

# Credit for Employer Differential Wage Payments

▶ **Attach to your tax return.**

▶ **Go to [www.irs.gov/Form8932](http://www.irs.gov/Form8932) for the latest information.**

		Identifying number
<b>1</b>	Eligible differential wage payments paid during the tax year (see instructions) . . . . .	<b>1</b>
<b>2</b>	Multiply line 1 by 20% (0.20). See instructions for the adjustment you must make to your deduction for salaries and wages . . . . .	<b>2</b>
<b>3</b>	Credit for employer differential wage payments from partnerships, S corporations, cooperatives, estates, and trusts (see instructions) . . . . .	<b>3</b>
<b>4</b>	Add lines 2 and 3. Cooperatives, estates, and trusts, go to line 5. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 1w . . . . .	<b>4</b>
<b>5</b>	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions) . . . . .	<b>5</b>
<b>6</b>	Cooperatives, estates, and trusts, subtract line 5 from line 4. Report this amount on Form 3800, Part III, line 1w . . . . .	<b>6</b>

## General Instructions

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

### Future Developments

For the latest information about developments related to Form 8932 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/Form8932](http://www.irs.gov/Form8932).

### Which Revision To Use

Use this December 2021 revision of Form 8932 for tax years beginning in 2021 or later, until a later revision is issued. Use prior revisions of this form for earlier tax years. All revisions are available at [www.irs.gov/Form8932](http://www.irs.gov/Form8932).

### What's New

**Differential wage payments.** Differential wage payments don't include:

- Wage payments made after December 31, 2020, and before July 1, 2021, if you use the same wage payments to claim the employee retention credit on an employment tax return such as Form 941, Employer's QUARTERLY Federal Tax Return;
- Wage payments made after March 31, 2021, and before October 1, 2021, if you use the same wage payments to claim the credit for qualified sick and family leave wages on an employment tax return such as Form 941; and
- Wage payments made generally after December 27, 2019, and before April 17, 2021, if you use the same wage payments to claim the 2020 qualified disaster employee retention credit on Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters.

**Employee retention credit.** Wages paid after June 30, 2021, and before January 1, 2022, and used to figure the credit for employer differential wage payments can't also be used to figure a coronavirus-related employee retention credit.

### Purpose of Form

Use Form 8932 to claim the credit for eligible differential wage payments made to qualified employees after 2008. The credit is 20% of up to \$20,000 of differential wage payments paid to each qualified employee during the tax year.

The credit for employer differential wage payments is part of the general business credit.

Partnerships, S corporations, cooperatives, estates, and trusts must file this form to claim the credit. All other taxpayers are not required to complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate, or trust. Instead, they can report this credit directly on Form 3800, General Business Credit.

For details, see section 45P and Notice 2010-15, 2010-6 I.R.B. 390, available at [www.irs.gov/irb/2010-06\\_IRB#NOT-2010-15](http://www.irs.gov/irb/2010-06_IRB#NOT-2010-15).

## Definitions

### Eligible Differential Wage Payments

Eligible differential wage payments are the total differential wage payments paid to the employee for the tax year, up to \$20,000.

### Qualified Employee

A qualified employee is a person who has been an employee for the 91-day period immediately preceding the period for which any differential wage payment is made.

### Differential Wage Payment

To be considered a differential wage payment, the payment must meet both of the following requirements.

- The payment is made to a qualified employee for any period during which the employee is performing service in the uniformed services of the United States while on active duty for a period of more than 30 days.
- The payment represents all or a portion of the wages the employee would have received from the employer if the employee were performing services for the employer.



*Differential wage payments don't include certain wage payments discussed under What's New.*

### Controlled Groups

All persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 are treated as a single employer.

**Uniformed Services**

Uniformed services means the Armed Forces; the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty; the commissioned corps of the Public Health Service; and any other category of persons designated by the President in time of war or national emergency.

**Coordination With Other Credits**

The amount of any research credit or orphan drug credit otherwise allowable for compensation paid to any employee is reduced by the credit for differential wage payments figured for that employee.

**Disallowance for Failure To Comply With Employment or Reemployment Rights of Members of the Reserve Components of the Armed Forces of the United States**

No credit will be allowed to a taxpayer for:

- Any tax year in which the taxpayer is under a final order, judgment, or other process issued or required by a district court of the United States under section 4323 of title 38 of the United States Code with respect to a violation of chapter 43 of title 38; and
- The 2 succeeding tax years.

**Specific Instructions**

**Line 1**

Enter the total amount of eligible differential wage payments made to qualified employees during the tax year. Do not include more than \$20,000 of payments for any employee.

**Line 2**

Generally, you must reduce your deduction for salaries and wages by the amount on line 2, even if you cannot take the full credit this year because of the tax liability limit. 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 total credits for employer differential wage payments from:

- Schedule K-1 (Form 1065), Partner’s Share of Income, Deductions, Credits, etc., box 15 (code P);
- Schedule K-1 (Form 1120-S), Shareholder’s Share of Income, Deductions, Credits, etc., box 13 (code P);
- Schedule K-1 (Form 1041), Beneficiary’s Share of Income, Deductions, Credits, etc., box 13 (code Q); or
- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 12, or other notice of credit allocation.

Partnerships, S corporations, cooperatives, estates, and trusts report the above credits on line 3. All other filers figuring a separate credit on earlier lines also report the above credits on line 3. All others not using earlier lines to figure a separate credit can report the above credits directly on Form 3800, Part III, line 1w.

**Line 5**

**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 credit.

If the cooperative is subject to the passive activity rules, include on line 3 any Form 8932 credit from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed credit that must be allocated to patrons. For details, see the Instructions for Form 8810.

**Estates and trusts.** Allocate the credit for employer differential wage payments on line 4 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries’ share on line 5.

If the estate or trust is subject to the passive activity rules, include on line 3 any Form 8932 credit from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

**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 and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping** . . . . . 1 hr., 54 min.

**Learning about the law or the form** . . . . . 30 min.

**Preparing and sending the form to the IRS** . . . . . 33 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.