

# 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 }	<b>a</b>		<b>b</b>	
Second year	<b>c</b>		<b>d</b>	
Qualified summer youth employees	<b>e</b>		<b>f</b>	

- 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 traders or business owners under common control see Specific Instructions.)

[Redacted]

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).