



# Instructions for Form 5884

## Work Opportunity Credit

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

### Future Developments

For the latest information about developments related to Form 5884 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form5884](http://www.irs.gov/form5884).

### What's New

- The work opportunity credit has been extended to cover employees who begin work after December 31, 2014, and before January 1, 2020.
- Empowerment zone designations have been extended to cover 2015 and 2016.
- The Protecting Americans from Tax Hikes Act of 2015 added a new targeted group for qualified long-term unemployment recipients who begin work after 2015.

## General Instructions

### Purpose of Form

Use Form 5884 to claim the work opportunity credit for qualified first- and/or second-year wages you paid to or incurred for targeted group employees during the tax year. Your business doesn't have to be located in an empowerment zone or rural renewal county to qualify for this credit.

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 an amended return.

Partnerships, S corporations, cooperatives, estates, and trusts must file this form to claim the credit. All other taxpayers aren't required to complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate, or trust. Instead, they can report this credit directly on Form 3800, General Business Credit.

### How To Claim the Credit

You must ask for 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. You must either:

- Receive the certification by the day the individual begins work; or
- Complete Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, on or before the day you offer the individual a job and receive the certification before you claim the credit.

If you complete Form 8850, it generally must be signed by you and the individual and submitted to the SESA of the state in which your business is located (where the employee works) by the 28th calendar day after the

individual begins work. However, because the credit expired at the end of 2014 and was retroactively extended on December 18, 2015, you may be allowed more time to submit Form 8850 for an individual who began work while the credit was expired or for a reasonable time after it was extended. We will update [www.irs.gov/form5884](http://www.irs.gov/form5884) as this and any other additional information, including information on the availability of the credit for long-term unemployed individuals, becomes available.

If the SESA denies the 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 or incurred after the date you receive the notice of revocation don't qualify for the credit.

**Targeted group employee.** An employee is a member of a targeted group if he or she began working for you before 2020 and is a:

- Long-term family assistance recipient,
- Qualified recipient of Temporary Assistance for Needy Families (TANF),
- Qualified veteran,
- Qualified ex-felon,
- Designated community resident,
- Vocational rehabilitation referral,
- Summer youth employee,
- Supplemental Nutrition Assistance Program (SNAP) benefits (food stamps) recipient,
- SSI recipient, or
- Qualified long-term unemployment recipient (for individuals who begin work after 2015).

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

### Qualified Wages

Wages qualifying for the credit have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA) (determined without regard to the \$7,000 FUTA tax wage base). If the work performed by any employee during more than half of any pay period qualifies under FUTA as agricultural labor, that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see section 51(h)(1)(B). Qualified wages for any employee must be reduced by the amount of any work supplementation payments you received under the Social Security Act for the employee.

The amount of qualified wages for any employee is zero if:

- The employee didn't work for you for at least 120 hours,
- The employee worked for you previously,
- The employee is your dependent,
- The employee is related to you (see section 51(i)(1)), or

- 50% or less of the wages the employee received from you were for working in your trade or business.

Qualified wages **do not** include:

- Wages paid to or incurred for any employee during any period for which you received payment for the employee from a federally funded on-the-job training program;
- Wages paid to or incurred for a summer youth employee for services performed while the employee lived outside an empowerment zone;
- Wages paid to or incurred for a designated community resident for services performed while the employee lived outside an empowerment zone or rural renewal county;
- Wages paid to or incurred for services performed by a summer youth employee before or after any 90-day period between May 1 and September 15; and
- Wages for services of replacement workers during a strike or lockout.

## Member of Controlled Group or Business Under Common Control

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 52(a)) and all members of a group of businesses under common control (as defined in section 52(b)), are treated as a single taxpayer. As a member, figure your credit based on your proportionate share of qualified wages giving rise to the group's work opportunity credit. Enter your share of the credit on line 2. Attach a statement showing how your share of the credit was figured, and enter "See attached" next to the entry space for line 2.

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## Specific Instructions

### Current Year Credit

#### Lines 1a, 1b, and 1c

Enter on the applicable line and multiply by the percentage shown the total qualified first- or second-year wages paid to or incurred for employees who are members of a targeted group. Qualified first-year wages are qualified wages you paid to or incurred for work performed during the 1-year period beginning on the date the individual begins work for you. Qualified second-year wages are qualified wages you paid to or incurred for certified long-term family assistance recipients for work performed during the 1-year period beginning on the day after the last day of the 1-year wage period.

The amount of qualified first-year wages and the amount of qualified second-year wages that may be taken into account for any employee certified as a long-term family assistance recipient is limited to \$10,000 per year.

The amount of qualified first-year wages that may be taken into account for an employee certified as a qualified veteran is limited to the following amounts.

- **\$6,000** for a qualified veteran certified as being either **(a)** a member of a family receiving SNAP assistance (food stamps) for at least a 3-month period during the 15-month period ending on the hiring date, or **(b)** unemployed for a period or periods totaling at least 4 weeks (whether or not consecutive) but less than 6 months in the 1-year period ending on the hiring date.

- **\$12,000** for a qualified veteran certified as being entitled to compensation for a service-connected disability and hired not more than 1 year after being discharged or released from active duty in the U.S. Armed Forces.
- **\$14,000** for a qualified veteran certified as being unemployed for a period or periods totaling at least 6 months (whether or not consecutive) in the 1-year period ending on the hiring date.
- **\$24,000** for a qualified veteran certified as being entitled to compensation for a service-connected disability, and unemployed for a period or periods totaling at least 6 months (whether or not consecutive), in the 1-year period ending on the hiring date.

The amount of qualified first-year wages that may be taken into account for any employee certified as a summer youth employee is limited to \$3,000. The amount of qualified first-year wages that may be taken into account for an employee certified as a member of any other targeted group is \$6,000.

**Successor employer.** For successor employers, the 1- or 2-year period begins on the date the employee began work for the previous employer and any qualified first- or second-year wages paid or incurred by the successor employer are reduced by the qualified first- or second-year wages paid or incurred by the previous employer. See section 51(k)(1) and Regulations section 1.51-1(h).

A successor employer is an employer that acquires substantially all of the property used in a trade or business (or a separate unit thereof) of another employer (the previous employer) and immediately after the acquisition, the successor employs in his or her trade or business an individual who was employed immediately prior to the acquisition in the trade or business of the previous employer.

#### 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 can't take the full credit this year and must carry part of it back or forward. If you capitalized any costs on which you figured the credit, reduce the amount capitalized by the credit attributable to these costs.

#### Line 3

Enter total work opportunity credits from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code J);
- Schedule K-1 (Form 1120S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code J);
- Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., box 13 (code F); or
- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 8, or other notice of credit allocation.

Partnerships, S corporations, cooperatives, estates, and trusts must always report the above credits on line 3. All other filers figuring a separate credit on earlier lines must also report the above credits on line 3. All others not using earlier lines to figure a separate credit can report the above credits directly on Form 3800, Part III, line 4b.

**Line 5**

**Cooperatives.** A cooperative described in section 1381(a) must allocate to its patrons the credit in excess of its tax liability limit. Therefore, to figure the unused amount of the credit allocated to patrons, the cooperative must first figure its tax liability. While any excess is allocated to patrons, any credit recapture applies as if the cooperative had claimed the entire credit.

If the cooperative is subject to the passive activity rules, include on line 3 any Form 5884 credit from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed credit that must be allocated to patrons. For details, see the Instructions for Form 8810.

**Estates and trusts.** Allocate the work opportunity credit on line 4 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 5.

If the estate or trust is subject to the passive activity rules, include on line 3 any Form 5884 credit from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

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**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 burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> . . . . .	3 hr., 6 min.
<b>Learning about the law or the form</b> . . . . .	1 hr., 15 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	2 hr., 34 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. See the instructions for the tax return with which this form is filed.

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