

**Employer's Annual Federal
 Unemployment (FUTA) Tax Return**
 ► For Paperwork Reduction Act Notice, see page 2.

<p>If incorrect, make any necessary change. ►</p>	<p>Name (as distinguished from trade name) _____ Calendar year _____</p> <p>Trade name, if any _____</p> <p>Address and ZIP code _____ Employer identification number _____</p>	<table border="1" style="width:100%; height:100%;"> <tr><td>T</td><td></td></tr> <tr><td>FF</td><td></td></tr> <tr><td>FD</td><td></td></tr> <tr><td>FP</td><td></td></tr> <tr><td>I</td><td></td></tr> <tr><td>T</td><td></td></tr> </table>	T		FF		FD		FP		I		T	
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- A** Did you pay all required contributions to your state unemployment fund by the due date of Form 940? (See instructions if none required.) . . . Yes No
 If you checked the "Yes" box, enter amount of contributions paid to your state unemployment fund . . . ► \$ _____
- B** Are you required to pay contributions to only one state? Yes No
 If you checked the "Yes" box: (1) Enter the name of the state where you are required to pay contributions ► _____
 (2) Enter your state reporting number(s) as shown on state unemployment tax return. ► _____
- C** If any part of wages subject to FUTA tax is not subject to state unemployment tax, check the box

Part I Computation of Taxable Wages and Credit Reduction (To be completed by all taxpayers.)

1 Total payments (including exempt payments) during the calendar year for services of employees	1	
2 Exempt payments. (Explain each exemption shown, attaching additional sheets if necessary.) ► _____	Amount paid	
	2	
3 Payments for services of more than \$7,000. Enter only the excess over the first \$7,000 paid to individual employees not including exempt amounts shown on line 2. Do not use the state wage limitation.	3	
4 Total exempt payments (add lines 2 and 3)	4	
5 Total taxable wages (subtract line 4 from line 1). (If any part is exempt from state contributions, see instructions.) ►	5	
6 Additional tax resulting from credit reduction for unrepaid advances to the states listed (by two-letter Postal Service abbreviations). Enter the wages included on line 5 above for each state and multiply by the rate shown. (See the instructions.)		
(a) IL _____ x .012= _____	(c) OH _____ x .011= _____	(e) WV _____ x .011= _____
(b) LA _____ x .009= _____	(d) PA _____ x .012= _____	
7 Total credit reduction (add resulting amounts from lines 6(a) through 6(e) and enter here and in Part II, line 2 or Part III, line 4).	7	

Part II Tax Due or Refund (Complete if you checked the "Yes" boxes in both questions A and B and did not check the box in C, above.)

1 FUTA tax. Multiply the wages in Part I, line 5, by .008 and enter here	1	
2 Enter amount from Part I, line 7	2	
3 Total FUTA tax (add lines 1 and 2)	3	
4 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records)	4	
5 Balance due (subtract line 4 from line 3). This should be \$100 or less. Pay to IRS	5	
6 Overpayment (subtract line 3 from line 4). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input type="checkbox"/> Refunded	6	

Part III Tax Due or Refund (Complete if you checked the "No" box in either question A or B or you checked the box in C, above. Also complete Part V.)

1 Gross FUTA tax. Multiply the wages in Part I, line 5, by .062	1	
2 Maximum credit. Multiply the wages in Part I, line 5, by .054	2	
	3	
3 Enter the smaller of the amount in Part V, line 11, or Part III, line 2	3	
4 Enter amount from Part I, line 7	4	
5 Credit allowable (subtract line 4 from line 3). (If zero or less, enter 0.)	5	
6 Total FUTA tax (subtract line 5 from line 1).	6	
7 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records)	7	
8 Balance due (subtract line 7 from line 6). This should be \$100 or less. Pay to IRS	8	
9 Overpayment (subtract line 6 from line 7). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input type="checkbox"/> Refunded.	9	

Part IV Record of Quarterly Federal Tax Liability for Unemployment Tax (Do not include state liability.)

Quarter	First	Second	Third	Fourth	Total for Year
Liability for quarter					

If you will not have to file returns in the future, write "Final" here (see general instruction "Who Must File") and sign the return. ►

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was or is to be deducted from the payments to employees.

Signature ► _____ Title (Owner, etc.) ► _____ Date ► _____

Part V Computation of Tentative Credit (Complete if you checked the "No" box in either question A or B or you checked the box in C, on page 1—see instructions.)

Name of state	State reporting number(s) as shown on employer's state contribution returns	Taxable payroll (as defined in state act)	State experience rate period		State experience rate	Contributions if rate had been 5.4% (col. 3 x .054)	Contributions payable at experience rate (col. 3 x col. 5)	Additional credit (col. 6 minus col. 7) If 0 or less, enter 0.	Contributions actually paid to state
			From—	To—					
1	2	3	4		5	6	7	8	9
10 Totals									
11 Total tentative credit (add line 10, columns 8 and 9—see instructions for limitations)									

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

Changes You Should Note for 1986.—Public Law 99-272 reinstated the exemption from FUTA tax for services performed by certain alien farmworkers, full-time students employed by organized camps, and fishing boat crew members. The Tax Reform Act of 1986 reinstated the exemption for amounts received under educational assistance programs (also increasing the maximum exclusion to \$5,250) and received under group legal services plans. See **Circular E, Employers' Tax Guide**, for details.

General Instructions

Purpose of Form.—Use this form for your annual FUTA tax report. **Only the employer pays this tax.**

Who Must File

Household Employers.—You do not have to file this form unless you paid cash wages of \$1,000 or more in any calendar quarter in 1985 or 1986 for household work in a private home, local college club, or a local chapter of a college fraternity or sorority. **Note: See Publication 503, Child and Dependent Care Credit, and Employment Taxes for Household Employers, for more information.**

In General.—You must file this form if you were other than a household or agricultural employer during 1985 or 1986, and you (a) paid wages of \$1,500 or more in any calendar quarter, or (b) had one or more employees for some part of a day in any 20 different weeks. Count all regular, temporary, and part-time employees. A partnership should not count its partners. If there is a change in ownership or other transfer of business during the year, each employer who meets test (a) or (b) above must file. Neither should report wages paid by the other. Organizations described in section 501(c)(3) of the Internal Revenue Code do not have to file.

Agricultural Employers.—You must file Form 940 if either of the following applies to you:

- (1) You paid cash wages of \$20,000 or more to farmworkers during any calendar quarter in 1985 or 1986.
- (2) You employed 10 or more farmworkers during some part of a day (whether or not at the same time) for at least one day during any 20 different weeks in 1985 or 1986. Count aliens admitted to the United States on a temporary basis to perform farmwork to determine if you meet either of the above tests. However, wages paid to these aliens are not subject to FUTA tax before 1993.

Completing Form 940

Employers Who Are Not Required To Deposit FUTA Tax.—If your total FUTA tax for 1986 is not more than \$100, you do not have to deposit the tax. Make your FUTA tax payment when you file Form 940. If you do not have to deposit FUTA tax and you:

- (a) made all required payments to your state unemployment fund by the due date of Form 940,
- (b) are required to make payments to the unemployment fund of only one state; and

(c) paid wages subject to Federal unemployment tax that are also subject to state unemployment tax, complete Parts I and II. Otherwise, complete Parts I, III, and V.

Employers Who Are Required To Deposit FUTA Tax.—If you meet tests (a), (b), and (c) above, complete Parts I, II, and IV. Otherwise, complete Parts I, III, IV, and V.

If You Are Not Liable for FUTA Tax.—If you receive Form 940 and are not liable for FUTA tax for 1986, write "Not Liable" across the front and return it to IRS. If you will not have to file returns after this, write "Final" on the line above the signature line and sign the return.

Due Date.—Form 940 for 1986 is due by February 2, 1987. However, if you made timely deposits in full payment of the tax due, your due date is February 10, 1987.

Where To File.—

If your principal business, office or agency is located in:	File with the Internal Revenue Service Center at:
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Puerto Rico, Virgin Islands	Philadelphia, PA 19255
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501

If you have no legal residence or principal place of business in any IRS district, file with the Internal Revenue Service Center, Philadelphia, PA 19255.

Employer's Name, Address, and Identification Number.—Use the preaddressed Form 940 mailed to you. If you must use a nonpreaddressed form, type or print your name, trade name, address, and employer identification number on it.

See **Publication 583, Information for Business Taxpayers**, for details on how to make tax deposits, file a return, etc., if these are due before you receive your number.

Identifying Your Payments.—On balance due payments made to IRS (Part II, line 5 and Part III, line 8) and Federal tax deposit payments, write your employer identification number, "Form 940," and tax period to which the payment applies on your check or money order. This will help ensure proper crediting of your account.

Penalties and Interest.—Avoid penalties and interest by making tax deposits when due and filing a correct return and paying the proper amount of tax when due. The law provides penalties for late deposits and late filing unless you show reasonable cause for the delay. If you file late, attach an explanation to the return. The law also provides a penalty of 25% of the overstatement if, without reasonable cause, you overstate the amount you deposited.

There are also penalties for willful failure to pay tax, keep records, make returns, and for filing false or fraudulent returns.

Credit for Contributions Paid Into State Funds.—You can claim credit for amounts you pay into a certified state (including Puerto Rico and the Virgin Islands) unemployment fund by the due date of Form 940.

Note: Be sure to enter your state reporting number where required on Form 940. This number is needed for IRS to verify your state contributions.

"Contributions" are payments that state law requires you to make to an unemployment fund because you are an employer. These payments are "contributions" only to the extent that they are not deducted or deductible from the employees' pay.

You may not take credit for voluntary payments or for penalties or interest payments to a state. Nor may you take credit for any special assessment, surtax, surcharge, etc., by the state for paying interest on unrepaid Title XII loans from the Federal Government.

If you have been granted an experience rate lower than 5.4% (.054) by a state for the whole or part of the year, you are entitled to an additional credit. This credit is equal to the difference between actual payments and the amount you would have been required to pay at 5.4%.

The total credit allowable may not be more than 5.4% of taxable FUTA wages.

Special Credit for Successor Employers.—If you are claiming special credit as a successor employer, see Code section 3302(e) or Circular E, for the conditions you must meet.

Amended Returns.—If you are amending a previously filed return, complete a new Form 940, using the amounts that should have been used on the original return, and sign the return. Attach a statement explaining why you are filing an amended return. Be sure to use a Form 940 for the year you are amending. Write "AMENDED RETURN" at the top of the form and file it with the Internal Revenue Service Center where you filed the original return.

Specific Instructions

You must answer questions A and B (check the box in C only if it applies), complete Part I, and sign the return.

Note: If you have been assigned a zero percent experience rate by your state, so that there are no required contributions to the state unemployment fund, check the "Yes" box in question A and write "0% rate" on the dollar amount line.

Use Part II only if you checked the "Yes" boxes in questions A and B and did not check the box in C. Otherwise, skip Part II and complete Parts III and V.

Complete Part IV if your total tax for the year is more than \$100.

**Employer's Annual Federal
 Unemployment (FUTA) Tax Return**
 ► For Paperwork Reduction Act Notice, see page 2.

Employer identification number -

**EMPLOYER'S
 COPY**

- A** Did you pay all required contributions to your state unemployment fund by the due date of Form 940? (See instructions if none required.) . . . **Yes** **No**
 If you checked the "Yes" box, enter amount of contributions paid to your state unemployment fund. . . . ► \$ _____
- B** Are you required to pay contributions to only one state? **Yes** **No**
 If you checked the "Yes" box: (1) Enter the name of the state where you are required to pay contributions ► _____
 (2) Enter your state reporting number(s) as shown on state unemployment tax return. ► _____
- C** If any part of wages subject to FUTA tax is not subject to state unemployment tax, check the box.

Part I Computation of Taxable Wages and Credit Reduction (To be completed by all taxpayers.)

1 Total payments (including exempt payments) during the calendar year for services of employees	1	
2 Exempt payments. (Explain each exemption shown, attaching additional sheets if necessary.) ► _____	Amount paid	
	2	
3 Payments for services of more than \$7,000. Enter only the excess over the first \$7,000 paid to individual employees not including exempt amounts shown on line 2. Do not use the state wage limitation.	3	
	4	
4 Total exempt payments (add lines 2 and 3)	4	
5 Total taxable wages (subtract line 4 from line 1). (If any part is exempt from state contributions, see instructions.) ►	5	
6 Additional tax resulting from credit reduction for unrepaid advances to the states listed (by two-letter Postal Service abbreviations). Enter the wages included on line 5 above for each state and multiply by the rate shown. (See the instructions.)		
(a) IL _____ x .012= _____	(c) OH _____ x .011= _____	(e) WV _____ x .011= _____
(b) LA _____ x .009= _____	(d) PA _____ x .012= _____	
7 Total credit reduction (add resulting amounts from lines 6(a) through 6(e) and enter here and in Part II, line 2 or Part III, line 4).	7	

Part II Tax Due or Refund (Complete if you checked the "Yes" boxes in both questions A and B and did not check the box in C, above.)

1 FUTA tax. Multiply the wages in Part I, line 5, by .008 and enter here	1	
2 Enter amount from Part I, line 7	2	
3 Total FUTA tax (add lines 1 and 2)	3	
4 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records)	4	
5 Balance due (subtract line 4 from line 3). This should be \$100 or less. Pay to IRS ►	5	
6 Overpayment (subtract line 3 from line 4). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input type="checkbox"/> Refunded ►	6	

Part III Tax Due or Refund (Complete if you checked the "No" box in either question A or B or you checked the box in C, above. Also complete Part V.)

1 Gross FUTA tax. Multiply the wages in Part I, line 5, by .062	1	
2 Maximum credit. Multiply the wages in Part I, line 5, by .054	2	
	3	
3 Enter the smaller of the amount in Part V, line 11, or Part III, line 2	3	
4 Enter amount from Part I, line 7	4	
5 Credit allowable (subtract line 4 from line 3). (If zero or less, enter 0.)	5	
6 Total FUTA tax (subtract line 5 from line 1).	6	
7 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records)	7	
8 Balance due (subtract line 7 from line 6). This should be \$100 or less. Pay to IRS ►	8	
9 Overpayment (subtract line 6 from line 7). Check if it is to be: <input type="checkbox"/> Applied to next return, or <input type="checkbox"/> Refunded. ►	9	

Part IV Record of Quarterly Federal Tax Liability for Unemployment Tax (Do not include state liability.)

Quarter	First	Second	Third	Fourth	Total for Year
Liability for quarter					

If you will not have to file returns in the future, write "Final" here (see general instruction "Who Must File") and sign the return. ►

Keep This Copy for Your Records—You must keep this copy and a copy of each related schedule or statement for a period of 4 years after the date the tax is due or paid, whichever is later. These copies must be available for inspection by the Internal Revenue Service.

For More Information—See Circular E and **Publication 539**, Employment Taxes, for more information. Household employers should see Publication 503.

Part V Computation of Tentative Credit (Complete if you checked the "No" box in either question A or B or you checked the box in C, on page 1—see instructions.)

Name of state	State reporting number(s) as shown on employer's state contribution returns	Taxable payroll (as defined in state act)	State experience rate period		State experience rate	Contributions if rate had been 5.4% (col. 3 x .054)	Contributions payable at experience rate (col. 3 x col. 5)	Additional credit (col. 6 minus col. 7) If 0 or less, enter 0.	Contributions actually paid to state
			From—	To—					
1	2	3	4		5	6	7	8	9
10 Totals									
11 Total tentative credit (add line 10, columns 8 and 9—see instructions for limitations)									

Part I.—Computation of Taxable Wages and Credit Reduction

Line 1—Total payments.—Enter the total payments you made to employees during the calendar year, even if they are not taxable. Include salaries, wages, commissions, fees, bonuses, vacation allowances, amounts paid to temporary or part-time employees, and the value of goods, lodging, food, clothing, and noncash fringe benefits. Enter the amount before any deductions.

How the payments are made is not important in determining if they are wages. Thus, you may pay wages for piecework or as a percentage of profits, and you may pay wages hourly, daily, weekly, monthly, or yearly. You may pay wages in cash or some other way, such as goods, lodging, food, or clothing. For items other than cash, use the fair market value at the time of payment.

Line 2—Exempt payments.—"Wages" and "employment" as defined for FUTA purposes do not include every payment and every kind of service an employee may perform. In general, payments excluded from wages and payments for services excepted from employment are not subject to tax. You may deduct these payments from total payments only if you explain them on line 2.

- Enter such items as the following:
 - (1) Agricultural labor, if you didn't meet either of the tests in *Agricultural Employer* on page 2.
 - (2) Benefit payments for sickness or injury under a worker's compensation law.
 - (3) Household service if you did not pay cash wages of \$1,000 or more in any calendar quarter in 1985 and 1986.
 - (4) Certain family employment.
 - (5) Certain fishing activities.
 - (6) Noncash payments for farmwork or household services in a private home that are included on line 1. Only cash wages to these workers are taxable.
 - (7) Value of certain meals and lodging.
 - (8) Any other exempt service or pay.

Line 3.—Enter the total amounts of more than \$7,000 you paid each employee. For example, if you have 10 employees to whom you paid \$8,000 each during the year, enter \$80,000 on line 1 and \$10,000 on line 3. The \$7,000 wage limitation is for FUTA purposes only. Do not use the state wage limitation for this entry.

Line 5—Total taxable wages.—If any part of these wages is exempt from state unemployment taxes, you must fill out Parts III and V. For example, if you pay wages to corporate officers in a state that exempts these wages from its unemployment taxes, you would check the box in C on page 1 and complete Parts III and V.

Line 6.—Enter any wages included on line 5 subject to the unemployment compensation laws of the states listed. (If in doubt, ask your state unemployment insurance service.) Multiply the wages by the appropriate rate. This adjustment increases the FUTA tax by the amount shown on line 7, by reducing the credit otherwise allowable against the FUTA tax for contributions made to state unemployment funds. (However, the increase cannot be more than the credit otherwise allowable.)

Note: The sum of the wages shown on line 6 cannot exceed the total taxable wages shown on line 5. If no wages are subject, enter "none" on line 7.

Part II.—Tax Due or Refund
Use this part only if you checked "Yes" for both questions A and B on page 1, and did not check the box in C. The tax rate of .008 gives you credit for your payments to your state's unemployment fund.

Part III.—Tax Due or Refund
Use this part if you do not qualify for Part II.

Line 3.—Enter the smaller of (1) Part V, line 11—Total tentative credit, or (2) Part III, line 2—5.4% of taxable FUTA wages. This is the maximum credit allowable for your payments to the state unemployment fund.

Lines 4 and 5.—Enter the amount from Part I, line 7 on line 4. Subtract this amount from Part III, line 3. The result on line 5 is your allowable credit for payments to the state.

Part IV.—Record of Federal Tax Liability

Complete this part if your total tax (Part II, line 3 or Part III, line 6) is over \$100. To figure your FUTA tax liability for each of the first 3 quarters of 1986, multiply by .008 that part of the first \$7,000 of each employee's annual wages you paid during the quarter. Enter this amount under that quarter.

Your liability for the 4th quarter is the total tax (Part II, line 3 or Part III, line 6) minus your liability for the first 3 quarters of the year. The total liability must equal your total tax. Otherwise, you may be charged a failure to deposit penalty figured on your average liability.

Depositing FUTA Tax.—If your liability for any of the first 3 quarters of 1986 (plus any undeposited amount of \$100 or less from any earlier quarter) is over \$100, deposit it by the last day of the first month following the close of the quarter. If it is \$100 or less, carry it to the next quarter. If it is \$100 or less, carry it to the next quarter; a deposit is not required. If your liability for the 4th quarter (plus any undeposited amount from any earlier quarter) is over \$100, deposit the entire amount by February 2, 1987. If it is \$100 or less, you can either make a deposit or pay it with your Form 940 by February 2.

Note: The total amount of all deposits must be shown in Part II, line 4 or Part III, line 7.

If you deposited the correct amounts, following these rules, the balance due with Form 940 will never be more than \$100.

Deposit FUTA tax in an authorized financial institution or the Federal Reserve Bank for your area. To avoid a possible penalty, do not mail deposits directly to IRS. Records of your deposits will be sent to IRS for crediting to your business accounts. See *Identifying Your Payments* on page 2.

You must use a **Form 8109**, Federal Tax Deposit Coupon, when making each tax deposit. IRS will send you a book of deposit coupons when you apply for an employer identification number. Follow the instructions in the coupon book. If you don't have coupons, see Circular E.

Taxpayers who willfully claim credit for deposits not made are subject to fines and other criminal penalties.

Part V.—Computation of Tentative Credit

Complete this schedule if: (1) You made payments to the unemployment fund of more than one state; (2) You did not make all your state payments by the due date of Form 940; or (3) Any wages subject to FUTA tax were exempted from state unemployment taxes. If you have been assigned an experience rate by your state of 0% or more, but less than 5.4% for all or part of the year, use columns 1 through 9. If you have not been assigned any experience rate by your state, use columns 1, 2, 3, and 9 only. If you have a rate of 5.4% or higher, use columns 1, 2, 3, 4, 5, and 9 only. If you were granted an experience rate for only part of the year or the rate was changed during the year, complete a separate line for each state experience rate period.

Column 1.—Enter the name of the state(s) (including Puerto Rico and the Virgin Islands) that you were required to pay contributions to.

Column 2.—Enter the state reporting number that was assigned to you when you registered as an employer with each state.

Column 3.—Enter the taxable payroll on which you must pay taxes to the unemployment fund of each state in column 1. If your experience rate is zero, enter the amount of wages that you would have had to pay on if the rate had not been granted.

Columns 4 and 5.—Your state experience rate is the rate at which the state taxes your payroll for state unemployment purposes. This rate may be adjusted from time to time based on your "experience" with the state fund, that is, unemployment compensation paid to your former employees and other factors. If you do not know your rate, contact your state unemployment insurance service.

Column 8.—Subtract column 7 from column 6. If zero or less, enter "0."

Column 9.—Enter contributions actually paid into the state fund by the due date of Form 940. Do not include any special assessments, surtaxes, surcharges, etc., used by the state to pay interest on unrepaid advances from the Federal Government.

Line 11.—Add line 10, columns 8 and 9. The allowable credit for state contributions you make after the due date for filing Form 940 may not be more than 90% of the credit that would have been allowed if you had paid the state contributions by the due date. For example, if \$1,500 of state contributions was paid on time, and \$1,000 was paid after the due date for filing Form 940, the total tentative credit on line 11 (assuming no additional credit (column 8)) would be \$2,400 (\$1,500 + \$900 (90% of \$1,000)).

Note: If you are receiving additional credit (column 8) because your state experience rate is less than 5.4%, the additional credit is not subject to the 90% limitation.