

Jobs Credit

▶ Attach to your tax return.

Name(s) as shown on return

Identifying number

Part I Jobs Credit

1 Enter the number of employees and total qualified wages paid or incurred during the tax year (up to \$6,000 for each employee for each of the first two years) for services of employees who are certified as members of a targeted group. Note: Second-year wages apply only to employees who began work before January 1, 1986. See instructions for special rules on qualified summer youth employees.			
	Number of employees		Total qualified wages
First year { Do not include summer youth employees }	a		b
Second year	c		d
Qualified summer youth employees	e		f
2 Enter 40% of line 1b		2	
3 Enter 25% of line 1d (for employees who began work before 1-1-86)		3	
4 Enter 85% of line 1f		4	
5 Current year jobs credit—Add lines 2, 3, and 4. Enter here and include on Schedule C (Form 1040), line 28b; Form 1120, line 13(b), page 1; or the corresponding line on other returns. (Members of a group of trades or businesses under common control, see Specific Instructions.)		5	
6 Flow-through jobs credits from other entities	If you are a— a Shareholder b Partner c Beneficiary d Patron	Then enter total of current year jobs credit(s) from— Schedule K-1 (Form 1120S), lines 11 or 12 Schedule K-1 (Form 1065), lines 12d, 12e, or 13 Schedule K-1 (Form 1041), line 9 (see instructions for line 6d)	6
7 Total jobs credit for current year—Add lines 5 and 6 (S corporations, partnerships, estates, trusts, and cooperatives, see instructions for line 7.)		7	

Note: If you have a 1987 investment credit (Form 3468), credit for alcohol used as fuel (Form 6478), research credit (Form 6765), or low-income housing credit (Form 8586) in addition to your 1987 jobs credit or if you have a carryback or carryforward of any of these credits, stop here and go to **Form 3800, General Business Credit**, to claim your 1987 jobs credit. If you have only a 1987 jobs credit, you may continue with lines 8 through 15 to claim your credit.

Part II Tax Liability Limitation

8	a Individuals—From Form 1040, enter amount from line 43 b Corporations—From Form 1120, Schedule J, enter tax from line 3 (or Form 1120-A, Part I, line 1) c Other filers—Enter income tax before credits from return	8
9	a Individuals—From Form 1040, enter credit from line 44, plus any orphan drug and nonconventional source fuel credits included on line 46 b Corporations—From Form 1120, Schedule J, enter credits from lines 4(a) through 4(d) (Form 1120-A filers, enter zero) c Other filers—See instructions for line 9c	9
10	Income tax liability as adjusted (subtract line 9 from line 8)	10
11	Tentative minimum tax— a Individuals—From Form 6251, enter amount from line 17 b Corporations—From Form 4626, enter amount from line 19 c Estates and trusts—From Form 8656, enter amount from line 20	11
12	Excess of income tax liability over tentative minimum tax—Subtract line 11 from line 10	12
13	a Enter smaller of line 10 or \$25,000 (See instructions for line 13) b If line 10 is more than \$25,000—Enter 75% of the excess	13a 13b
14	Add lines 13a and 13b	14
15	Total allowed jobs credit—Enter the smallest of line 7, line 12, or line 14. This is your General Business Credit for 1987. Enter here and on Form 1040, line 45; Form 1120, Schedule J, line 4(e); Form 1120-A, Part I, line 2; or the proper line of other returns	15

Instructions

(Section references are to the Internal Revenue Code.)

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.—The Tax Reform Act of 1986 changed the alternative minimum tax rules for the general business credits. This will

require an additional tax liability limitation computation on lines 11 and 12.

If you have credits from passive activities, see **Form 8582-CR, Passive Activity Credit Limitations**, before completing Form 5884.

General Business Credit.—The general business credit consists of the investment credit, jobs credit, credit for alcohol used as fuel, research credit, and low-income housing credit. If you have more than one of these credits for 1987 or a carryback or carryforward of any of these credits, you must attach the appropriate credit forms and summarize them on **Form 3800, General**

Business Credit. If you have only a 1987 jobs credit, you do not have to file Form 3800 this year. **Purpose of Form.**—Use Form 5884 if you had jobs credit employees and take an income tax credit for wages you paid or accrued for them during the tax year.

Mutual savings institutions, regulated investment companies, and real estate investment trusts can take a limited credit. See section 52(e) and the related regulations.

You can take or revoke the jobs credit any time within 3 years from the due date of your return. Take the credit either on your original return or on an amended return.

For more information, see **Publication 572**, General Business Credit.

How to Figure the Credit.—In general, figure your jobs credit based on the employee's wages subject to the Federal Unemployment Tax Act (FUTA). Jobs credit wages, however, are limited to \$6,000 for each employee (\$3,000 for each qualified summer youth employee). Special rules apply in the following cases:

(1) You can take a jobs credit for *agricultural employees* who meet the other tests if their services qualify under FUTA as agricultural labor during more than half of any pay period. Base your credit for each employee on the first \$6,000 in wages subject to social security (FICA) tax you paid or accrued for that person during the year.

(2) You can take a credit for *railroad employees* who meet the other tests if their wages qualify under the Railroad Unemployment Insurance Act (RUIA). Base your credit for each employee on the first \$500 a month you paid or accrued for that person during the year in wages subject to RUIA tax.

(3) Wages for *youths in a cooperative education program* are not subject to FUTA, but include their wages in the amount you use to figure your jobs credit. Base your jobs credit for each youth on the first \$6,000 in wages you paid or accrued for that person during the year.

Your credit is based on a percentage of the wages for each employee in the following targeted groups:

- Referrals by a vocational rehabilitation program.
- Economically disadvantaged Vietnam-era veterans.
- Economically disadvantaged youths.
- Supplemental Security Income (SSI) recipients.
- General assistance recipients.
- Youths in a cooperative education program, who belong to an economically disadvantaged family.
- Economically disadvantaged ex-convicts.
- Eligible work incentive employees.
- Qualified summer youth employees, age 16 or 17, who first worked for you between May 1 and September 15, 1987.

In addition, to claim a jobs credit on an employee's wages:

(1) more than half the wages received from you must be for working in your trade or business;

(2) the employee must be certified, as explained below, as belonging to a targeted group;

(3) you may not claim a credit on wages that were repaid by a Federally funded on-the-job training program, or for which you received work supplementation payments under the Social Security Act;

(4) the employee cannot be your relative or dependent (see section 51(i));

(5) the employee cannot be your rehired employee if he or she was not a targeted group member when employed earlier; and

(6) the employee must have worked for you for at least 90 days (14 days for a summer youth employee) or completed at least 120 hours of services (20 hours for a summer youth employee).

Certification is done by a local agency, generally an office of the State Employment Security Agency (Jobs Service). The agency gives the employer a form certifying that the employee is in a targeted group. The certification must be completed or the employer must request, in writing, a certification from the certifying agency by the date the employee begins work (or within

5 days if the employer has received a written preliminary determination that the employee is in a targeted group).

Certification of a Youth in a Cooperative Education Program.—The certification is completed by the school administering the cooperative program. The school gives the employer a completed **Form 6199**, Certification of Youth Participating in a Qualified Cooperative Education Program.

Specific Instructions

Part I

On lines 1 through 5 figure your credit for wages you paid or accrued. If you have credits only from sources that shared a jobs credit (S corporations, partnerships, estates, trusts, or cooperatives), skip lines 1 through 5.

Whether or not you complete lines 1 through 5, enter on line 6 any credits you received from sources that share the credit. Complete the rest of the form to figure the credit to enter on your income tax return.

Controlled groups: The group member proportionately contributing the most first-year wages (or second-year wages if no first-year wages are involved) figures the group credit in Part I and skips Part II.

On separate Forms 5884, that member and every other member of the group skips lines 1 through 4 and enters its share of the group credit on line 5. Each member then completes lines 6 through 15 on its separate form. Each group member attaches to its Form 5884 a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualifying wages.

Line 1a.—Enter the number of employees for whom you have first-year wages.

Line 1b.—Enter the first-year wages. They are limited to \$6,000 of each employee's first-year wages. If you paid first-year wages to any of these employees last year, subtract those wages from the \$6,000 limit.

Line 1c.—Enter the number of employees who began work before **January 1, 1986**, for whom you have second-year wages.

Line 1d.—Enter the second-year wages. They are limited to \$6,000 for each employee. If you paid second-year wages to any of these employees last year, subtract those wages from the \$6,000 limit for that employee.

For example, if a jobs credit employee began working in your business on September 1, 1985, and you are a calendar year taxpayer, you would have figured your 1985 jobs credit based on the first-year wages you paid between September 1 and December 31, 1985. You would have figured your 1986 credit on the rest of the first-year wages you paid between January 1 and August 31, 1986; and on the second-year wages paid between September 1 and December 31, 1986. Figure your 1987 credit on the rest of the second-year wages you paid between January 1 and August 31, 1987.

Line 1f.—For each qualified summer youth employee, wages are limited to those paid for any 90-day period between May 1 and September 15, up to \$3,000. You cannot claim a credit for an employee who was your employee in any prior period. Also, the summer youth employee must have worked for you at least 14 days, or completed at least 20 hours of services.

Line 4.—Taxpayers with qualified summer youth employees.—Include 85% of the first \$3,000 of wages paid to each qualified employee.

Line 5.—In general, you must subtract your current year jobs credit on line 5 from the deduction on your return for salaries and wages

you paid or owe for 1987. This is true even if you cannot take the full credit this year and must carry part of it back or forward.

An exception is a credit based on salaries and wages you capitalize for depreciation. If you have such a credit, reduce the amount on which you figure depreciation by the part of the current year jobs credit on line 5 that applies to the jobs credit wages you capitalize.

Another exception involves the full absorption method of inventory costing. See the regulations under section 280C to reduce your basis in inventory for the jobs credit.

If either exception applies to you, attach a statement to your return to explain why the amount on line 5 differs from the amount you subtract from your salary and wage deduction. See Publication 572 for details.

Line 6.—If you have flow-through credits from more than one entity or type of entity, add them up and enter the total on line 6.

Line 6d.—If you belong to a cooperative that has an excess jobs credit, the cooperative should have given you a statement showing your share of the excess. Include on line 6 your total excess jobs credit from all cooperatives to which you belong.

Line 7.—Estates and trusts: The jobs credit on line 7 is shared between the estate or trust itself and the beneficiaries in proportion to the income allocable to each. On the dotted line to the left of the amount on line 7, the estate or trust should enter its own part of the total jobs credit. Please label it "1041 PORTION" and use *this amount* in Part II to figure the jobs credit to take on Form 1041.

S corporations and partnerships: Prorate the jobs credit on line 7 among the shareholders or partners. Attach Form 5884 to the return and on Schedule K-1 show the credit for each shareholder or partner.

Cooperatives: Most tax-exempt organizations cannot take the jobs credit; but a cooperative described in section 1381(a) takes the jobs credit to the extent it has tax liability. Any excess is shared among its patrons.

Carrybacks and carryforwards: If you cannot use part of the credit because of the tax liability limitations, you may carry it back 3 years, then forward 15 years. Use Form 3800.

Part II

Line 9c. Other filers.—Before you can claim the jobs credit (which will be your general business credit for 1987) against your income tax liability, you must reduce this tax liability by the credits listed below:

- Personal credits (child and dependent care credit, credit for elderly or disabled, residential energy credit carryforward, and the credit for interest on certain home mortgages)
- Foreign tax credit
- Possessions corporation tax credit
- Orphan drug credit
- Nonconventional source fuel credit

Line 13. Limitation.—If the tax liability on line 10 is \$25,000 or less, your jobs credit is limited to that tax liability. If the tax liability is more than \$25,000, your credit is limited to \$25,000 plus 75% of the excess.

If a husband and wife file separate returns, each must use \$12,500 instead of \$25,000. But if one of them has no credit, then the other may use the entire \$25,000.

Controlled corporate groups must divide the \$25,000 among all component members. See section 38(c)(4)(B).

Estates and trusts, see section 38(c)(4)(D).