

Work Opportunity Credit

Department of the Treasury
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Part I Current Year Credit

1	Enter on the applicable line below the total qualified first- or second-year wages paid or incurred during the tax year, and multiply by the percentage shown, for services of employees who are certified (if required) as members of a targeted group.		
a	Qualified first-year wages of employees who worked for you at least 120 hours but fewer than 400 hours \$ × 25% (.25)	1a	
b	Qualified first-year wages of employees who worked for you at least 400 hours \$ × 40% (.40)	1b	
c	Qualified second-year wages of employees certified as long-term family assistance recipients \$ × 50% (.50)	1c	
2	Add lines 1a, 1b, and 1c. See instructions for the adjustment you must make for salaries and wages.	2	
3	Work opportunity credit from partnerships, S corporations, cooperatives, estates, and trusts.	3	
4	Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 5	4	
5	Work opportunity credit included on line 4 from passive activities (see instructions)	5	
6	Subtract line 5 from line 4	6	
7	Work opportunity credit allowed for 2007 from a passive activity (see instructions)	7	
8	Carryforward from 2006 of the New York Liberty Zone business employee credit and carryback from 2008 of the work opportunity credit (see instructions)	8	
9	Add lines 6 through 8. Cooperatives, estates, and trusts, continue on to line 10. All others, use this amount to complete Part II	9	
10	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)	10	
11	Cooperatives, estates, and trusts, subtract line 10 from line 9. Use this amount to complete Part II	11	

Part II Allowable Credit

12	Regular tax before credits (see instructions)	12	
13	Alternative minimum tax (see instructions)	13	
14	Add lines 12 and 13	14	
15a	Credits from Form 1040, lines 47 through 50 and 52 through 54 (or Form 1040NR, lines 44, 45, and 47 through 49)	15a	
b	Foreign tax credit	15b	
c	Credits from Forms 5735 and 8834	15c	
d	Non-business alternative motor vehicle credit (Form 8910, line 18)	15d	
e	Non-business alternative fuel vehicle refueling property credit (Form 8911, line 19)	15e	
f	Add lines 15a through 15e	15f	
16	Net income tax. Subtract line 15f from line 14. If zero, skip lines 17 through 20 and enter -0- on line 21	16	
17	Net regular tax. Subtract line 15f from line 12. If zero or less, enter -0-	17	
18	Enter 25% (.25) of the excess, if any, of line 17 over \$25,000 (see instructions)	18	
19	Subtract line 18 from line 16. If zero or less, enter -0-	19	
20a	General business credit (Form 3800, line 19)	20a	
b	Empowerment zone and renewal community employment credit (Form 8844, line 26)	20b	
c	Add lines 20a and 20b	20c	
21	Subtract line 20c from line 19. If zero or less, enter -0-	21	
22	Credit allowed for the current year. Cooperatives, estates, and trusts. Enter the smaller of line 11 or 21. Report this amount on Form 1120-C, Schedule J, line 5c; or Form 1041, Schedule G, line 2c. If line 21 is smaller than line 11, see instructions. All others. Enter the smaller of line 9 or 21. Report this amount on Form 1040, line 55; Form 1040NR, line 50; Form 1120, Schedule J, line 5c; or the applicable line of your return. If line 21 is smaller than line 9, see instructions	22	

See insert.

General Instructions

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

What's New

~~The Small Business and Work Opportunity Tax Act of 2007 made the following changes:~~

~~• The work opportunity credit is extended to cover individuals who begin work for you before September 1, 2011.~~

~~• For individuals who begin work for you after May 25, 2007, the qualified veterans group is expanded to include veterans entitled to compensation for a service-connected disability and who, during the one-year period ending on the hiring date, were (a) discharged or released from active duty in the U.S. Armed Forces or (b) unemployed for a period or periods totaling at least 6 months. The first-year wages taken into account for these disabled veterans is \$12,000.~~

~~For individuals who began work for you after May 25, 2007, the high-risk youth group is renamed "designated community residents" and expanded to include individuals who are at least age 18 but not yet age 40. In addition, residents of rural renewal counties are added to this group.~~

~~• Line 1c is added to the form for qualified second-year wages of employees certified as long-term family assistance recipients hired after December 31, 2006.~~

Purpose of Form

Use Form 5884 to claim the work opportunity credit for qualified first- or second-year wages you paid to or incurred for targeted group employees during the tax year. Your business does not have to be located in an empowerment zone, renewal community, 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.

How To Claim the Credit

Generally, you 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. You must 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.

If you complete Form 8850, it must be signed by you and the individual and submitted to the SESA by the 28th calendar day after the individual begins work. 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 do not qualify for the credit.

Hurricane Katrina employee. A Hurricane Katrina employee is an employee who had a main home in the core disaster area on August 28, 2005, and, within a two-year period beginning on that date, was hired for a job whose principal place of employment is in the core disaster area. The certification requirements described above do not apply to Hurricane Katrina employees. Instead, the worker must show the employer reasonable evidence that the worker is a Hurricane Katrina employee. An employer may use Form 8850 to accept reasonable evidence that the worker is a Hurricane Katrina employee. If the employer discovers that the worker is not a Hurricane Katrina employee, wages paid or incurred after the date of discovery will not qualify for the credit.

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

- Hurricane Katrina employee,
- Long-term family assistance recipient hired after December 31, 2006 (if hired before January 1, 2007, see Form 8861, Welfare-to-Work Credit).
- Qualified recipient of Temporary Assistance for Needy Families (TANF),
- Qualified veteran,
- Qualified ex-felon,
- Designated community resident,
- Vocational rehabilitation referral,
- Summer youth employee,
- Food stamp recipient, or
- SSI recipient.

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

Qualified Wages

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). 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 did not work for you for at least 120 hours,
- The employee worked for you previously, unless the employee is a Hurricane Katrina employee who was not in your employment on August 28, 2005, and this is your first hire of the employee after that date,
- 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 or renewal community;
- Wages paid to or incurred for a designated community resident for services performed while the employee lived outside an empowerment zone, renewal community, 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, compute your credit based on your proportionate share of qualified wages giving rise to the group's work

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Insert as marked on page 2.

The Small Business and Work Opportunity Tax Act of 2007 extended the work opportunity credit to cover employees who begin work for the employer before September 1, 2011. The Act also made the following additional changes.

- For individuals who begin work for the employer after May 25, 2007, the Act expanded the definition of a targeted employee. For details, see the June 2007 revision of the Instructions for Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit.
- For tax years beginning after December 31, 2006, the credit is no longer limited by the alternative minimum tax rules so Form 5884 is no longer filed with Form 3800, General Business Credit. This means lines 5 through 8 are now made to accommodate the passive activity rules and the carryback of any unused credit allowed that previously would have been reported on Form 3800. Also, this means any carryforward of the credit from tax years beginning before 2007 cannot be shown on the Form 5884 currently. Such carryforwards must be shown on Form 3800.

Because of these changes, Form 5884 will now be used to report carryforwards of the New York Liberty Zone business employee credit. These carryforwards were previously reported on Form 8835, Renewable Electricity, Refined Coal, and Indian Coal Production Credit.

The Tax Relief and Health Care Act of 2006 added certified long-term family assistance recipients who begin work for you after December 31, 2006, to the list of targeted groups. Line 1c is added to Form 5884 because certain qualified second-year wages paid to or incurred for these individuals are used to figure the credit.

New
paragraph

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.

Activity Credit Limitations (for individuals, estates, and trusts), or Form 8810, Corporate Passive Activity Losses and Credit Limitations (for corporations).

Line should be thicker like PRAN line below.

Specific Instructions

Part I. 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 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 or incurred to 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 any employee certified as a qualified veteran entitled to compensation for a service-connected disability and who, during the 1-year period ending on the hiring date, was either (a) discharged or released from active duty in the U.S. Armed Forces, or (b) unemployed for a period or periods totaling at least 6 months, is limited to \$12,000. 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 (if required) 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 cannot 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 the amount of credit that was allocated to you as a partner, shareholder, patron of a cooperative, or beneficiary.

Line 5

Enter the amount included on line 4 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive

Line 7

Enter the passive activity work opportunity credit allowed for 2007 from Form 8582-CR or Form 8810.

Line 8

Use line 8 to show any carryforward from 2006 of the New York Liberty Zone business employee credit or any carryback if you amend your 2007 return to carry back an unused work opportunity credit from 2008. Report any carryforward from 2006 of the work opportunity credit on the Form 3800 carryforward line.

Line 10

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.

Estates and trusts. Allocate the work opportunity credit on line 9 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries share on line 10.

Part II. Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit.

Line 12

Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals: Form 1040, line 44; Form 1040NR, line 41.
- Corporations: Form 1120, Schedule J, line 2; or the applicable line of your return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b; or the amount from the applicable line of your return.

Line 13

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

Line 18

See section 38(c)(5) 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 22

If you cannot use all of the credit because of the tax liability limit, carry the unused credit back 1 year then forward up to 20 years. When carrying back the credit from 2007 to 2006, use the 2006 Form 6478, Credit for Alcohol Used as Fuel, line 10, and enter "W" to the left of the entry space.

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.

Recordkeeping	X hr., XX min.
Learning about the law or the form	XX min.
Preparing and sending the form to the IRS	XX 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.

Draft of 08/09/2007