# Instructions for Form 8844

(Rev. December 2021)

Department of the Treasury
**Internal Revenue Service**

For use with Form 8844 (Rev. March 2020)

**Empowerment Zone Employment Credit**

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

## Future Developments

For the latest information about developments related to Form 8844 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form8844*.

## What's New

**Credit extension.** The credit is extended to December 31, 2025. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 permitted the empowerment zone designations to be extended through 2025. On May 26, 2021, all empowerment zone designations were extended from December 31, 2020, to December 31, 2025, in accordance with the automatic procedure in *Rev. Proc. 2021-18* for a state or local government in which an empowerment zone is located to extend the empowerment zone designation.

**Coronavirus-related employee retention credit.** You may claim an employee retention credit on an employment tax return such as Form 941, Employer's QUARTERLY Federal Tax Return. Certain wages used to figure these employment credits can't also be used to figure a credit on Form 8844. For more information, see *Wages*, later.

**Disaster-related employee retention credit.** You may claim a 2020 qualified disaster retention credit on a Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters. Certain wages used to figure that disaster-related employee retention credit can't also be used to figure a credit on Form 8844. See *Wages*, later.

# General Instructions

## Purpose of Form

Use Form 8844 (Rev. March 2020) to claim the empowerment zone employment credit. For the tax year, the credit is 20% of the employer's qualified zone wages (up to $15,000) paid or incurred during the calendar year for services performed by an employee while the employee is a qualified zone employee.

Partnerships and S corporations must file this form to claim the credit. All others are generally not required to complete or file this form if their only source for this credit is a partnership, S corporation, estate, trust, or cooperative. Instead, they can report this credit directly on Form 3800, General Business Credit. The following exceptions apply.

- You are an estate or trust and the source credit can be allocated to beneficiaries. For more details, see the instructions for Form 1041, Schedule K-1, box 13, code K.
- You are a cooperative and the source credit can or must be allocated to patrons. For more details, see the instructions for Form 1120-C, Schedule J, line 5c.

## Which Revision To Use

Use the March 2020 revision of Form 8844 for tax years beginning in 2021 or later, until a later revision is issued. Use this December 2021 revision of the instructions for tax years beginning in 2021 or later, until a later revision is issued. Use prior revisions of the form and instructions for earlier tax years. All revisions are available at *IRS.gov/Form8844*.

## Empowerment Zones

**Urban areas.** Parts of the following urban areas were empowerment zones.

- Pulaski County, AR
- Tucson, AZ
- Fresno, CA
- Los Angeles, CA (city and county)
- Santa Ana, CA
- New Haven, CT
- Jacksonville, FL
- Miami/Dade County, FL
- Chicago, IL
- Gary/Hammond/East Chicago, IN
- Boston, MA
- Baltimore, MD
- Detroit, MI
- Minneapolis, MN
- St. Louis, MO/East St. Louis, IL
- Cumberland County, NJ
- New York, NY
- Syracuse, NY
- Yonkers, NY
- Cincinnati, OH
- Cleveland, OH
- Columbus, OH
- Oklahoma City, OK
- Philadelphia, PA/Camden, NJ
- Columbia/Sumter, SC
- Knoxville, TN
- El Paso, TX
- San Antonio, TX
- Norfolk/Portsmouth, VA
- Huntington, WV/Ironton, OH

**Note.** The treatment of parts of Washington, DC as an empowerment zone ended at the end of 2011.

**Rural areas.** Part of the following rural areas were empowerment zones.

- Desert Communities, CA (part of Riverside County)
- Southwest Georgia United, GA (part of Crisp County and all of Dooly County)
- Southernmost Illinois Delta, IL (parts of Alexander and Johnson Counties and all of Pulaski County)
- Kentucky Highlands, KY (part of Wayne County and all of Clinton and Jackson Counties)
- Aroostook County, ME (part of Aroostook County)
- Mid-Delta, MS (parts of Bolivar, Holmes, Humphreys, Leflore, Sunflower, and Washington Counties)
- Griggs-Steele, ND (part of Griggs County and all of Steele County)
- Oglala Sioux Tribe, SD (parts of Jackson and Bennett Counties and all of Shannon County)
- Middle Rio Grande FUTURO Communities, TX (parts of Dimmit, Maverick, Uvalde, and Zavala Counties)
- Rio Grande Valley, TX (parts of Cameron, Hidalgo, Starr, and Willacy Counties)

**Qualified zone employee.** A qualified zone employee is any employee (full-time or part-time) of the employer who:
- Performs substantially all of the services for that employer within an empowerment zone in the employer's trade or business, and
- Has his or her principal residence within that empowerment zone while performing those services.

See *Qualified Zone Employees* below for a list of persons who are not qualified employees.

## Qualified Zone Employees

Any person may be a qualified employee **except** the following.
- A 5 percent owner: If the employer is a corporation, any person who owns (or is considered to own under section 318) more than 5% of the outstanding or voting stock of the employer or, if not a corporate employer, more than 5% of the capital or profits interest in the employer. See section 416(i)(1)(B) for details.
- Any individual employed by the employer for less than 90 days. For exceptions, see *Early termination of employee*, later.
- Any individual employed by the employer at any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.
- Any individual employed by the employer in a trade or business of which the principal activity is farming (see *Note* below), but only if at the close of the tax year the sum of the following amounts exceeds $500,000.

1. The larger of the unadjusted bases or fair market value of the farm assets owned by the employer.
2. The value of the farm assets leased by the employer.

**Note.** Certain farming activities are described in section 2032A(e)(5)(A) or (B).

No wages shall be taken into account with respect to an individual who
- Bears any of the relationships described in subparagraphs (A) through (G) of section 152(d)(2) to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation, or, if the taxpayer is an entity other than a corporation, to any individual who owns, directly or indirectly, more than 50 percent of the capital and profits interests in the entity (determined with the application of section 267(c))
- If the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in subparagraphs (A) through (G) of section 152(d)(2) to a grantor, beneficiary, or fiduciary of the estate or trust or
- Is a dependent (described in section 152(d)(2)(H)) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

**Early termination of employee.** Generally, an individual is not a qualified zone employee unless employed for at least 90 days. The 90-day requirement does not apply in the following situations.
- The employee is terminated because of misconduct as determined under the applicable state unemployment compensation law.
- The employee becomes disabled before the 90th day. However, if the disability ends before the 90th day, the employer must offer to reemploy the former employee.

An employee is not treated as terminated if the corporate employer is acquired by another corporation under section 381(a) and the employee continues to be employed by the acquiring corporation. Nor is a mere change in the form of conducting the trade or business treated as a termination if the employee continues to be employed in such trade or business and the taxpayer retains a substantial interest therein.

## Wages

Wages are defined in section 51(c) and are generally wages (excluding tips) subject to the Federal Unemployment Tax Act (FUTA), without regard to the FUTA dollar limitation. The following are also treated as wages.
- Amounts paid or incurred by the employer as educational assistance payments excludable from the employee's gross income under section 127. However, this does not apply if the employee has a relationship to the employer described in section 267(b) or 707(b)(1) (substituting "10%" for "50%" in those sections) or the employer and employee are engaged in trades or businesses under common control (within the meaning of sections 52(a) and (b)).
- Amounts paid or incurred by the employer on behalf of an employee under age 19 for a youth training program operated by that employer in conjunction with local education officials.

Qualified empowerment zone wages do not include:
- 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.
- Wages paid to or incurred for any employee after December 31, 2020, and before July 1, 2021, if you use

the same wages to claim the employee retention credit on an employment tax return such as Form 941, Employer's QUARTERLY Federal Tax Return; and

- Wages paid to or incurred for any employee generally after December 27, 2019, and before April 17, 2021, if you use the same wages to claim the 2020 qualified disaster employee retention credit on Form 5884-A, Employee Retention Credit for Employers Affected by Qualified Disasters.

Information about any future disaster credits that affect qualified wages may be posted under "Recent Developments" at *IRS.gov/Form8844*.

# Specific Instructions

## Line 1—Qualified Zone Wages

Enter the total qualified zone wages paid or incurred during the calendar year. The credit must be figured using only the wages that you paid or incurred in the calendar year that ended with or within your tax year. For example, if your tax year began on April 1, 2020, and ended on March 31, 2021, you must figure wages based on the calendar year that began on January 1, 2021, and ended on December 31, 2021. Wages paid after the end of the calendar year may be used only to figure the credit claimed on the following year's tax return.

**Qualified zone wages** are qualified wages paid or incurred by an employer for services performed by an employee while the employee is a qualified zone employee (defined earlier). The maximum wages that may be taken into account for each employee is limited to $15,000. The $15,000 amount for any employee is reduced by the amount of wages paid or incurred during the calendar year on behalf of that employee that are used in figuring the work opportunity credit (Form 5884).

## Line 2

In general, you must reduce your deduction for salaries and wages and certain educational and training costs by the line 2 credit amount. You must make this reduction 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 amount of the credit attributable to these costs.

Members of a controlled group of corporations and businesses under common control are treated as a single employer in determining the credit. The members share the credit in the same proportion that they paid or incurred qualifying zone wages.

## Line 3

Enter total empowerment zone employment credits from:

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

Partnerships and S corporations must report the above credits on line 3. Also, estates and trusts that can allocate the above credits to beneficiaries and cooperatives that can allocate the above credits to patrons must report these credits on line 3. All other filers figuring a separate credit on earlier lines must 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 3.

## 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 entire credit.

If the cooperative is subject to the passive activity rules, include on line 3 any empowerment zone and renewal community employment credits 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 between the cooperative and the patrons. For details, see the Instructions for Form 8810.

**Estates and trusts.** Allocate the empowerment zone employment credit 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 empowerment zone and renewal community employment credits 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.

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| **Recordkeeping** | 4 hr., 4 min. |
| **Learning about the law or the form** | 2 hr., 22 min. |
| **Preparing and sending the form to the IRS** | 2 hr., 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.