

Work Opportunity Credit

▶ Attach to your return.

Name(s) shown on return

Identifying number

Part I Current Year Credit

1	Enter the total qualified wages paid or incurred during the tax year for services of employees who are certified as members of a targeted group and who began work for you after September 30, 1996, and before October 1, 1997																		
2	Current year credit. Multiply line 1 by 35% (.35). You must subtract this amount from your deduction for salaries and wages. (Members of a controlled group, see instructions.)																		
3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"></td> <td style="width: 15%; text-align: center;">If you are a—</td> <td style="width: 65%; text-align: center;">Then enter total of current year work opportunity credit(s) from—</td> <td></td> <td></td> </tr> <tr> <td rowspan="4" style="vertical-align: top;">Work opportunity credits from flow-through entities</td> <td>a Shareholder</td> <td rowspan="2">Schedule K-1 (Form 1120S), lines 12d, 12e, or 13. Schedule K-1 (Form 1065), lines 13c, 13d, or 14</td> <td rowspan="4" style="font-size: 3em; vertical-align: middle;">}</td> <td rowspan="4"></td> </tr> <tr> <td>b Partner</td> </tr> <tr> <td>c Beneficiary</td> <td>Schedule K-1 (Form 1041), line 13</td> </tr> <tr> <td>d Patron</td> <td>Written statement from cooperative</td> </tr> </table>		If you are a—	Then enter total of current year work opportunity credit(s) from—			Work opportunity credits from flow-through entities	a Shareholder	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13. Schedule K-1 (Form 1065), lines 13c, 13d, or 14	}		b Partner	c Beneficiary	Schedule K-1 (Form 1041), line 13	d Patron	Written statement from cooperative			
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	b Partner																		
	c Beneficiary	Schedule K-1 (Form 1041), line 13																	
	d Patron	Written statement from cooperative																	
4	Total current year work opportunity credit. Add lines 2 and 3. (S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions.)																		

Part II Tax Liability Limit (See Who Must File Form 3800 to find out if you complete Part II or file Form 3800.)

5	Regular tax before credits: <ul style="list-style-type: none"> • Individuals. Enter amount from Form 1040, line 38 • Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1) • Other filers. Enter regular tax before credits from your return 			
6a	Credit for child and dependent care expenses (Form 2441, line 10)	6a		
b	Credit for the elderly or the disabled (Schedule R (Form 1040), line 20)	6b		
c	Mortgage interest credit (Form 8396, line 11)	6c		
d	Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12)	6d		
e	Possessions tax credit (Form 5735)	6e		
f	Credit for fuel from a nonconventional source	6f		
g	Qualified electric vehicle credit (Form 8834, line 19)	6g		
h	Add lines 6a through 6g	6h		
7	Net regular tax. Subtract line 6h from line 5.	7		
8	Alternative minimum tax: <ul style="list-style-type: none"> • Individuals. Enter amount from Form 6251, line 28 • Corporations. Enter amount from Form 4626, line 15 • Estates and trusts. Enter amount from Form 1041, Schedule I, line 41 	8		
9	Net income tax. Add lines 7 and 8	9		
10	Tentative minimum tax (see instructions): <ul style="list-style-type: none"> • Individuals. Enter amount from Form 6251, line 26 • Corporations. Enter amount from Form 4626, line 13 • Estates and trusts. Enter amount from Form 1041, Schedule I, line 37. 	10		
11	If line 7 is more than \$25,000, enter 25% (.25) of the excess (see instructions)	11		
12	Enter the greater of line 10 or line 11	12		
13	Subtract line 12 from line 9. If zero or less, enter -0-	13		
14	Work opportunity credit allowed for current year. Enter the smaller of line 4 or line 13 here and on Form 1040, line 42; Form 1120, Schedule J, line 4d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return	14		

Section references are to the Internal Revenue Code.

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 4 hr., 18 min.
- Learning about the law or the form** 42 min.
- Preparing and sending the form to the IRS** 48 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the IRS at the address listed in the instructions of the tax return with which this form is filed.

General Instructions

Tax Law Changes

The Small Business Job Protection Act of 1996 reinstated the former jobs credit as the work opportunity credit. The credit covers individuals who begin work after September 30, 1996, and before October 1, 1997. The credit rate has been reduced to 35% of qualified wages. Changes also have been made to the targeted groups qualifying for the credit and the certification rules.

Purpose of Form

Use Form 5884 if you had targeted group employees and claim the work opportunity credit for wages you paid or incurred to them during the tax year.

You can claim or elect not to claim the work opportunity credit any time within 3 years from the due date of your return on either your original return or on an amended return.

How To Claim the Credit

To claim the work opportunity credit, the employer must request and be issued a certification for each employee from the state employment security agency (SESA). The certification proves that the employee is a member of a targeted group. The employer must receive the certification by the day the individual begins work, or complete **Form 8850**, Work Opportunity Pre-Screening Notice and Certification Request, by the day the employer offers the individual a job. If the employer completes Form 8850, it must be signed by the individual and the employer and submitted to the SESA by the 21st day after the individual begins work. If the SESA denies a certification request, it will provide a written explanation of the reason for denial. If a certification is revoked because it was based on false information provided by the worker, wages paid after the date the notice of revocation is received by the employer do not qualify for the credit.

An employee is a member of a targeted group if he or she is a:

- Qualified recipient of aid to families with dependent children (AFDC) or successor program.
- Qualified veteran.
- Qualified ex-felon.
- High-risk youth.
- Vocational rehabilitation referral.
- Qualified summer youth employee.
- Qualified food stamp recipient.

See section 51(d) for details and restrictions.

In addition, to claim the 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. 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.

3. The employee cannot be your relative or dependent. See section 51(i) for other restrictions.

4. The employee cannot be your rehired employee if he or she was not a targeted group member when employed earlier.

5. The employee must have worked for you for at least 180 days or completed at least 400 hours of service (20 days or 120 hours for a qualified summer youth employee).

6. The wages cannot be for services of replacement workers during a strike or lockout.

In general, figure your credit based on the employee's wages subject to the Federal Unemployment Tax Act (FUTA), but not more than \$6,000 for each employee. Special rules apply in the following cases:

1. You can take the 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 and Medicare taxes paid or incurred for that person during the year.

2. You can take the 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 \$6,000 in wages subject to RUIA tax paid or incurred for that person during the year.

Specific Instructions

Note: If you only have a credit allocated to you from a flow-through entity, skip lines 1 and 2 and go to line 3.

Line 1.—Enter the first-year wages paid or incurred to qualified employees who began work for you after September 30, 1996, and before October 1, 1997. The wages are limited to \$6,000 of first-year wages.

For each qualified summer youth employee, wages are limited to those paid or incurred for any 90-day period between May 1 and September 15 and may not exceed \$3,000. You cannot claim a credit for an employee who was your employee in a prior period.

Do not include wages paid or incurred to a high-risk or qualified summer youth employee for services performed while the employee lived outside an empowerment zone or enterprise community.

Controlled groups.—The group member proportionately contributing the most first-year wages figures the group credit in Part I and skips Part II. See sections 52(a) and 1563. On separate Forms 5884, that member and every other member of the group should skip line 1 and enter its share of the group credit on line 2. Each member then completes lines 3, 4, and 5 through 14 (or Form 3800, if required) on its separate form. Each member must attach 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 2.—In general, you must reduce your deduction for salaries and wages by the amount on line 2. This is required even if you cannot take the full credit this year and must carry part of it back or forward. The exceptions to this rule are:

1. You capitalized any salaries and wages on which you figured the credit. In this case, reduce your depreciable basis by the amount of the credit on those salaries and wages.

2. You used the full absorption method of inventory costing that required you to reduce your basis in inventory for the credit.

If either of the above exceptions applies, attach a statement explaining why the line 2 amount differs from the amount by which you reduced your deduction.

Line 3.—Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron of a cooperative.

Line 4.—If you have a credit from a passive activity, stop here and go to Form 3800.

S corporations and partnerships.

Prorate the credit on line 4 among the shareholders or partners. Attach Form 5884 to the return and on Schedule K-1 show the credit for each shareholder or partner.

Estates and trusts.—The credit on line 4 is allocated between the estate or trust and the beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 PORTION" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

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

Regulated investment companies and real estate investment trusts.—Reduce the allowable credit to the company's or trust's ratable share of the credit. For details, see Regulations section 1.52-3(b).

Who Must File Form 3800

If for this year you have more than one of the credits included in the general business credit listed below, have a carryback or carryforward of any of the credits, or have a credit from a passive activity, you must complete **Form 3800**, General Business Credit, instead of completing Part II of Form 5884 to figure the tax liability limitation.

The general business credit consists of the following credits: investment, work opportunity, alcohol used as fuel, research, low-income housing, enhanced oil recovery, disabled access, renewable electricity production, Indian employment, employer social security and Medicare taxes paid on certain employee tips, orphan drug, contributions to certain community development corporations, and trans-Alaska pipeline liability fund. The empowerment zone employment credit, while a component of the general business credit, is figured separately on Form 8844 and is never carried to Form 3800.

Line 10.—Enter the tentative minimum tax (TMT) that was figured on the appropriate alternative minimum tax (AMT) form or schedule. Although you may not owe AMT, you must still compute the TMT to figure your credit.

Line 11.—See section 38(c)(3) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 14.—If you cannot use part of the credit because of the tax liability limit (line 13 is smaller than line 4), carry it back 3 years, then forward 15 years. See the separate instructions for Form 3800 for details.

