

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

Department of the Treasury
Internal Revenue Service

▶ **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 \$106,800 or were exempt from social security taxes, 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 2010 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 2011 (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 2010. 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 2010 is taken into account.

Specific Instructions

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 2010 social security tax wage base of \$106,800 subject to the 6.2% rate or were exempt from social security taxes because you applied the Hiring Incentives to Restore Employment (HIRE) Act payroll tax exemption, 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. For more information on the HIRE Act payroll tax exemption, visit the IRS website at IRS.gov and enter the keyword *HIRE Act*.

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 2010 credit for employer social security and Medicare taxes paid on certain employee tips from Form 8582-CR or Form 8810 that is properly taken into account for periods after 2006. Enter on line 5 of Form 3800 the credit for employer social security and Medicare taxes paid on certain employee tips from passive activities allowable for 2010 that is attributable to the credit properly taken into account for periods prior to 2007.

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 2009. 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 2010 return to carry back an unused credit from 2011.

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 . . . 3 hr., 35 min.

Learning about the law or the form 6 min.

Preparing and sending the form to the IRS 9 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.