

**Credit for Employer Social Security and Medicare Taxes  
Paid on Certain Employee Tips**

Department of the Treasury  
Internal Revenue Service

▶ For fiscal years beginning in 1993 and ending in 1994.  
▶ Attach to your return.

Attachment  
Sequence No. **98**

Name(s) as shown on return

Identifying number

**Note:** This credit may be claimed ONLY by food and beverage establishments where tipping is customary for providing food or beverages consumed on the premises. See the instructions for line 1.

**Part I Current Year Credit**

<b>1</b>	Tips reported by employees for services performed after December 31, 1993, on which you paid or incurred employer social security and Medicare taxes during the tax year . . . . .	<b>1</b>	
<b>2</b>	Tips not subject to the credit provisions (see instructions) . . . . .	<b>2</b>	
<b>3</b>	Creditable tips. Subtract line 2 from line 1 . . . . .	<b>3</b>	
<b>4</b>	Current year credit. Multiply line 3 by 7.65% (.0765). If you have any tipped employee(s) whose wages (including tips) exceeded \$60,600, see the instructions and check here . . . . . ▶ <input type="checkbox"/>	<b>4</b>	
<b>5</b>	Form 8846 credits from flow-through entities		
	If you are a—		
	<b>a</b> Shareholder	Schedule K-1 (Form 1120S) lines 12d, 12e, or 13	<b>5</b>
	<b>b</b> Partner	Schedule K-1 (Form 1065) lines 13d, 13e, or 14	
<b>6</b>	<b>Total current year credit.</b> Add lines 4 and 5 . . . . .	<b>6</b>	

**Part II Tax Liability Limitation (See Who Must File Form 3800 to see if you complete Part II or file Form 3800.)**

<b>7a</b>	Individuals. Enter amount from Form 1040, line 40 . . . . .	<b>7</b>	
<b>b</b>	Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1) . . . . .		
<b>c</b>	Other filers. Enter regular tax before credits from your return . . . . .		
<b>8</b>	Credits that reduce regular tax before the general business credit:		
<b>a</b>	Credit for child and dependent care expenses (Form 2441, line 10) . . . . .	<b>8a</b>	
<b>b</b>	Credit for the elderly or the disabled (Schedule R (Form 1040), line 21) . . . . .	<b>8b</b>	
<b>c</b>	Mortgage interest credit (Form 8396, line 11) . . . . .	<b>8c</b>	
<b>d</b>	Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12) . . . . .	<b>8d</b>	
<b>e</b>	Possessions tax credit (Form 5735, line 14) . . . . .	<b>8e</b>	
<b>f</b>	Orphan drug credit (Form 6765, line 10) . . . . .	<b>8f</b>	
<b>g</b>	Credit for fuel from a nonconventional source . . . . .	<b>8g</b>	
<b>h</b>	Qualified electric vehicle credit (Form 8834, line 17) . . . . .	<b>8h</b>	
<b>i</b>	Add lines 8a through 8h . . . . .	<b>8i</b>	
<b>9</b>	Net regular tax. Subtract line 8i from line 7 . . . . .	<b>9</b>	
<b>10</b>	Tentative minimum tax (see instructions):		
<b>a</b>	Individuals. Enter amount from Form 6251, line 26 . . . . .	<b>10</b>	
<b>b</b>	Corporations. Enter amount from Form 4626, line 14 . . . . .		
<b>c</b>	Estates and trusts. Enter amount from Form 1041, Schedule H, line 37 . . . . .		
<b>11</b>	Net income tax:		
<b>a</b>	Individuals. Add line 9 above and line 28 of Form 6251 . . . . .	<b>11</b>	
<b>b</b>	Corporations. Add line 9 above and line 16 of Form 4626 . . . . .		
<b>c</b>	Estates and trusts. Add line 9 above and line 39 of Form 1041, Schedule H . . . . .		
<b>12</b>	If line 9 is more than \$25,000, enter 25% (.25) of the excess (see instructions) . . . . .	<b>12</b>	
<b>13</b>	Subtract line 10 or line 12, whichever is greater, from line 11. If less than zero, enter -0- . . . . .	<b>13</b>	
<b>14</b>	<b>Credit allowed for the current year.</b> Enter the <b>smaller</b> of line 6 or line 13. This is your <b>General Business Credit</b> for 1993. Enter here and on Form 1040, line 44; Form 1120, Schedule J, line 4e; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or on the appropriate line of other income tax returns . . . . .	<b>14</b>	

**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.

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

- Recordkeeping** . . . . . 6 hr., 13 min.
- Learning about the law or the form** . . . . . 30 min.
- Preparing and sending the form to the IRS** . . . . . 37 min.

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

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Section 13443 of the Revenue Reconciliation Act of 1993 revised section 38 and added new section 45B to allow an income tax credit for food and beverage establishments for the social security and Medicare taxes paid or incurred by the employer on certain employees' tips. Form 8846 is used to figure the credit.

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

### Who Should File

This 1993 form is to be used ONLY by fiscal year taxpayers who:

1. Have a tax year that began in 1993 and ended in 1994;
2. During the tax year, paid or incurred employer social security and Medicare taxes after December 31, 1993, on tips received by employees for services performed after December 31, 1993; and
3. Have employees whose tips are received at food and beverage establishments for the provision of food or beverage consumed on the premises of the establishment.

Tips are deemed to be received by the employee when a written statement identifying the tips is furnished to the employer by the employee as required by section 6053(a). Normally, the employee must report to the employer tips received during any month no later than the 10th day of the following month. An employer may require that tips be reported more often than monthly.

For example, if an employer requires only monthly reporting of tips, tips received during January and reported by February 10 are deemed to have been received in February.

However, tips received by employees in December 1993 and reported to the employer after December 31, 1993, are not included in the computation because the services were performed before January 1, 1994.

### How the Credit Is Figured

Generally, the credit equals the amount of employer social security and Medicare taxes paid or incurred by the employer on tips received and reported to the employer by the employee. However, the employer social security and Medicare taxes on those tips that are used to meet the Federal minimum wage rate applicable to the employee under the Fair Labor Standards Act are **not** used in the computation. The Federal minimum wage rate (since April 1, 1991) is \$4.25 per hour.

For example, an employee worked 100 hours and reported \$300 in tips for January. The worker received \$325 in wages (excluding tips) at the rate of \$3.25 an hour. Because the Federal minimum wage rate was \$4.25 an hour, the employee would have received wages, excluding tips, of \$425 had the employee been paid at the Federal minimum wage rate. Thus, only \$200 of the employee's tips for January is taken into account for credit purposes.

### 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, a carryback or carryforward of any of the credits, or a credit for employer social security and Medicare taxes paid on certain employee tips from a passive activity, you must complete **Form 3800**, General Business Credit, instead of completing Part II of Form 8846 to figure the tax liability limitation.

The general business credit consists of the following credits:

- Investment (Form 3468),
- Jobs (Form 5884),
- Alcohol used as fuel (Form 6478),
- Research (Form 6765),
- Low-income housing (Form 8586),
- Enhanced oil recovery (Form 8830),
- Disabled access (Form 8826), and
- Renewable electricity production (Form 8835).

The Revenue Reconciliation Act of 1993 added the following four new credits:

- Empowerment zone employment (Form 8844),
- Indian employment (Form 8845),
- Employer social security and Medicare taxes paid on certain employee tips (Form 8846), and
- Contributions to certain community development corporations (Form 8847).

Generally, the new credits are allowed for expenditures incurred after December 31, 1993. Form 8844 first applies for the 1994 tax year. See the above listed new forms or Form 3800 for details.

## Specific Instructions

### Part I

Complete lines 1 through 4 to figure the current year credit from your trade or business. Skip lines 1 through 4 if you are claiming only a credit that was allocated to you from an S corporation or a partnership.

**S corporations and partnerships.**—S corporations and partnerships figure their current year credit on lines 1 through 4, enter any credit from other

flow-through entities on line 5, and allocate the credit on line 6 to the shareholders or partners. Attach Form 8846 to the S corporation or partnership return and show on Schedule K-1 each shareholder's or partner's credit.

**Line 1.**—Enter the tips reported by employees for services performed after December 31, 1993, on which you paid or incurred employer social security and Medicare taxes during the tax year. Include only tips received from customers in connection with providing food or beverages for consumption on the premises of the food and beverage establishment where tipping is customary. Do not include tips for carryouts or tips to food deliverers such as pizza delivery persons.

**Line 2.**—If you pay each tipped employee wages (excluding tips) equal to or more than the Federal minimum wage rate, enter zero on line 2.

Figure the amount of tips included on line 1 that are not creditable for each employee on a monthly basis. This is the total amount that would be payable to the employee at the Federal minimum wage rate reduced by the wages (excluding tips) actually paid to the employee during the month. Enter on line 2 the total amounts figured for all employees.

**Line 4.**—If any tipped employee's wages and tips exceeded the 1994 social security tax base of \$60,600 subject to the 6.2% (.062) rate, check the box on line 4 and attach a separate computation showing the amount of tips subject to only the Medicare tax rate of 1.45% (.0145). Subtract these tips from the line 3 tips, and multiply the difference by .0765. Then, multiply the tips subject only to the Medicare tax by .0145. Enter the sum of these amounts on line 4.

All taxpayers must reduce the income tax deduction for employer social security and Medicare taxes by the amount of the current year credit on line 4.

### Part II

**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 12.**—See section 38(c)(3) for special rules for married couples filing separate returns, for controlled groups, and for estates and trusts.

**Line 14.**—If you cannot use part of the credit because of the tax liability limitation (line 14 is less than line 6), carry the excess to other years. The excess credit cannot be carried back to any year ending before August 10, 1993. See the separate instructions for Form 3800 for details.

