

Department of the Treasury
Internal Revenue Service

▶ **Attach to your return.**

Name(s) shown on return

Identifying number

Part I Current Year Credit (Members of a controlled group, see instructions.)

1 Enter the total qualified first-year wages paid or incurred during the tax year and multiply by the percentage shown for services of employees who are certified as members of a targeted group and who began work for you:			
a	Before October 1, 1997 \$ _____ × 35% (.35)	1a	
b	After September 30, 1997, and before July 1, 1999, and worked at least 120 hours but fewer than 400 hours \$ _____ × 25% (.25)	1b	
c	After September 30, 1997, and before July 1, 1999, and worked at least 400 hours \$ _____ × 40% (.40)	1c	
2	Current year credit. Add lines 1a, 1b, and 1c. You must subtract this amount from your deduction for salaries and wages	2	
3 Work opportunity credits from flow-through entities	If you are a—	Then enter total of current year work opportunity credit(s) from—	
	a Shareholder	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13.	
	b Partner	Schedule K-1 (Form 1065), lines 12c, 12d, or 13	
	c Beneficiary	Schedule K-1 (Form 1041), line 14	
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.)	4	

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:			
• Individuals. Enter amount from Form 1040, line 40		}	5
• 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 9)	6a	
b	Credit for the elderly or the disabled (Schedule R (Form 1040), line 20)	6b	
c	Child tax credit (Form 1040, line 43)	6c	
d	Education credits (Form 8863, line 18)	6d	
e	Mortgage interest credit (Form 8396, line 11)	6e	
f	Adoption credit (Form 8839, line 14)	6f	
g	District of Columbia first-time homebuyer credit (Form 8859, line 11)	6g	
h	Foreign tax credit	6h	
i	Possessions tax credit (Form 5735, line 17 or 27)	6i	
j	Credit for fuel from a nonconventional source	6j	
k	Qualified electric vehicle credit (Form 8834, line 19)	6k	
l	Add lines 6a through 6k	6l	
7	Net regular tax. Subtract line 6l from line 5	7	
8 Alternative minimum tax:			
• Individuals. Enter amount from Form 6251, line 28		}	8
• Corporations. Enter amount from Form 4626, line 15			
• Estates and trusts. Enter amount from Form 1041, Schedule I, line 39			
9	Net income tax. Add lines 7 and 8	9	
10	Tentative minimum tax (see instructions)	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 47; 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	

General Instructions

Section references are to the Internal Revenue Code.

A Change To Note

The Tax and Trade Relief Extension Act of 1998 extended the work opportunity credit for 1 year to cover individuals who begin work for the employer before July 1, 1999.

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 must complete **Form 8850**, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, 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.
- Qualified SSI recipient (for individuals who begin work after September 30, 1997).

See Form 8850 and section 51(d) for details and restrictions.

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.

Lines 1a through 1c. Enter on the applicable line (1a, 1b, or 1c) the total qualified first-year wages paid to employees certified as members of a targeted group, based on when the employee began work and the number of hours that employee worked for you. Multiply the wages you enter on each line by the percentage shown on that line.

Qualified first-year wages are qualified wages for work performed during the 1-year period beginning on the date the individual begins work for you. The following rules apply in determining **qualified wages**:

- Only the first \$6,000 of wages paid or incurred during the tax year for each employee are taken into account.
- Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). For agricultural employees, if the work performed by any employee during more than half of any pay period qualifies under FUTA as agricultural labor, the first \$6,000 of that employee's wages subject to social security and Medicare taxes are taken into account. For a special rule that applies to railroad employees, see section 51(h)(1)(B).
- More than half the wages received from you must be for working in your trade or business.
- You may not claim a credit on wages that were paid to any employee during any period for which you received payment for the employee from a federally funded on-the-job training program.
- Any work supplementation payments you received under the Social Security Act reduce the amount of wages qualifying for the credit.
- The employee cannot be your relative or dependent. See section 51(i) for other restrictions.
- The employee cannot be your rehired employee if he or she was not a targeted group member when employed earlier.
- For individuals who began work before October 1, 1997, the employee must have worked for you for at least 180 days or completed at least 400 hours of service.
- For individuals who began work after September 30, 1997, and before July 1, 1999, the employee must have worked for you for at least 120 hours. For employees who have worked at least 120 hours but fewer than 400 hours, the credit rate is 25 percent. For employees who have worked at least 400 hours, the credit rate is 40 percent.
- The wages cannot be for services of replacement workers during a strike or lockout.
- 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.
- You cannot 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.
- You cannot claim the work opportunity credit with respect to the wages of any employee that you use to figure the welfare-to-work credit.

Special instructions for controlled group members. 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 lines 1a through 1c 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.