

# Jobs Credit

► Attach to your return.

Name(s) shown on return

Identifying number

## Part I Current Year Jobs Credit

<b>1</b>	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 begin work for you before January 1, 1995 . . . . .	<b>1</b>																
<b>2</b>	Current year credit. Multiply line 1 by 40% (.40). You must subtract this amount from the deduction on your return for salaries and wages. (Members of a controlled group, see instructions.) . . . . .	<b>2</b>																
<b>3</b>	Jobs credits from flow-through entities	<b>3</b>																
	<table border="0"> <tr> <td style="border: none;">If you are a—</td> <td style="border: none;">Then enter total of current year jobs credit(s) from—</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;"><b>a</b> Shareholder . . . . .</td> <td style="border: none;">Schedule K-1 (Form 1120S), lines 12d, 12e, or 13 . . . . .</td> <td style="border: none;">}</td> </tr> <tr> <td style="border: none;"><b>b</b> Partner . . . . .</td> <td style="border: none;">Schedule K-1 (Form 1065), lines 13d, 13e, or 14 . . . . .</td> <td style="border: none;">}</td> </tr> <tr> <td style="border: none;"><b>c</b> Beneficiary . . . . .</td> <td style="border: none;">Schedule K-1 (Form 1041), line 13 . . . . .</td> <td style="border: none;">}</td> </tr> <tr> <td style="border: none;"><b>d</b> Patron . . . . .</td> <td style="border: none;">Written statement from cooperative . . . . .</td> <td style="border: none;">}</td> </tr> </table>	If you are a—	Then enter total of current year jobs credit(s) from—		<b>a</b> Shareholder . . . . .	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13 . . . . .	}	<b>b</b> Partner . . . . .	Schedule K-1 (Form 1065), lines 13d, 13e, or 14 . . . . .	}	<b>c</b> Beneficiary . . . . .	Schedule K-1 (Form 1041), line 13 . . . . .	}	<b>d</b> Patron . . . . .	Written statement from cooperative . . . . .	}		
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<b>4</b>	<b>Total current year jobs credit.</b> Add lines 2 and 3. (S corporations, partnerships, estates, trusts, and cooperatives, see instructions.) . . . . .	<b>4</b>																

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

<b>5a</b>	Individuals. Enter amount from Form 1040, line 40 . . . . .	<b>5</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>6</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>6a</b>		
<b>b</b>	Credit for the elderly or the disabled (Schedule R (Form 1040), line 21) . . . . .	<b>6b</b>		
<b>c</b>	Mortgage interest credit (Form 8396, line 11) . . . . .	<b>6c</b>		
<b>d</b>	Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12) . . . . .	<b>6d</b>		
<b>e</b>	Possessions tax credit (Form 5735) . . . . .	<b>6e</b>		
<b>f</b>	Orphan drug credit (Form 6765, line 10) . . . . .	<b>6f</b>		
<b>g</b>	Credit for fuel from a nonconventional source . . . . .	<b>6g</b>		
<b>h</b>	Qualified electric vehicle credit (Form 8834, line 19) . . . . .	<b>6h</b>		
<b>i</b>	Add lines 6a through 6h . . . . .	<b>6i</b>		
<b>7</b>	Net regular tax. Subtract line 6i from line 5 . . . . .	<b>7</b>		
<b>8</b>	Tentative minimum tax (see instructions):			
<b>a</b>	Individuals. Enter amount from Form 6251, line 26 . . . . .	<b>8</b>		
<b>b</b>	Corporations. Enter amount from Form 4626, line 13 . . . . .			
<b>c</b>	Estates and trusts. Enter amount from Form 1041, Schedule H, line 37 . . . . .			
<b>9</b>	Net income tax:			
<b>a</b>	Individuals. Add line 7 above and line 28 of Form 6251 . . . . .	<b>9</b>		
<b>b</b>	Corporations. Add line 7 above and line 15 of Form 4626 . . . . .			
<b>c</b>	Estates and trusts. Add line 7 above and line 39 of Form 1041, Schedule H . . . . .			
<b>10</b>	If line 7 is more than \$25,000, enter 25% (.25) of the excess (see instructions) . . . . .	<b>10</b>		
<b>11</b>	Subtract line 8 or line 10, whichever is greater, from line 9. If less than zero, enter -0- . . . . .	<b>11</b>		
<b>12</b>	<b>Jobs credit allowed for the current year.</b> Enter the <b>smaller</b> of line 4 or line 11. This is your <b>General Business Credit</b> for 1994. Enter here and on Form 1040, line 44; Form 1120, Schedule J, line 4e; Form 1120-A, Part I, line 2a; or the appropriate line of other income tax returns . . . . .	<b>12</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** . . . . . 4 hr., 4 min.
- Learning about the law or the form** . . . . . 35 min.
- Preparing and sending the form to the IRS** . . . . . 41 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 both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

### Items To Note

- The targeted jobs credit expired for employees who begin work for you after December 31, 1994. If the credit is extended for employees hired after 1994, the IRS will use the media to inform you.

- Two new wage-based credits effective for wages paid after 1993 were added to the general business credit. Wages used on Form 5884 cannot be used to figure the new credits. See **Form 8845**, Indian Employment Credit, and **Form 8844**, Empowerment Zone Employment Credit, for details.

### General Instructions

Section references are to the Internal Revenue Code.

### Purpose of Form

Use Form 5884 if you had targeted group employees and claim the jobs credit for wages you paid or accrued for them during the tax year.

Mutual savings institutions, regulated investment companies, and real estate investment trusts can take a limited credit. See section 52(e) and the related regulations.

You can claim or elect not to claim the jobs 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 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 and Medicare taxes 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 \$6,000 in wages subject to RUIA tax paid or accrued for that person during the year.

3. Wages for *youths in a cooperative education program* are not subject to FUTA, but you can 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:

- Vocational rehabilitation referrals.
- Economically disadvantaged youth.
- Economically disadvantaged Vietnam-era veterans.
- Supplemental Security Income (SSI) recipients.
- General assistance recipients.
- Youth in a cooperative education program, who belong to an economically disadvantaged family.
- Economically disadvantaged ex-convicts.
- Eligible aid to families with dependent children (AFDC) recipients.
- Qualified summer youth employees, age 16 or 17, who work for you between May 1 and September 15.

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) for other restrictions);
5. The employee cannot be your rehired employee if he or she was not a targeted group member when employed earlier;
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 service (20 hours for a summer youth employee); and

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

To claim a tax credit, the employer must request and be issued a certification from the State Employment Security Agency (Job Service). The certification proves that the employee is in an eligible targeted group, and that a timely request for certification was made. A certification must be requested on or before the date the individual begins work (or within 5 days if the employee presents a voucher showing that eligibility has been determined). The employer must certify that a good-faith effort was made to determine whether an employee (not vouchered) is an eligible targeted group member.

**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

**Note:** If you only have a jobs 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 to qualified employees who begin work for you before January 1, 1995. The wages are limited to \$6,000 of first-year wages paid. The wages for qualified summer youth employees are limited to \$3,000. If you paid first-year wages to a qualified employee last year, subtract those wages from the \$6,000 limit.

For example, if a jobs credit employee began working in your business on May 1, 1993, and you are a calendar year taxpayer, you would have figured your 1993 jobs credit based on the first-year wages you paid between May 1 and December 31, 1993. You would figure your 1994 credit on the rest of the first-year wages you paid between January 1 and April 30, 1994.

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 service.

**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 and 4, and 5 through 12 (or Form 3800, if required) on its separate form. Each group 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 subtract your current year jobs credit on line 2 from the deduction on your return for salaries and wages you paid or accrued for 1994. This is

required even if you cannot take the full credit this year and must carry part of it back or forward. The following exceptions to this rule are:

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

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

If either of the above exceptions applies, attach a statement explaining why the line 2 amount differs from the amount by which you reduce your salary and wage 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 jobs 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 jobs 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 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.

## 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 jobs 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, jobs, 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, and contributions to certain community development corporations.

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

**Line 12.**—If you cannot use part of the credit because of the tax liability limitations (line 12 is smaller than line 4), carry it back 3 years, then forward 15 years. See the separate Instructions for Form 3800 for details.