRS.gov/OPA](https://www.irs.gov/OPA).

Under an installment agreement, you can pay what you owe in monthly installments. There are certain conditions you must meet to enter into and maintain an installment agreement, such as paying the liability within 24 months, and making all required deposits and timely filing tax returns during the length of the agreement.

If your installment agreement is accepted, you will be charged a fee and you will be subject to penalties and interest on the amount of tax not paid by the due date of the return.

15a. Overpayment

If line 13 is more than line 12, enter the difference on line 15a.

line 13	
– line 12	
line 15a	

Line 15b. Choose to have your overpayment applied to your next return or refunded. If you deposited more than the FUTA tax due for the year, you may choose to have us either:

- Apply the overpayment to your next return, or
- Send you a refund (complete lines 15c–15e for direct deposit).

Check the appropriate box on line 15b to tell us which option you select. Check only one box on line 15b. If you don't check either box or if you check both boxes, we will generally apply the overpayment to your next return. Regardless of any box you check or don't check, we may apply your overpayment to any past due tax account that is shown in our records under your EIN. If you check the box to have your overpayment refunded but you don't complete lines 15c–15e for direct deposit, your refund may be delayed.

If line 15a is less than \$1, we will send you a refund or apply it to your next return only if you ask for it in writing.

Direct Deposit

The benefits of a direct deposit include a faster refund, the added security of a paperless payment, and the savings of tax dollars associated with the reduced processing costs. To have your refund direct deposited, you must complete lines 15c–15e.

Line 15c. Routing number. The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Verify that your financial institution will accept a direct deposit.

Ask your financial institution for the correct routing number to enter on line 15c if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- Your checks state they're payable through a financial institution different from the one at which you have your checking account.

Line 15d. Type of account. Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted. If you're unsure which box to check for the account you wish the deposit to be applied to, consult your financial institution.

Line 15e. Account number. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank.

If the direct deposit to your account is different from the amount you expected, you'll receive an explanation in the mail about 2 weeks after your refund is deposited.

Reasons Your Direct Deposit Request Will Be Rejected

If any of the following apply, your direct deposit request will be rejected and a check will be sent instead.

- The name on your account doesn't match the name on the refund, and your financial institution won't allow a refund to be deposited unless the name on the refund matches the name on the account.
- Your business is a corporation and the receiving financial institution is a foreign bank or a foreign branch of a U.S. bank.
- Any numbers or letters on lines 15c through 15e are crossed out or whited out.

Caution: The IRS isn't responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Part 5: Report Your FUTA Tax Liability by Quarter Only if Line 12 Is More Than \$500

Fill out Part 5 only if line 12 is more than \$500. If line 12 is \$500 or less, leave Part 5 blank and go to Part 6.

16. Report the Amount of Your FUTA Tax Liability for Each Quarter

Enter the amount of your FUTA tax liability for each quarter on lines 16a–16d. Don't enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a. 1st quarter (January 1 to March 31)

16b. 2nd quarter (April 1 to June 30)

16c. 3rd quarter (July 1 to September 30)

16d. 4th quarter (October 1 to December 31)

To figure your FUTA tax liability for the fourth quarter, complete Form 940 through line 12. Then, copy the amount from line 12 onto line 17. Lastly, subtract the sum of lines 16a through 16c from line 17 and enter the result on line 16d.

Example

You paid wages on March 28 and your FUTA tax on those wages was \$200. You weren't required to make a deposit for the 1st quarter because your accumulated FUTA tax was \$500 or less. You paid additional wages on June 28 and your FUTA tax on those wages was \$400. Because your accumulated FUTA tax for the 1st and 2nd quarters exceeded \$500, you were required to make a deposit of \$600 by July 31.

You would enter \$200 on line 16a because your liability for the 1st quarter was \$200. You would also enter \$400 on line 16b to show your 2nd quarter liability.

Tip: In years when there are credit reduction states, you must include liabilities owed for credit reduction with your fourth quarter deposit. You may deposit the anticipated extra liability throughout the year, but it isn't due until the due date for the deposit for the fourth quarter, and the associated liability should be recorded as being incurred in the fourth quarter.

17. Total Tax Liability for the Year

Your total tax liability for the year must equal line 12. Copy the amount from line 12 onto line 17.

Part 6: May We Speak With Your Third-Party Designee?

If you want to allow an employee, your paid tax preparer, or another person to discuss your Form 940 with the IRS, check the "Yes" box. Then, enter the name and phone number of the person you choose as your designee. Be sure to give us the specific name of a person—not the name of the firm that prepared your tax return.

Have your designee select a five-digit personal identification number (PIN) that they must use as identification when talking to the IRS about your form.

By checking "Yes," you authorize us to talk to your designee about any questions that we may have while we process your return. Your authorization applies only to this form, for this year; it doesn't apply to other forms or other tax years.

You're authorizing your designee to:

- Give us any information that is missing from your return,
- Ask us for information about processing your return, and
- Respond to certain IRS notices that you have shared with your designee about math errors and in preparing your return. We won't send notices to your designee.

You're not authorizing your designee to bind you to anything (including additional tax liability) or to otherwise represent you before the IRS. If you want to expand your designee's authorization, see Pub. 947.

The authorization will automatically expire 1 year after the due date for filing your Form 940 (regardless of extensions). If you or your designee wants to end the authorization before it expires, write to the IRS office for your location using the *Without a payment* address under [Where Do You File](#), earlier.

Part 7: Sign Here (Approved Roles)

You MUST Fill Out Both Pages of This Form and SIGN It

Failure to sign will delay the processing of your return.

On page 2, in Part 7, sign and print your name and title. Then, enter the date and the best daytime telephone number, including area code, where we can reach you if we have any questions.

Who Must Sign Form 940?

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship**—The individual who owns the business.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**—A responsible and duly authorized partner, member, or officer having knowledge of its affairs.
- **Corporation (including an LLC treated as a corporation)**—The president, the vice president, or another principal officer duly authorized to sign.
- **Single-member LLC treated as a disregarded entity for federal income tax purposes**—The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate**—The fiduciary.

Form 940 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney or reporting agent authorization (Form 8655) has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form 940 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at [IRS.gov/irb/2005-28 IRB#RP-2005-39](#).

Paid preparers. A paid preparer must sign Form 940 and provide the information in the *Paid Preparer Use Only* section of Part 7 if the preparer was paid to prepare Form 940 and isn't an employee of the filing entity. Paid preparers must sign paper returns with a manual signature. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you're a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, go to [IRS.gov/PTIN](#). You can't use your PTIN in place of the EIN of the tax preparation firm.

Generally, don't complete the *Paid Preparer Use Only* section if you're filing the return as a reporting agent and have a valid Form 8655 on file with the IRS. However, a reporting agent must complete this section if the reporting

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agent offered legal advice, for example, by advising the client on determining whether its workers are employees or independent contractors for federal tax purposes.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on Form 940 to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Subtitle C, Employment Taxes, of the Internal Revenue Code imposes unemployment tax under the Federal Unemployment Tax Act. Form 940 is used to determine the amount of the taxes that you owe. Section 6011 requires you to provide the requested information if the tax is applicable to you. Section 6109 requires you to provide your identification number. If you fail to provide this information in a timely manner, or provide false or fraudulent information, you may be subject to penalties.

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. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories to administer their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form 940 will vary depending on individual circumstances. The estimated burden for employers filing Form 940 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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