

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return.**

| Name(s) shown on return   | Identifying number |  |
|---|--------------------|--|
| <b>1</b> Enter on the applicable line below the total qualified first- or second-year wages paid or incurred during the tax year, and multiply by the percentage shown, for services of employees who are certified (if required) as members of a targeted group. |                    |  |
| <b>a</b> Qualified first-year wages of employees who worked for you at least 120 hours but fewer than 400 hours . . . . . \$ _____ × 25% (.25)  | <b>1a</b>          |  |
| <b>b</b> Qualified first-year wages of employees who worked for you at least 400 hours . . . . . \$ _____ × 40% (.40)   | <b>1b</b>          |  |
| <b>c</b> Qualified second-year wages of employees certified as long-term family assistance recipients . . . . . \$ _____ × 50% (.50)  | <b>1c</b>          |  |
| <b>2</b> Add lines 1a, 1b, and 1c. See instructions for the adjustment you must make to salaries and wages  | <b>2</b>           |  |
| <b>3</b> Work opportunity credit from partnerships, S corporations, cooperatives, estates, and trusts.  | <b>3</b>           |  |
| <b>4</b> Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K; all others, go to line 5 . . . . .   | <b>4</b>           |  |
| <b>5</b> Work opportunity credit included on line 4 from passive activities (see instructions) . . . . .  | <b>5</b>           |  |
| <b>6</b> Subtract line 5 from line 4 . . . . .  | <b>6</b>           |  |
| <b>7</b> Work opportunity credit allowed for 2008 from a passive activity (see instructions) . . . . .  | <b>7</b>           |  |
| <b>8</b> Carryforward of any work opportunity credit that originated in a tax year that began after 2006 and carryforward from 2007 of the New York Liberty Zone business employee credit . . . . .   | <b>8</b>           |  |
| <b>9</b> Carryback of the work opportunity credit from 2009 (see instructions) . . . . .  | <b>9</b>           |  |
| <b>10</b> Add lines 6 through 9. Cooperatives, estates, and trusts, continue on to line 11. All others, report this amount on Form 3800, line 29b . . . . .   | <b>10</b>          |  |
| <b>11</b> Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions) . . . . .   | <b>11</b>          |  |
| <b>12</b> Cooperatives, estates, and trusts, subtract line 11 from line 10. Report this amount on Form 3800, line 29b . . . . .   | <b>12</b>          |  |

**General Instructions**

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

**What's New**

- The period for hiring a Hurricane Katrina employee is extended from a 2- to a 4-year period beginning on August 28, 2005.
- Food stamp recipients are now referred to as Supplemental Nutritional Assistance Program (SNAP) recipients.
- The tax liability limit is no longer figured on this form; instead, it must be figured on Form 3800, General Business Credit.

**Purpose of Form**

Use Form 5884 to claim the work opportunity credit for qualified first- or second-year wages you paid to or incurred for targeted group employees during the tax year. Your business does not have to be located in an empowerment zone, renewal community, or rural renewal county to qualify for this credit.

You can claim or elect not to claim the work opportunity credit any time within 3 years from the due date of your return on either your original return or an amended return.

**How To Claim the Credit**

Generally, you 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

member of a targeted group. You 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 you offer the individual a job.

If you complete Form 8850, it must be signed by you and the individual and submitted to the SESA by the 28th calendar day after the individual begins work. If the SESA denies the request, it will provide a written explanation of the reason for denial. If a certification is revoked because it was based on false information provided by the worker, wages paid or incurred after the date you receive the notice of revocation do not qualify for the credit.

**Hurricane Katrina employee.** A Hurricane Katrina employee is an employee who had a main home in the core disaster area on August 28, 2005, and, within a 4-year period beginning on that date, was hired for a job whose principal place of employment is in the core disaster area. The certification requirements described above do not apply to Hurricane Katrina employees. Instead, the worker must show the employer reasonable evidence that the worker is a Hurricane Katrina employee. An employer may use Form 8850 to accept reasonable evidence that the worker is a Hurricane Katrina employee. If the employer discovers that the worker is not a Hurricane Katrina employee, wages paid or incurred after the date of discovery will not qualify for the credit.

**Targeted group employee.** An employee is a member of a targeted group if he or she is a:

- Hurricane Katrina employee,
- Long-term family assistance recipient hired after December 31, 2006 (if hired before January 1, 2007, see Form 8861, Welfare-to-Work Credit),
- Qualified recipient of Temporary Assistance for Needy Families (TANF),
- Qualified veteran,
- Qualified ex-felon,
- Designated community resident,
- Vocational rehabilitation referral,
- Summer youth employee,
- SNAP recipient, or
- SSI recipient.

See the Instructions for Form 8850 and section 51(d) for details and restrictions.

## Qualified Wages

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). If the work performed by any employee during more than half of any pay period qualifies under FUTA as agricultural labor, that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see section 51(h)(1)(B). Qualified wages for any employee must be reduced by the amount of any work supplementation payments you received under the Social Security Act for the employee.

The amount of qualified wages for any employee is zero if:

- The employee did not work for you for at least 120 hours,
- The employee worked for you previously, unless the employee is a Hurricane Katrina employee who was not in your employment on August 28, 2005, and this is your first hire of the employee after that date,
- The employee is your dependent,
- The employee is related to you (see section 51(i)(1)), or

- 50% or less of the wages the employee received from you were for working in your trade or business.

Qualified wages do not include:

- Wages paid to or incurred for any employee during any period for which you received payment for the employee from a federally funded on-the-job training program;
- Wages paid to or incurred for a summer youth employee for services performed while the employee lived outside an empowerment zone or renewal community;
- Wages paid to or incurred for a designated community resident for services performed while the employee lived outside an empowerment zone, renewal community, or rural renewal county;
- Wages paid to or incurred for services performed by a summer youth employee before or after any 90-day period between May 1 and September 15; and
- Wages for services of replacement workers during a strike or lockout.

## Member of Controlled Group or Business Under Common Control

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 52(a)) and all members of a group of businesses under common control (as defined in section 52(b)), are treated as a single taxpayer. As a member, compute your credit based on your proportionate share of qualified wages giving rise to the group's work opportunity credit. Enter your share of the credit on line 2. Attach a statement showing how your share of the credit was figured, and enter "See attached" next to the entry space for line 2.

## Specific Instructions

### Current Year Credit

#### Lines 1a, 1b, and 1c

Enter on the applicable line and multiply by the percentage shown the total qualified first- or second-year wages paid to or incurred for employees who are members of a targeted group. Qualified first-year wages are qualified wages you paid to or incurred for work performed during the 1-year period beginning on the date the individual begins work for you. Qualified second-year wages are qualified wages you paid to or incurred for certified long-term family assistance recipients for work performed during the 1-year period beginning on the day after the last day of the 1-year wage period.

The amount of qualified first-year wages and the amount of qualified second-year wages that may be taken into account for any employee certified as a long-term family assistance recipient is limited to \$10,000 per year. The amount of qualified first-year wages that may be taken into account for any employee certified as a qualified veteran entitled to compensation for a service-connected disability and who, during the 1-year period ending on the hiring date, was either (a) discharged or released from active duty in the U.S. Armed Forces, or (b) unemployed for a period or periods totaling at least 6 months, is limited to \$12,000. The amount of qualified first-year wages that may be taken into account for any employee certified as a summer youth employee is limited to \$3,000. The amount of qualified first-year wages that may be taken into account for an employee certified (if required) as a member of any other targeted group is \$6,000.

**Successor employer.** For successor employers, the 1- or 2-year period begins on the date the employee began work for the previous employer and any qualified first- or second-year wages paid or incurred by the successor employer are

reduced by the qualified first or second-year wages paid or incurred by the previous employer. See section 51(k)(1) and Regulations section 1.51-1(h).

A successor employer is an employer that acquires substantially all of the property used in a trade or business (or a separate unit thereof) of another employer (the previous employer) and immediately after the acquisition, the successor employs in his or her trade or business an individual who was employed immediately prior to the acquisition in the trade or business of the previous employer.

**Line 2**

In general, you must reduce your deduction for salaries and wages by the amount on line 2. This is required even if you cannot take the full credit this year and must carry part of it back or forward. 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 the amount of credit that was allocated to you as a partner, shareholder, patron of a cooperative, or beneficiary.

**Line 5**

Enter the amount included on line 4 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, estates, and trusts), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

**Line 7**

Enter the passive activity work opportunity credit allowed for 2008 from Form 8582-CR or Form 8810.

**Line 8**

Use line 8 to show any carryforward of the work opportunity credit from 2007. For carryforwards of the credit from years prior to 2007, show such carryforwards on line 6 of Form 3800.

Also use line 8 to show any carryforward from 2007 of the New York Liberty Zone business employee credit. On the dotted line next to line 8, enter "From Form 8884" and the amount.

**Line 9**

Use line 9 to show any carryback if you amend your 2008 return to carry back an unused work opportunity credit from 2009.

**Line 11**

**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.

**Estates and trusts.** Allocate the work opportunity credit on line 10 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries share on line 11.

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

- Recordkeeping** . . . . . 5 hr., 1 min.
- Learning about the law or the form** . . . . . 1 hr.
- Preparing and sending the form to the IRS** . . . . . 1 hr., 7 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.