

# **Form 5884-C Draft Instructions Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans**

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1/9/2012

## **General Instructions**

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

### **What's New**

The IRS has created a page on IRS.gov for information about Form 5884-C at [www.irs.gov/form5884c](http://www.irs.gov/form5884c). Information about any future developments affecting Form 5884-C (such as legislation enacted after we release it) will be posted on that page.

### **Purpose of Form**

Qualified tax-exempt organizations (defined below) use Form 5884-C to claim the work opportunity credit for qualified first-year wages paid to qualified veterans hired after November 21, 2011, and before January 1, 2013. The maximum credit is a percentage of qualified first-year wages paid to a qualified veteran and may be as high as \$6,240 for each qualified veteran the organization hires. The credit is claimed against the employer portion of social security and Medicare taxes paid on wages paid to all employees during the 1-year period beginning with the day a qualified veteran begins working for the organization. The qualified veteran must be performing services in activities related to the purpose or function constituting the basis of the organization's exemption under section 501.

The organization will file Form 5884-C after it has filed an employment tax return for an employment tax period during which it paid qualified first-year wages to a qualified veteran. The organization will file a separate Form 5884-C for each subsequent employment tax period during which qualified first-year wages are paid to a qualified veteran. Form 5884-C figures the cumulative work opportunity credit the organization is entitled to and reduces it by credits claimed on any previously filed Forms 5884-C. The organization should only file one Form 5884-C per employment tax period.

The credit claimed on Form 5884-C will not affect the tax liability reported on the organization's employment tax returns. Accordingly, the organization should not reduce its required deposits in anticipation of any credit. Instead, the organization will receive a refund of any credit claimed on Form 5884-C. This form is filed separately from any other returns.

### **Qualified Tax-Exempt Organization**

A qualified tax exempt organization is an organization described in section 501(c) and exempt from tax under section 501(a). An agency or instrumentality of the federal government, or of a state, local, or Indian tribal government, is not a qualified tax-exempt organization unless it is an organization described in section 501(c) and exempt from tax under section 501(a).

## **Qualified Veteran**

A qualified veteran is a veteran who is any of the following.

- A member of a family receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) (food stamps) for at least a 3-month period during the 15-month period ending on the hiring date.
- 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.
- 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.
- 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.
- 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.

To be considered a veteran, the individual must:

- Have served on active duty (not including training) in the U.S. Armed Forces for more than 180 days or have been discharged or released from active duty for a service-connected disability, and
- Not have a period of active duty (not including training) of more than 90 days that ended during the 60-day period ending on the hiring date.

## **Certification Requirement**

The organization 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 qualified veteran. The organization 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 it offers the individual a job.

If the organization completes Form 8850, it must be signed by an officer of the organization and the individual and submitted to the SESA by the 28<sup>th</sup> calendar day after the individual begins work (by June 22, 2012, for individuals hired after November 21, 2011, and before May 22, 2012). If the SESA denies the request, it will provide a written explanation of the reason for denial. If the certification is

revoked because it was based on false information provided by the worker, wages paid or incurred after the date the organization receives the notice of revocation do not qualify for the credit.

## Qualified First-Year Wages

Wages qualifying for the credit generally have the same meaning as wages subject to social security and Medicare taxes. Qualified first-year wages for any employee must be reduced by the amount of any work supplementation payments the organization received under the Social Security Act for the employee.

Qualified first-year wages **do not** include any wages that exceed the following amounts.

- **\$6,000** for a qualified veteran certified as being either **(a)** a member of a family receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) (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.

Qualified first-year wages also **do not** include any wages paid to a qualified veteran:

- For services in activities not related to the purpose or function constituting the basis of the organization's exemption under section 501,
- Who did not work for the organization at least 120 hours, or
- Who worked for the organization previously.

## When To File

File Form 5884-C after the organization files an employment tax return for an employment tax period during which it paid qualified first-year wages to a qualified veteran. File a separate Form 5884-C for each subsequent employment tax period during which qualified first-year wages are paid to a qualified veteran. Do not file more than one Form 5884-C per employment tax period.

## Where To File

File Form 5884-C separately from any other returns. Send it to:

Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201

## More Information

For more information about this credit, see the following.

- Section 3111(e).
  - Notice 2012-xx, 2012-x I.R.B. xxx, available at [www.irs.gov/irb/2012-x\\_IRB/arxx.html](http://www.irs.gov/irb/2012-x_IRB/arxx.html).
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## Specific Instructions

### Name and Address

The name and address on Form 5884-C should be the same as the name and address shown on Forms 990.

Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

### Line 1

Enter "Yes" if the organization is a qualified tax-exempt organization (defined earlier).

### Line 3

As discussed earlier under *Purpose of Form*, the organization will file Form 5884-C after it has filed an employment tax return for an employment tax period during which it paid qualified first-year wages to a qualified veteran. Check the box(es) on line 3 to indicate the year (and quarter if applicable) of the earliest employment tax period for which the organization is entitled to a credit and has not previously filed Form 5884-C.

## Line 4

Enter on line 4a and multiply by the percentage shown on line 4b the total qualified first-year wages (defined earlier) the organization paid during the employment tax period indicated on line 3 to qualified veterans hired after November 21, 2011, and before January 1, 2013, who worked for the organization at least 400 hours (as of the date Form 5884-C is filed).

## Line 5

Enter on line 5a and multiply by the percentage shown on line 5b the total qualified first-year wages (defined earlier) the organization paid during the employment tax period indicated on line 3 to qualified veterans hired after November 21, 2011, and before January 1, 2013, who worked for the organization at least 120 hours but fewer than 400 hours (as of the date Form 5884-C is filed).

## Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) authorized to sign. Receivers, trustees, or assignees must also sign and date any return filed on behalf of the organization.

## Paid Preparer

A paid tax return preparer who files Form 5884-C for the organization must sign the form and fill in the identifying information at the bottom of the form. The tax preparer must give the organization a copy of the completed Form 5884-C for its records.

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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 taxpayers who file this form is shown below.

**Recordkeeping** ..... x hr., xx min.

**Learning about the law or the form** ..... x hr., xx min.

**Preparing and sending the form to the IRS** .. x hr., 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. You can write to the Internal Revenue Service, Tax Products Coordination Committee, SE:W:CAR:MP:T:M:S, 1111 Constitution Ave. NW., IR-6526, Washington, DC 20224. Do not sent Form 5884-C to this address. Instead, see *Where To File*, earlier.