Form **8846**	**Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips**	OMB No. 1545-1414
Department of the Treasury Internal Revenue Service	► **Attach to your return.**	**1998** 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 $68,400, check here . . . . . ▶ ☐	**4**	

5	Form 8846 credits from flow-through entities	If you are a—	Then enter Form 8846 credit(s) from—		
		a Shareholder	Schedule K-1 (Form 1120S) lines 12d, 12e, or 13 ⎫	. .	**5**
		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: • Individuals. Enter amount from Form 1040, line 40 . . . . • Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1) ⎫ . . • Other filers. Enter regular tax before credits from your return . . . . ⎭	**7**	

8a	Credit for child and dependent care expenses (Form 2441, line 9) .	**8a**		
b	Credit for the elderly or the disabled (Schedule R (Form 1040), line 20)	**8b**		
c	Child tax credit (Form 1040, line 43)	**8c**		
d	Education credits (Form 8863, line 18).	**8d**		
e	Mortgage interest credit (Form 8396, line 11)	**8e**		
f	Adoption credit (Form 8839, line 14)	**8f**		
g	District of Columbia first-time homebuyer credit (Form 8859, line 11) .	**8g**		
h	Foreign tax credit.	**8h**		
i	Possessions tax credit (Form 5735, line 17 or 27)	**8i**		
j	Credit for fuel from a nonconventional source	**8j**		
k	Qualified electric vehicle credit (Form 8834, line 19)	**8k**		

l	Add lines 8a through 8k	**8l**	
9	Net regular tax. Subtract line 8l from line 7	**9**	
10	Alternative minimum tax: • Individuals. Enter amount from Form 6251, line 28 . . . . ⎫ • Corporations. Enter amount from Form 4626, line 15 . . . . ⎬ • Estates and trusts. Enter amount from Form 1041, Schedule I, line 39 . . . ⎭	**10**	
11	Net income tax. Add lines 9 and 10	**11**	

12	Tentative minimum tax (see instructions): • Individuals. Enter amount from Form 6251, line 26 . . . . . ⎫ • Corporations. Enter amount from Form 4626, line 13 . . . . . ⎬ • Estates and trusts. Enter amount from Form 1041, Schedule I, line 37 . . . . ⎭	**12**		
13	If line 9 is more than $25,000, enter 25% (.25) of the excess (see instructions)	**13**		

14	Enter the greater of line 12 or line 13	**14**	
15	Subtract line 14 from line 11. If zero or less, enter -0-	**15**	
16	**Credit allowed for current year.** Enter the **smaller** of line 6 or line 15 here and on Form 1040, line 47; Form 1120, Schedule J, line 4d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return	**16**	

For Paperwork Reduction Act Notice, see back of form.   Cat. No. 16148Z   Form **8846** (1998)

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.

Note: *For services performed **before 1997**, your employees also must have provided the food or beverages for consumption on the premises of a food or beverage establishment.*

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 1998. 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 1998 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.

Note: *For services performed before 1997, include only tips received from customers in connection with providing food or beverages for consumption on the premises of a food or beverage establishment where tipping 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 1998 social security tax wage base of $68,400 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 for the credit 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),

● Contributions to selected community development corporations (Form 8847), and

● 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, enter the TMT that was figured on the appropriate AMT form or schedule.

Line 13. 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 16. If you cannot use all of the credit because of the tax liability limit (line 15 is smaller than line 6), carry the excess credit back 1 year, and then forward for 20 years. See the separate 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 . . . . 7 hr., 25 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.