

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

Department of the Treasury
Internal Revenue Service

▶ Attach to your return.

2001
Attachment
Sequence No. **98**

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.

Part I Current Year Credit

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	Current year credit (see instructions). Multiply line 3 by 7.65% (.0765). If you have any tipped employee(s) whose wages (including tips) exceeded \$80,400, check here <input type="checkbox"/>		4				
5	Form 8846 credits from pass-through entities		5				
	<table border="1"> <tr> <th>If you are a—</th> <th>Then enter Form 8846 credit(s) from—</th> </tr> <tr> <td>a Shareholder</td> <td>Schedule K-1 (Form 1120S) lines 12d, 12e, or 13</td> </tr> <tr> <td>b Partner</td> <td>Schedule K-1 (Form 1065) lines 12c, 12d, or 13</td> </tr> </table>	If you are a—			Then enter Form 8846 credit(s) from—	a Shareholder	Schedule K-1 (Form 1120S) lines 12d, 12e, or 13
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a Shareholder	Schedule K-1 (Form 1120S) lines 12d, 12e, or 13						
b Partner	Schedule K-1 (Form 1065) lines 12c, 12d, or 13						
6	Total current year credit. Add lines 4 and 5		6				

Part II Tax Liability Limit (See Who Must File Form 3800 to find out if you complete Part II or file Form 3800.)

7	Regular tax before credits:			
	<ul style="list-style-type: none"> Individuals. Enter the amount from Form 1040, line 40 Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return 		7	
8	Alternative minimum tax:			
	<ul style="list-style-type: none"> Individuals. Enter the amount from Form 6251, line 28 Corporations. Enter the amount from Form 4626, line 15 Estates and trusts. Enter the amount from Form 1041, Schedule I, line 39 		8	
9	Add lines 7 and 8		9	
10a	Foreign tax credit	10a		
	b Credit for child and dependent care expenses (Form 2441, line 9)	10b		
	c Credit for the elderly or the disabled (Schedule R (Form 1040), line 20)	10c		
	d Education credits (Form 8863, line 18)	10d		
	e Rate reduction credit (Form 1040, line 47)	10e		
	f Child tax credit (Form 1040, line 48)	10f		
	g Mortgage interest credit (Form 8396, line 11)	10g		
	h Adoption credit (Form 8839, line 14)	10h		
	i District of Columbia first-time homebuyer credit (Form 8859, line 11)	10i		
	j Possessions tax credit (Form 5735, line 17 or 27)	10j		
	k Credit for fuel from a nonconventional source	10k		
	l Qualified electric vehicle credit (Form 8834, line 20)	10l		
m	Add lines 10a through 10l		10m	
11	Net income tax. Subtract line 10m from line 9. If zero, skip lines 12 through 15 and enter -0- on line 16		11	
12	Tentative minimum tax (see instructions):			
	<ul style="list-style-type: none"> Individuals. Enter the amount from Form 6251, line 26 Corporations. Enter the amount from Form 4626, line 13 Estates and trusts. Enter the amount from Form 1041, Schedule I, line 37 	12		
13	Net regular tax. Subtract line 10m from line 7. If zero or less, enter -0-	13		
14	Enter 25% (.25) of the excess, if any, of line 13 over \$25,000 (see instructions)	14		
15	Enter the greater of line 12 or line 14		15	
16	Subtract line 15 from line 11. If zero or less, enter -0-		16	
17	Credit allowed for the current year. Enter the smaller of line 6 or line 16 here and on Form 1040, line 50; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 4a; Form 1041, Schedule G, line 2c; or the applicable line of your return		17	

General Instructions

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

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 employer social security and Medicare taxes on tips that are used to meet the Federal minimum wage rate applicable to the employee under the Fair Labor Standards Act are **not** used in the computation. The Federal minimum wage rate is \$5.15 per hour as of September 1, 1997.

For example, an employee worked 100 hours and received \$350 in tips for October 2001. The worker received \$375 in wages (excluding tips) at the rate of \$3.75 an hour. Because the Federal minimum wage rate was \$5.15 an hour, the employee would have received wages, excluding tips, of \$515 had the employee been paid at the Federal minimum wage rate. Thus, only \$210 of the employee's tips for October 2001 is taken into account for credit purposes.

Specific Instructions

Figure the current year credit from your trade or business on lines 1 through 4. Skip lines 1 through 4 if you are claiming only a credit that was allocated to you from an S corporation or a partnership.

S Corporations and Partnerships

S corporations and partnerships figure their current year credit on lines 1 through 4, enter any credit from other flow-through entities on line 5, and allocate the credit on line 6 to the shareholders or partners. Attach Form 8846 to Form 1120S or 1065 and show on Schedule K-1 each shareholder's or partner's credit. Electing large partnerships, include this credit in "general credits."

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 the Federal minimum wage rate, 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 the Federal minimum wage rate 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 2001 social security tax wage base of \$80,400 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.

Who Must File Form 3800

Complete **Form 3800**, General Business Credit, instead of completing Part II of Form 8846 to figure the tax liability limit if for this year you have:

- More than one of the credits included in the general business credit listed below,
- A carryback or carryforward of any of the credits,
- A credit from a passive activity, or
- General credits from an electing large partnership (Schedule K-1 (Form 1065-B)).

The general business credit consists of the following credits.

- Investment (Form 3468).
- Work opportunity (Form 5884).
- Welfare-to-work (Form 8861).
- Alcohol used as fuel (Form 6478).
- Research (Form 6765).
- Low-income housing (Form 8586).
- Enhanced oil recovery (Form 8830).
- Disabled access (Form 8826).
- Renewable electricity production (Form 8835).
- Indian employment (Form 8845).
- Employer social security and Medicare taxes paid on certain employee tips (Form 8846).

- Orphan drug (Form 8820).
- New markets (Form 8874).
- Contributions to selected community development corporations (Form 8847).
- Trans-Alaska pipeline liability fund.

The empowerment zone employment credit (Form 8844), while a component of the general business credit, is figured separately on Form 8844 and is never carried to Form 3800.

Line 12

Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete **and** attach the applicable AMT form or schedule and enter the TMT on line 12.

Line 14

See section 38(c)(3) for special rules that apply to married couples filing separate returns, controlled groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 17

If you cannot use all of the credit because of the tax liability limit (line 16 is smaller than line 6), carry the excess credit back 1 year then forward for up to 20 years. See the Instructions for Form 3800 for details.

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 average time is:

Recordkeeping	8 hr., 7 min.
Learning about the law or the form	18 min.
Preparing and sending the form to the IRS	26 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 instructions for the tax return with which this form is filed.

