

Form **8846**
 Department of the Treasury
 Internal Revenue Service

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

OMB No. 1545-1414
2008
 Attachment Sequence No. **98**

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Note. Claim this credit **only** for social security and Medicare taxes paid by a food or beverage establishment where tipping is customary for providing food or beverages. See the instructions for line 1.

1	Tips received by employees for services on which you paid or incurred employer social security and Medicare taxes during the tax year (see instructions)	1	
2	Tips not subject to the credit provisions (see instructions)	2	
3	Creditable tips. Subtract line 2 from line 1	3	
4	Multiply line 3 by 7.65% (.0765). If you had any tipped employees whose wages (including tips) exceeded \$102,000 , see instructions and check here ▶ <input type="checkbox"/>	4	
5	Credit for employer social security and Medicare taxes paid on certain employee tips from partnerships and S corporations	5	
6	Add lines 4 and 5. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 7	6	
7	Credit for employer social security and Medicare taxes paid on certain employee tips included on line 6 from passive activities (see instructions)	7	
8	Subtract line 7 from line 6	8	
9	Credit for employer social security and Medicare taxes paid on certain employee tips allowed for 2008 from passive activities (see instructions)	9	
10	Carryforward of the credit for employer social security and Medicare taxes paid on certain employee tips that originated in a tax year that began after 2006 (see instructions)	10	
11	Carryback of the credit for employer social security and Medicare taxes paid on certain employee tips from 2009 (see instructions)	11	
12	Add lines 8 through 11. Report this amount on Form 3800, line 29f	12	

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Certain food and beverage establishments (see *Who Should File* below) use Form 8846 to claim a credit for social security and Medicare taxes paid or incurred by the employer on certain employees' tips. The credit is part of the general business 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

File Form 8846 if you meet both of the following conditions.

1. You had employees who received tips from customers for providing, delivering, or serving food or beverages for consumption if tipping of employees for delivering or serving food or beverages is customary.

2. During the tax year, you paid or incurred employer social security and Medicare taxes on those tips.

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 by the employee. However, the amount of tips for any month that are used to figure the credit must be reduced by the amount by which the wages that would have been payable during that month at \$5.15 an hour exceed the wages (excluding tips) paid by the employer during that month.

For example, an employee worked 100 hours and received \$450 in tips for **October 2008**. The worker received \$375 in wages (excluding tips) at the rate of \$3.75 an hour. If the employee had been paid \$5.15 an hour, the employee would have received wages, excluding tips, of \$515. For credit purposes, the \$450 in tips is reduced by \$140 (the difference between \$515 and \$375), and only \$310 of the employee's tips for October **2008** is taken into account.

Specific Instructions

~~Part I. Current Year Credit~~

Figure the current year credit from your trade or business on lines 1 through 4.

Line 1

Enter the tips received by employees for services on which you paid or incurred employer social security and Medicare taxes during the tax year.

Include tips received from customers for providing, delivering, or serving food or beverages for consumption if tipping of employees for delivering or serving food or beverages is customary.

Line 2

If you pay each tipped employee wages (excluding tips) equal to or more than \$5.15 an hour 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 \$5.15 an hour 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 2008 social security tax wage base of \$102,000 subject to the 6.2% 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%. 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.

Reduce the income tax deduction for employer social security and Medicare taxes by the amount on line 4.

Line 7

Enter the amount included on line 6 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 Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

Line 9

Enter the passive activity credit allowed for the 2008 credit for employer social security and Medicare taxes paid on certain employee tips from Form 8582-CR or Form 8810.

Line 10

Use line 10 to show any carryforward of the credit for employer social security and Medicare taxes paid on certain employee tips from 2007. For carryforwards of the credit from years prior to 2007, show such carryforwards on line 6 of Form 3800.

Line 11

Use line 11 to show any carryback if you amend your 2008 return to carry back an unused credit from 2009.

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 13

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 14

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: Schedule I (Form 1041), line 56.

Line 19

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 23

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.

Line 16a

Enter the total amount claimed on the following lines of Form 1040 or 1040NR.

Personal Credits	2008 Form 1040, line:	2008 Form 1040NR, line:
Credit for child and dependent care expenses	47	44
Credit for the elderly or the disabled	48	N/A
Education credits	49	N/A
Child tax credit	51	46
Retirement savings contributions credit	52	47
Mortgage interest credit	53	48
Residential energy efficient property credit	53	48
Credit for qualified adoption expenses	53	48
Credit from Form 8859, District of Columbia first-time homebuyer credit	54	49