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# ***Cumberland County Empowerment Zone***

## ***Employer Toolkit***

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There are two federal income tax credits for employers who hire certain categories of workers in need of job training or who lack the experience required to gain employment. They are the Work Opportunity Tax Credit and the Welfare to Work Tax Credit. This *Employer Toolkit* was developed to assist employers with taking advantage of tax credits which are available to them. This toolkit includes the following:

- Explanations of the Tax Credits
- Pre-Screening Forms for the Tax Credits
- IRS Tax Forms Used to Claim the Credits
- Information About the Target Groups
- Additional Services Offered to Employers to Assist with Personnel Needs
- Steps on How to Hire a Productive Employee
- List of the streets located in the Empowerment Zone where resident youth hired for the summer are a target group for the Work Opportunity Tax Credit

*The Employer Toolkit has been made available to Cumberland County employers by the Cumberland County Economic Development Board and the Cumberland County One Stop Career Center System. For further information, contact Christy DiLeonardo at 451-8920.*

## Work Opportunity Tax Credit

The Work Opportunity Tax Credit provides businesses with an incentive to hire individuals from groups that have a particularly high unemployment rate or other special employment needs. A business does not have to be in the empowerment zone to qualify for this credit. The credit can be claimed if “qualified wages” are paid or incurred during the first year of employment to “members of targeted groups”. A member of a targeted group is an individual who has been certified by the New Jersey Department of Labor (NJDL) as a:

- Youth ages 18-24 who reside in the Empowerment Zone
- Summer youth employee (16 and 17 years of age who reside in the Empowerment Zone hired between May and September)
- Ex-felon
- High-risk youth
- Vocational Rehabilitation referral
- Veteran
- Food Stamp recipient
- Supplemental Security Income (SSI) recipient
- Recipient of assistance under Temporary Assistance to Needy Families (TANF)

### Qualified Wages

Qualified wages are generally wages subject to the Federal Unemployment Tax Act (FUTA), but not more than \$6,000 for each employee (\$3,000 for a summer youth employee). For more information on qualified and nonqualified wages, see IRS Tax Form 5884, which is attached.

### Amount of Credit

Refer to the following tables for the rate that can be applied to the qualified wages paid or incurred to employees who work the number of hours shown. The tables also show the maximum credit that can be claimed for each qualified employee.

#### All employees except Summer Youth Employees

Hours Worked	Rate	Maximum Qualified Wages	Maximum Credit
At least 400	40%	\$6,000	\$2,400
Fewer than 400 but at least 120	25%	\$6,000	\$1,500

#### Summer Youth Employees

Hours Worked	Rate	Maximum Qualified Wages	Maximum Credit
At least 400	40%	\$3,000	\$1,200
Fewer than 400 but at least 120	25%	\$3,000	\$750

## Steps to Follow to Receive the WOTC

### Step 1: State Certification

Certification by the state is required and members of the targeted group must meet the requirements explained in the instructions to IRS Form 8850 (this form and its instructions are included in the Toolkit). To receive certification, Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits*, must be submitted to the NJDOL. Businesses must either:

1. Receive the certification by the day the individual begins work, or
2. Do both of the following:
  - a. Complete Form 8850 by the day the individual is offered a job, and
  - b. Submit the form to the NJDOL by the 21<sup>st</sup> day after the individual begins work.

### Forms must be sent to the following address:

New Jersey Department of Labor  
WOTC Unit  
P.O. Box 058  
Trenton, NJ 08625

### Step 2: Eligibility Verification

United States Department of Labor Form 9061, the *Individual Characteristics Form*, verifies that the employee meets the eligibility requirements for the WOTC. A copy of this form can be found in the Toolkit. This form must be sent to the NJDOL at the address listed above. There is no deadline to submit this form, but the sooner it is received, the sooner the certification process will be completed.

### Step 3: Claiming the Credit

Use IRS Tax form 5884, *Work Opportunity Credit*, (this form is included in the Toolkit) to claim this credit. The credit can be claimed any time within three years from the return due date on either the original return or on an amended return.

### Effect on Salary and Wage Deduction

In general, the deduction for salaries and wages on the income tax return must be reduced by the amount of the Work Opportunity Credit.

### Effect on Welfare to Work Credit

Both the WOTC and the Welfare to Work Credit cannot be claimed for the same employee during the same year.

### More Information

Forms 8850, 9061 and 5884, along with their instructions, are all included in this Employer Toolkit. Additional information can be found on these forms. Any further information can be obtained by calling the Cumberland County One Stop Career Center's Administrative Office at 451-8920.

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## Welfare to Work Tax Credit

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The Welfare-to-Work Credit provides businesses with an incentive to hire long-term family assistance recipients. A business does not have to be located in an empowerment zone or enterprise community to qualify for this credit. The credit can be claimed if “qualified wages” are paid or incurred during the first two years of employment to a “long-term family assistance recipient” who begins work after December 1997. A long-term family assistance recipient is an individual who has been certified by the New Jersey Department of Labor (NJDOLE) as a member of a family that:

- Has received assistance payments from Temporary Assistance to Needy Families (TANF) for at least 18 consecutive months ending on the hire date,
- Receives assistance payments from TANF for any 18 months (whether or not consecutive) beginning after August 5, 1997, and is hired not more than two years after the end of the earliest 18-month period,
- Stops being eligible after August 5, 1997 for assistance payments because federal or state law limits the maximum period that assistance is payable, and is hired not more than two years after that eligibility for assistance ends.

### Qualified Wages

Qualified wages are generally wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the dollar limit. If the work performed by the employee during more than half of any pay period qualifies under FUTA as agricultural labor, the first \$10,000 of that employee’s wages subject to Social Security and Medicare taxes are qualified wages. For more information on qualified and nonqualified wages, see IRS Tax Form 8860 and its instructions, which are included in this Toolkit.

### Amount of Credit

Refer to the following table for the rate that can be applied to the qualified wages paid or incurred during each year of employment. The table also shows the maximum credit that can be claimed for each qualified employee.

Year of Employment	Rate	Maximum Qualified Wages	Maximum Credit
First	35%	\$10,000	\$3,500
Second	50%	\$10,000	\$5,000

## Steps to Follow to Receive the WtW Credit

### Step 1: State Certification

An individual is not considered a long-term family assistance recipient without NJDOLE

certification. To receive certification, IRS Tax Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits*, must be submitted to the NJDOL. This form and its instructions can be found in the Toolkit. Businesses must either:

1. Receive the certification by the day the individual begins work, or
2. Do both of the following:
  - a. Complete Form 8850 by the day the individual is offered a job, and
  - b. Submit the form to the NJDOL by the 21<sup>st</sup> day after the individual begins work.

**Forms must be sent to the following address:**

New Jersey Department of Labor  
WOTC Unit  
P.O. Box 058  
Trenton, NJ 08625

**Step 2: Eligibility Verification**

United States Department of Labor Form 9061, the *Individual Characteristics Form*, verifies that the employee meets the eligibility requirements for the Welfare to Work Credit. A copy of this form can be found in the Toolkit. This form must be sent to the NJDOL at the address listed above. There is no deadline to submit this form, but the sooner it is received, the sooner the certification process will be completed.

**Step 3: Claiming the Credit**

Use IRS Tax Form 8861, *Welfare-to-Work Credit*, (this form is included in the Toolkit) to claim this credit. Businesses can elect to claim this credit any time within three years from the due date of their return on either the original or amended return.

**Effect on Salary and Wage Deduction**

In general, the deduction on the income tax return for salaries and wages must be reduced by the amount of the Welfare-to-Work credit.

**Effect on Work Opportunity Tax Credit**

A business cannot claim both the welfare-to-work credit and the work opportunity tax credit for the same employee in the same year.

**General Business Credit**

IRS Tax Form 3800, *General Business Credit*, must be completed if more than one of several credits are claimed. Form 3800 and the instructions to this form are included in this Toolkit. Please see these forms for further information.

**More Information**

Forms 8850, 9061, 8861 and 3800, along with their instructions, are all included in this Employer Toolkit. Additional information can be found on these forms. Any further information can be obtained by calling the Cumberland County One Stop Career Center's Administrative Office at 451-8920.

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## **The Truth About People on Welfare**

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Many people have misconceptions about welfare recipients. Most welfare recipients would rather work to earn a paycheck than collect public assistance. The truth is, many recipients already have work experience, have a high school education and have a variety of skills to offer. While many welfare recipients are suitable for entry-level jobs, some are qualified for higher level positions. The following facts will dispel any myths many people believe about welfare recipients:

### **The average monthly check is not a livable amount**

- The Poverty Level for a household of three is \$1,043 per month
- The average welfare check for a household of three is \$499 per month

### **Only a small percentage of Americans are on welfare**

- January 1993 - 14.1 million people, 5.5 percent of the population on welfare
- January 1999 - 7.9 million people, 2.9 percent of the population on welfare

### **Welfare recipients are a diverse group**

- 36 percent are African Americans
- 35 percent are White
- 21 percent are Hispanic

### **The majority of welfare mothers have work experience**

- 61 percent have prior work experience
- 39 percent have no prior work experience

### **The majority of welfare recipients are educated**

- 53 percent\* are High School graduates, have their GED or more
- 47 percent\* are high school dropouts

\* at time of initial receipt of welfare

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## **Additional Employer Services Offered by the One Stop Career Center**

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The Cumberland County One Stop Career Center System has been placing people in jobs for over 20 years. Support to community employers and program participants does not stop once the job is filled and employment is obtained. There are a variety of retention and ongoing support services available to businesses that are intended to help form successful transitions and lasting employer/employee relationships. Successful employment can be enhanced by taking advantage of available programs and services.

### **Post Employment Services**

Ongoing services include transportation assistance, child care assistance, housing vouchers, education and training programs and On-the-Job Training. On-the-Job Training (OJT) is specifically for the use of employers. This unique program offers employers a reimbursement of up to 50% of wages paid to employees hired from programs operated by the One Stop Career Center.

The One Stop also offers Job Coaching for individuals making the transition from welfare to work. Job Coaches work with both the employer and employees on an ongoing basis to ensure employment retention and self sufficiency. For more information on these programs and services, contact the One Stop Career Center's Administrative Office at 451-8920.

## **Five Steps to a New and Productive Employee**

### **Step 1: Assess Your Job Needs**

If you don't already have one, develop a job description by identifying the job category, the responsibilities and duties of the position, and the qualifications of the candidate. Developing a job description will enable you to recruit qualified candidates and help expedite the process in working with employment agencies and service providers.

### **Step 2: Call the One Stop Career Center**

Once a job description is prepared it's time to contact the One Stop Career Center, the primary link to all the information, resources, and contacts associated with workforce development initiatives. For quick assistance, call Christy DiLeonardo at 451-8920. Christy can assist you with finding the right employee as well as helping you through the hiring and tax credit process.

### **Step 3: Work with the One Stop Career Center to Find a Quality Employee**

The One Stop Career Center can help bring qualified workers to you. The One Stop System's service providers function as the conduit between businesses and potential employees. The One Stop can test, screen and train individuals in preparation for employment, as well as advertise your job needs and help make sure your new worker is successful.

#### **Step 4: Take Advantage of Tax Credits and Incentives**

There may be a variety of tax credits and business incentives available to you once you hire a new worker. The federal government offers up to \$8,500 in tax credits per employee plus various other deductions related to welfare to work hires. In addition to tax credits, On-the-Job Training (OJT) is also a tremendous incentive for businesses to hire referrals from the One Stop Career Center. OJT can reimburse an employer up to 50% of the wages paid to One Stop referrals.

#### **Step 5: Learn About Ongoing Support and Retention Services**

Once you hire a new employee, assistance from the One Stop Career Center doesn't just stop. Nonprofit organizations, government agencies and community groups are available to provide ongoing programs and retention assistance to help ensure a smooth transition and a successful employment relationship for both you and your employee.

Many businesses have found that having access to ongoing support services makes a big difference in attaining a successful employment situation. In fact, some businesses report that the retention rates of their welfare to work hires are greater than the retention rates of their regular hires as a result of ongoing support services.



# TAX FORMS

<b>FORM #</b>	<b>TITLE</b>	<b>FORM</b>	<b>INSTRUCTIONS</b>
3800	General Business Credit	✓	✓
5884	Work Opportunity Credit	✓	
8850	Work Opportunity / Welfare-to-Work	✓	✓
8861	Welfare-to-Work Credit	✓	
9061	USDOL Work Opportunity / Welfare-to-Work	✓	✓

## General Business Credit

▶ See instructions.  
 ▶ Attach to your tax return.

Identifying number

### Part I Current Year Credit

1a Investment credit (Form 3468) . . . . .	<b>1a</b>		
b Work opportunity credit (Form 5884) . . . . .	<b>1b</b>		
c Welfare-to-work credit (Form 8861) . . . . .	<b>1c</b>		
d Credit for increasing research activities (Form 6765) . . . . .	<b>1d</b>		
e Low-income housing credit (Form 8586) . . . . .	<b>1e</b>		
f Enhanced oil recovery credit (Form 8830) . . . . .	<b>1f</b>		
g Disabled access credit (Form 8826) . . . . .	<b>1g</b>		
h Renewable electricity production credit (Form 8835, Section A only) . . . . .	<b>1h</b>		
i Indian employment credit (Form 8845) . . . . .	<b>1i</b>		
j Credit for employer social security and Medicare taxes paid on certain employee tips (Form 8846) . . . . .	<b>1j</b>		
k Orphan drug credit (Form 8820) . . . . .	<b>1k</b>		
l New markets credit (Form 8874) . . . . .	<b>1l</b>		
m Credit for small employer pension plan startup costs (Form 8881) . . . . .	<b>1m</b>		
n Credit for employer-provided child care facilities and services (Form 8882) . . . . .	<b>1n</b>		
o Qualified railroad track maintenance credit (Form 8900) . . . . .	<b>1o</b>		
p Biodiesel and renewable diesel fuels credit (Form 8864) . . . . .	<b>1p</b>		
q Low sulfur diesel fuel production credit (Form 8896) . . . . .	<b>1q</b>		
r Distilled spirits credit (Form 8906) . . . . .	<b>1r</b>		
s Nonconventional source fuel credit (Form 8907) . . . . .	<b>1s</b>		
t Energy efficient home credit (Form 8908) . . . . .	<b>1t</b>		
u Alternative motor vehicle credit (Form 8910) . . . . .	<b>1u</b>		
v Alternative fuel vehicle refueling property credit (Form 8911) . . . . .	<b>1v</b>		
w Credit for contributions to selected community development corporations (Form 8847) . . . . .	<b>1w</b>		
x Trans-Alaska pipeline liability fund credit (see instructions) . . . . .	<b>1x</b>		
y General credits from an electing large partnership (Schedule K-1 (Form 1065-B)) . . . . .	<b>1y</b>		
z Credits for employers affected by Hurricane Katrina, Rita, or Wilma (Form 5884-A) . . . . .	<b>1z</b>		
<b>2 Current year credit.</b> Add lines 1a through 1z . . . . .	<b>2</b>		
<b>3</b> Passive activity credits included on line 2 (see instructions) . . . . .	<b>3</b>		
<b>4</b> Subtract line 3 from line 2 . . . . .	<b>4</b>		
<b>5</b> Passive activity credits allowed for 2005 (see instructions) . . . . .	<b>5</b>		
<b>6</b> Carryforward of general business credit to 2005. See instructions for the schedule to attach	<b>6</b>		
<b>7</b> Carryback of general business credit from 2006 (see instructions) . . . . .	<b>7</b>		
<b>8 Current year credit.</b> Add lines 4 through 7 . . . . .	<b>8</b>		

**Part II Allowable Credit**

<b>9</b>	Regular tax before credits (see instructions) . . . . .	<b>9</b>		
<b>10</b>	Alternative minimum tax (see instructions) . . . . .	<b>10</b>		
<b>11</b>	Add lines 9 and 10 . . . . .	<b>11</b>		
<b>12a</b>	Foreign tax credit . . . . .	<b>12a</b>		
<b>b</b>	Credits from Form 1040, lines 48 through 54 . . . . .	<b>12b</b>		
<b>c</b>	Possessions tax credit (Form 5735, line 17 or 27) . . . . .	<b>12c</b>		
<b>d</b>	Nonconventional source fuel credit (Form 8907, line 23) . . . . .	<b>12d</b>		
<b>e</b>	Other specified credits (see instructions) . . . . .	<b>12e</b>		
<b>f</b>	Add lines 12a through 12e . . . . .	<b>12f</b>		
<b>13</b>	Net income tax. Subtract line 12f from line 11. If zero, skip lines 14 through 17 and enter -0- on line 18 . . . . .	<b>13</b>		
<b>14</b>	Net regular tax. Subtract line 12f from line 9. If zero or less, enter -0- . . . . .	<b>14</b>		
<b>15</b>	Enter 25% (.25) of the excess, if any, of line 14 over \$25,000 (see instructions) . . . . .	<b>15</b>		
<b>16</b>	Tentative minimum tax (see instructions) . . . . .	<b>16</b>		
<b>17</b>	Enter the greater of line 15 or line 16 . . . . .	<b>17</b>		
<b>18</b>	Subtract line 17 from line 13. If zero or less, enter -0- . . . . .	<b>18</b>		
<b>19</b>	<b>Credit allowed for the current year.</b> Enter the <b>smaller</b> of line 8 or line 18 here and on Form 1040, line 55; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 19 is smaller than line 8, see instructions. <b>Individuals, estates, and trusts:</b> See instructions if claiming the research credit. <b>C corporations:</b> See Schedule A if claiming any regular investment credit carryforward and the line 19 instructions if there has been an ownership change, acquisition, or reorganization . . . . .	<b>19</b>		

**Schedule A—Additional General Business Credit Allowed by Code Section 38(c)(2) (Before Repeal by the Revenue Reconciliation Act of 1990)—Only Applicable to C Corporations**

<b>20</b>	Enter the portion of the credit shown on line 6 that is attributable to the regular investment credit under section 46 (before amendment by the Revenue Reconciliation Act of 1990) . . . . .	<b>20</b>		
<b>21</b>	Tentative minimum tax (from line 16) . . . . .	<b>21</b>		
<b>22</b>	Multiply line 21 by 25% (.25) . . . . .	<b>22</b>		
<b>23</b>	Enter the amount from line 18 . . . . .	<b>23</b>		
<b>24</b>	Enter the portion of the credit shown on line 8 that is not attributable to the regular investment credit under section 46 (before amendment by the Revenue Reconciliation Act of 1990) . . . . .	<b>24</b>		
<b>25</b>	Subtract line 24 from line 23. If zero or less, enter -0- . . . . .	<b>25</b>		
<b>26</b>	Subtract line 25 from line 20. If zero or less, enter -0- . . . . .	<b>26</b>		
<b>27</b>	For purposes of this line only, refigure the amount on Form 4626, line 10, by using zero on Form 4626, line 6, and enter the result here . . . . .	<b>27</b>		
<b>28</b>	Multiply line 27 by 10% (.10) . . . . .	<b>28</b>		
<b>29</b>	Net income tax (from line 13) . . . . .	<b>29</b>		
<b>30</b>	Enter the amount from line 19 . . . . .	<b>30</b>		
<b>31</b>	Subtract line 30 from line 29 . . . . .	<b>31</b>		
<b>32</b>	Subtract line 28 from line 31 . . . . .	<b>32</b>		
<b>33</b>	Enter the smallest of line 22, line 26, or line 32 . . . . .	<b>33</b>		
<b>34</b>	Subtract line 33 from line 21 . . . . .	<b>34</b>		
<b>35</b>	Enter the greater of line 15 or line 34 . . . . .	<b>35</b>		
<b>36</b>	Subtract line 35 from line 29. Also enter this amount on line 19 instead of the amount previously figured on that line. Write "Sec. 38(c)(2)" next to your entry on line 19 . . . . .	<b>36</b>		

Section references are to the Internal Revenue Code.

## General Instructions

### What's New

There are seven new general business credits listed on:

- Line 1o—Qualified railroad track maintenance credit (effective for tax years beginning after December 31, 2005). See Form 8900.
- Line 1r—Distilled spirits credit (effective for tax years beginning after September 30, 2005). See Form 8906.
- Line 1s—Nonconventional source fuel credit (effective for tax years ending after December 31, 2005). See Form 8907. For 2005 calendar year taxpayers, the nonconventional source fuel credit is not a general business credit, but is still claimed on Form 8907.
- Line 1t—Energy efficient home credit (effective for new homes substantially completed after August 8, 2005, and acquired after December 31, 2005). See Form 8908.
- Line 1u—Alternative motor vehicle credit (effective for depreciable property placed in service after December 31, 2005). See Form 8910.
- Line 1v—Alternative fuel vehicle refueling property credit (effective for depreciable property placed in service after December 31, 2005). See Form 8911.
- Line 1z—Credits for employers affected by Hurricane Katrina, Rita, or Wilma (see Form 5884-A), consisting of:
  - a. Hurricane Katrina housing credit (effective for employee housing provided by the employer after December 31, 2005, and before July 1, 2006);
  - b. Hurricane Katrina employee retention credit (effective for wages paid or incurred after August 28, 2005, and before January 1, 2006);
  - c. Hurricane Rita employee retention credit (effective for wages paid or incurred after September 23, 2005, and before January 1, 2006); and
  - d. Hurricane Wilma employee retention credit (effective for wages paid or incurred after October 23, 2005, and before January 1, 2006).

See Form 5884-A for credits a through d.

### Who Must File

You must file Form 3800 if **any** of the following apply.

1. You have any of the general business credits listed on lines 1r through 1v and 1x through 1z.
2. You have more than one of the credits listed on lines 1a through 1q and 1w.
3. Any of the credits listed in **2** above (other than the low-income housing credit listed on line 1e) is from a passive activity.

4. You have a carryback or carryforward of any of the credits listed in **2** above.

If you are not required to file Form 3800, file only the applicable credit form as listed on lines 1a through 1q and line 1w.

The general business credit includes the following:

1. The credits listed on lines 1a through 1z,
2. The empowerment zone and renewal community employment credit (Form 8844),
3. The alcohol fuel credit (Form 6478), and
4. The portion of the renewable electricity, refined coal, and Indian coal production credit figured in Section B of Form 8835.

The credits associated with items 2-4 have special tax liability limits and are not reported on Form 3800. Any carryback, carryforward, and passive activity limitation of these credits is computed separately on the forms on which they are claimed, and not on Form 3800.

### Carryback and Carryforward of Unused Credit

If you cannot use part or all of the credit because of the tax liability limit (line 19 is less than line 8), carry the unused credit back one tax year. To carry back an unused credit, file an amended return (Form 1040X, 1120X, or other amended return) for the prior tax year or an application for tentative refund (Form 1045, Application for Tentative Refund, or Form 1139, Corporation Application for Tentative Refund). Generally, if you file an application for a tentative refund, it must be filed by the end of the tax year following the tax year in which the credit arose.

**Note.** No part of the unused credit for any year attributable to any credit may be carried back to any tax year before the first tax year for which that credit was first allowable. See **Credit Ordering Rule** to determine which credits are allowed first.

If you have an unused credit after carrying it back, carry it forward to each of the 20 tax years after the year of the credit. Any qualified business credits (as defined in section 196(c)) that are unused after the last tax year of the 20-year carryforward period (or at the time an individual taxpayer dies or other taxpayer, such as a corporation or partnership, ceases to exist) may be taken as a deduction in the earlier of:

- The tax year following the last tax year of the 20-year carryforward period or
- The tax year in which the individual taxpayer dies or other taxpayer ceases to exist.

For purposes of this special deduction, only half of the following credits may be taken into account: (a) unused investment credit (other than a credit to which section

48(q)(3) applies as in effect prior to repeal by the Revenue Reconciliation Act of 1990) and (b) unused credit for increasing research activities.

### Change in Filing or Marital Status

Your general business credit is limited to your tax liability. Therefore, if you filed a joint return in a carryback or carryforward year and your marital status or filing status has changed, you may need to figure your separate tax liability in that carryback or carryforward year. This would apply if:

- You filed as single in the credit year, but filed a joint return in the carryback or carryforward year;
- You filed a joint return in the credit year, but filed a joint return with a different spouse in the carryback or carryforward year; or
- You were married and filed a separate return in the credit year, but filed a joint return with the same or a different spouse in the carryback or carryforward year.

Determine your separate tax liability in the carryback or carryforward year as follows.

1. Figure your tax for the carryback or carryforward year as though you were married filing a separate return.
2. Figure your spouse's tax in that year as though he or she was married filing a separate return.
3. Add the amounts in steps 1 and 2.
4. Divide the amount in step 1 by the amount in step 3. The result should be rounded to at least three decimal places.
5. Multiply the decimal in step 4 by the total tax shown on your joint return for the carryback or carryforward year. The result is your separate tax liability and a carryback or carryforward credit is applied against this amount only.

Although your carryback or carryforward of the credit is limited to your separate tax liability, the amount of your refund resulting from the carryback or carryforward is further limited to your share of the joint overpayment. This is found by subtracting your separate tax liability (as determined above) from your contribution toward the payment.

Unless you have an agreement or clear evidence of each spouse's contribution toward the payment of the joint liability, your contribution includes the tax withheld on your wages and your share of the joint estimated tax or tax paid with the return. Your share of these payments is found by using the same formula used in determining your separate tax liability. Substitute the joint estimated tax, or tax paid with the return, for the tax in step 5. If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the refund.

Attach a copy of the computation to your amended return or application for tentative refund.

## Credit Ordering Rule

General business credits reported on Form 3800 are treated as used on a first-in, first-out basis by offsetting the earliest-earned credits first. Therefore, the order in which the credits are used in any tax year is:

- Carryforwards to that year, the earliest ones first,
- The general business credit earned in that year, and
- The carryback to that year.

When relevant, the components of the general business credit reported on Form 3800 arising in a single tax year are used in the following order.

- Regular investment credit.
- Rehabilitation investment credit.
- Energy investment credit.
- Work opportunity credit (including any jobs credit carryforward).
- Welfare-to-work credit.
- Credit for increasing research activities.
- Low-income housing credit.
- Enhanced oil recovery credit.
- Disabled access credit.
- Renewable electricity production credit.
- Indian employment credit.
- Credit for employer social security and Medicare taxes paid on certain employee tips.
- Orphan drug credit.
- New markets credit.
- Credit for small employer pension plan startup costs.
- Credit for employer-provided child care facilities and services.
- Qualified railroad track maintenance credit.
- Biodiesel and renewable diesel fuels credit.
- Low sulfur diesel fuel production credit.
- Distilled spirits credit.
- Nonconventional source fuel credit.
- Energy efficient home credit.
- Alternative motor vehicle credit.
- Alternative fuel vehicle refueling property credit.
- Credits for employers affected by Hurricane Katrina, Rita, or Wilma.
- Credit for contributions to selected community development corporations.
- Trans-Alaska pipeline liability fund credit.
- General credits from an electing large partnership.

Although these credits are aggregated on Form 3800, keep a separate record of each credit to ensure that no credits or deductions are squandered or duplicated.

## Specific Instructions

### Part I—Current Year Credit

#### Lines 1a–1w

Complete the appropriate credit forms to figure your current year credits (but do not figure the allowable credits on those forms). Enter the current year credit on the applicable entry spaces and attach the credit forms to your return.

#### Line 1x

Attach a statement showing how you figured the section 4612(e) credit.

#### Line 1y

Enter the total of the amounts shown in box 7 of the Schedules K-1 (Form 1065-B) you received from electing large partnerships.

#### Line 3

Enter the credits included on line 2 that are from passive activities. Generally, a passive activity is a trade or business in which you did not materially participate. Generally, rental activities are passive activities, whether or not you materially participate. See Form 8582-CR, Passive Activity Credit Limitations, or Form 8810, Corporate Passive Activity Loss and Credit Limitations, for details.

#### Line 5

Enter the passive activity credit allowed from Form 8582-CR or Form 8810. See the instructions for the applicable form for details.

#### Line 6

Add all carryforwards to 2005 of unused credits that are reported on Form 3800. Include any carryforward to 2005 of any unused credit from your 2004 Form 6478, Credit for Alcohol Used as Fuel.

For each credit, attach a detailed computation showing (a) the tax year the credit originated, the amount of the credit, and the amount allowed for that year; (b) for each carryback year, the year and the amount of the credit allowed after you applied the carryback; and (c) for each carryforward year, the year and the amount of the credit allowed after you applied the carryforward.

You must reduce by 35% the portion of the business credit carryforward attributable to sections 46(a)(1) regular investment credit and 46(b)(2)(C) and (D) business energy investment credit (as in effect prior to the repeal of these three sections by the Revenue Reconciliation Act of 1990). Include the reduced credit on line 6. Do not reduce any portion of the credit attributable to qualified timber property. If you cannot use all of the reduced credit because line 18 is less than line 8, carry forward to your next tax year in the

carryforward period the unused portion of the credit and a corresponding portion of the 35% reduction. For example, if you are able to use only half of the credit in 2005, carry forward the other half of the credit and half of the 35% reduction.

#### Line 7

Use line 7 only when you amend your 2005 return to carry back unused credits from 2006.

#### Line 8

If this line is zero, skip Part II.

### Part II—Allowable Credit

#### Line 9

Enter the regular tax before credits from the appropriate form or schedule.

- Individuals: Form 1040, line 44.
- Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your tax return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your tax return.

Corporations filing Form 8895, One-Time Dividends Received Deduction for Certain Cash Dividends From Controlled Foreign Corporations, must reduce the amount otherwise reported as regular tax before credits on line 9 (or on the comparable line of any other general business credit form) by the tax attributable to nondeductible controlled foreign corporation (CFC) dividends.

#### Line 10

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

#### Line 12e

Include on line 12e any amounts claimed on:

- Form 8834, Qualified Electric Vehicle Credit, line 20;
- Form 8910, Alternative Motor Vehicle Credit, line 18; and
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit, line 19.

#### Line 15

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.



**Line 16**

Although you may not owe 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 appropriate AMT form or schedule and enter on line 16 the TMT from the following line of that form or schedule.

- Individuals: Form 6251, line 33.
- Corporations: Form 4626, line 12.
- Estates and trusts: Form 1041, Schedule I, line 54.

**Line 19**

If line 19 is smaller than line 8, see *Carryback and Carryforward of Unused Credit* on page 3.

**Individuals, estates, and trusts.** The amount of the research credit that may be included on line 19 is limited to the amount of tax attributable to your taxable income from the sole proprietorship or your interest in the partnership, S corporation, estate, or trust (pass-through entity) generating the credit. Figure the research credit limitation separately for each business enterprise by using the following formula:

$$(Line\ 13 - line\ 15) \times \frac{\text{Taxable income attributable to the sole proprietorship or your interest in the pass-through entity}}{\text{Your taxable income for the year}}$$

The result figured above is limited to the excess of line 13 over line 15. If in the current tax year you had no taxable income attributable to a particular business interest, you cannot claim any research credit this year related to that business.

If your research credit is limited by the above formula, refigure the amount to enter on line 19 using only the total of the amount calculated above for the research credit plus the general business credit from other sources. If necessary, follow the *Credit Ordering Rule*, and take into account any passive activity credit limitations. Write "Sec. 41(g)" on the dotted line next to your entry on line 19.

**Corporations.** If the corporation has undergone a post-1986 "ownership change" (as defined in section 382(g)), section 383 may limit the amount of tax that may be offset by pre-change general business credits. Also, if a corporation acquires control of another corporation (or acquires its assets in a reorganization), section 384 may limit the amount of tax attributable to recognized built-in gains that may be offset by pre-acquisition general business credits. If either of these limitations apply, attach a computation of the allowable general business credit, enter the amount on line 19, and write "Sec. 383" or "Sec. 384" in the margin next to your entry on line 19.

**Schedule A—Additional General Business Credit Under Code Section 38(c)(2)**

A corporation (other than an S corporation) may be entitled to a larger general business credit or additional credit against the AMT if: (a) it is claiming a regular investment credit carryforward on line 6 attributable, in whole or in part, to the regular investment credit under section 46 (before amendment by the Revenue Reconciliation Act of 1990), (b) some of that investment credit cannot be used because line 18 is smaller than line 8, and (c) it is required to file Form 4626, *Alternative Minimum Tax—Corporations*. Complete Schedule A to see if the corporation is entitled to an additional credit.

**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 Internal Revenue Code 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** . . . . 17 hr., 56 min.
- Learning about the law or the form** . . . . 1 hr., 23 min.
- Preparing and sending the form to the IRS** . . . . 1 hr., 42 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.

- Reforestation investment credit.
- Work opportunity credit (including any jobs credit carryforward).
- Welfare-to-work credit.
- Credit for alcohol used as fuel.
- Credit for increasing research activities.
- Low-income housing credit.
- Enhanced oil recovery credit.
- Disabled access credit.
- Renewable electricity production credit.
- Indian employment credit.
- Employer social security and Medicare taxes paid on certain employee tips.
- Orphan drug credit.
- New markets credit.
- Credit for contributions to selected community development corporations.
- Trans-Alaska pipeline liability fund credit.
- General credits from an electing large partnership.

Although these credits are aggregated as the general business credit, keep a separate record of each credit to ensure that no credits or deductions are lost.

## Specific Instructions

### Part I—Tentative Credit

**Lines 1a–1n.** Complete the applicable part (generally Part I) of the appropriate credit form(s) to figure your current year credit(s). Enter this amount on the applicable line 1 entry space(s) and attach the credit form(s) to your return.

**Line 1o.** Attach a statement showing how you figured the section 4612(e) credit.

**Line 1p.** Enter the total of the amounts shown in box 7 of the Schedules K-1 (Form 1065-B) you received from electing large partnerships.

**Line 3.** Enter the credits included on line 2 that are from passive activities. Generally, a passive activity is a trade or business in which you did not materially participate. Generally, rental activities are passive activities, whether or not you materially participate. See **Form 8582-CR**, Passive Activity Credit Limitations, or **Form 8810**, Corporate Passive Activity Loss and Credit Limitations, for details.

**Line 5.** Enter the passive activity credit allowed for 2001 from Form 8582-CR or Form 8810. See the instructions for the applicable form for details.

**Line 6.** Add all carryforwards of unused credits that make up the general business credit to find the business credit carryforward to 2001.

For each credit, attach a detailed computation showing (a) the tax year the credit originated, the amount of the credit, and the amount allowed for that year; (b) for each carryback year, the year and the amount of the credit allowed after you applied the carryback; and (c) for each carryforward year, the year and the amount of the credit allowed after you applied the carryforward.

You must reduce by 35% the portion of the business credit carryforward

attributable to sections 46(a)(1) regular investment credit and 46(b)(2)(C) and (D) business energy investment credit (as in effect prior to the repeal of these three sections by the Revenue Reconciliation Act of 1990). Include the reduced credit on line 6. **Do not** reduce any portion of the credit attributable to qualified timber property. If you cannot use all of the reduced credit because line 18a is smaller than line 8, carry forward to your next tax year in the carryforward period the unused portion of the credit and a corresponding portion of the 35% reduction. For example, if you are able to use only half of the credit in 2001, carry forward the other half of the credit and half of the 35% reduction.

**Line 7.** Use only when you amend your 2001 return to carry back unused credits from 2002. Do not enter the carryback of any unused empowerment zone employment credit on line 7. Instead, enter this carryback on Form 8844.

**Line 8.** If this line is zero, skip Part II.

### Part II—General Business Credit Limitation Based on Amount of Tax

**Line 9.** Enter the regular tax before credits from the appropriate form or schedule.

- Individuals: Form 1040, line 40.
- Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your tax return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your tax return.

**Line 10.** Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 28.
- Corporations: Form 4626, line 15.
- Estates and trusts: Form 1041, Schedule I, line 39.

**Line 14.** Although you may not owe 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 appropriate AMT form or schedule and enter on line 14 the TMT from the following line of that form or schedule.

- Individuals: Form 6251, line 26.
- Corporations: Form 4626, line 13.
- Estates and trusts: Form 1041, Schedule I, line 37.

**Line 16.** See section 38(c)(3) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

**Line 18b.** If line 18a is smaller than line 8, see **Carryback and Carryforward of Unused Credit** on page 1.

**Individuals, estates, and trusts.** The credit for increasing research activities included on line 18b is limited to the amount of tax attributable to your taxable

income from the sole proprietorship or your interest in the partnership, S corporation, estate, or trust (pass-through entity) generating the credit. Figure the research credit limitation separately for each business enterprise by using the following formula:

$$\frac{\text{Taxable income attributable to the sole proprietorship or your interest in the pass-through entity}}{\text{Your taxable income for the year}} \times (\text{Line 13} - \text{line 16})$$

The result figured above is limited to the excess of line 13 over line 16. If in the current tax year you had no taxable income attributable to a particular business interest, you cannot claim any research credit this year related to that business.

If your research credit is limited by the above formula, refigure the amount to enter on line 18b using only the total of the amount calculated above for the research credit plus the general business credit from other sources. If necessary, follow the **Credit ordering rule** on page 1, and take into account any passive activity credit limitations. Write "Sec. 41(g)" on the dotted line next to line 18b.

**Corporations.** If the corporation has undergone a post-1986 "ownership change" (as defined in section 382(g)), section 383 may limit the amount of tax that may be offset by pre-change general business credits. Also, if a corporation acquires control of another corporation (or acquires its assets in a reorganization), section 384 may limit the amount of tax attributable to recognized built-in gains that may be offset by pre-acquisition general business credits. If either of these limitations apply, attach a computation of the allowable general business credit, enter the amount on line 18b, and write "Sec. 383" or "Sec. 384" in the margin next to your entry on line 18b.

**Line 18c.** Subtract line 44 of Form 6765 from the amount of the research credit included on Form 3800, line 18b (but do not enter less than zero). To figure the amount of the research credit included on line 18b, follow the **Credit ordering rule** on page 1, if necessary, and take into account any passive activity credit limitations. See the instructions for Form 6765, line 56, for when and how to claim the suspended research credit allowed for the current year.

## Schedule A

**C corporations.** A corporation (other than an S corporation) may be entitled to a larger general business credit or additional credit against the AMT if: (a) it is claiming a regular investment credit carryforward on line 6, (b) some of that investment credit cannot be used because line 18a is smaller than line 8, and (c) it is required to file **Form 4626**, Alternative Minimum Tax—Corporations. Complete Schedule A to see if the corporation is entitled to an additional credit.

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return.**

Name(s) shown on return

Identifying number

**Part I Current Year Credit** (Members of a controlled group, see instructions.)

<b>1</b>	Enter the total qualified first-year wages paid or incurred during the tax year, and multiply by the percentage shown, for services of employees who began work for you before the applicable date in the instructions, are certified (if required) as members of a targeted group, and:																	
<b>a</b>	Worked for you at least 120 hours but fewer than 400 hours \$ ..... × 25% (.25)	<b>1a</b>																
<b>b</b>	Worked for you at least 400 hours . . . . . \$ ..... × 40% (.40)	<b>1b</b>																
<b>2</b>	Add lines 1a and 1b. You <b>must</b> subtract this amount from your deduction for salaries and wages	<b>2</b>																
<b>3</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">Work opportunity credits from pass-through entities:</td> <td style="width: 20%;">If you are a—</td> <td style="width: 50%;">Then enter the total of the current year credits from—</td> </tr> <tr> <td><b>a</b> Shareholder . . . . .</td> <td></td> <td>Schedule K-1 (Form 1120S), box 13, code F, G, or J</td> </tr> <tr> <td><b>b</b> Partner . . . . .</td> <td></td> <td>Schedule K-1 (Form 1065), box 15, code F, G, or J.</td> </tr> <tr> <td><b>c</b> Beneficiary . . . . .</td> <td></td> <td>Schedule K-1 (Form 1041), box 13, code F . . . . .</td> </tr> <tr> <td><b>d</b> Patron . . . . .</td> <td></td> <td>Written statement from cooperative . . . . .</td> </tr> </table>	Work opportunity credits from pass-through entities:	If you are a—	Then enter the total of the current year credits from—	<b>a</b> Shareholder . . . . .		Schedule K-1 (Form 1120S), box 13, code F, G, or J	<b>b</b> Partner . . . . .		Schedule K-1 (Form 1065), box 15, code F, G, or J.	<b>c</b> Beneficiary . . . . .		Schedule K-1 (Form 1041), box 13, code F . . . . .	<b>d</b> Patron . . . . .		Written statement from cooperative . . . . .	<b>3</b>	
Work opportunity credits from pass-through entities:	If you are a—	Then enter the total of the current year credits from—																
<b>a</b> Shareholder . . . . .		Schedule K-1 (Form 1120S), box 13, code F, G, or J																
<b>b</b> Partner . . . . .		Schedule K-1 (Form 1065), box 15, code F, G, or J.																
<b>c</b> Beneficiary . . . . .		Schedule K-1 (Form 1041), box 13, code F . . . . .																
<b>d</b> Patron . . . . .		Written statement from cooperative . . . . .																
<b>4</b>	<b>Current year credit.</b> Add lines 2 and 3. (S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions.) . . . . .	<b>4</b>																

**Part II Allowable Credit** (See **Who must file Form 3800** to find out if you complete Part II or file Form 3800.)

<b>5</b>	Regular tax before credits:			
	<ul style="list-style-type: none"> <li>• Individuals. Enter the amount from Form 1040, line 44 . . . . .</li> <li>• 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 . . . . .</li> <li>• 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 . . . . .</li> </ul>	<b>5</b>		
<b>6</b>	Alternative minimum tax:			
	<ul style="list-style-type: none"> <li>• Individuals. Enter the amount from Form 6251, line 35 . . . . .</li> <li>• Corporations. Enter the amount from Form 4626, line 14 . . . . .</li> <li>• Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56 . . . . .</li> </ul>	<b>6</b>		
<b>7</b>	Add lines 5 and 6 . . . . .	<b>7</b>		
<b>8a</b>	Foreign tax credit . . . . .	<b>8a</b>		
<b>b</b>	Credits from Form 1040, lines 48 through 54 . . . . .	<b>8b</b>		
<b>c</b>	Possessions tax credit (Form 5735, line 17 or 27) . . . . .	<b>8c</b>		
<b>d</b>	Nonconventional source fuel credit (Form 8907, line 23) . . . . .	<b>8d</b>		
<b>e</b>	Other specified credits (see instructions) . . . . .	<b>8e</b>		
<b>f</b>	Add lines 8a through 8e . . . . .	<b>8f</b>		
<b>9</b>	Net income tax. Subtract line 8f from line 7. If zero, skip lines 10 through 13 and enter -0- on line 14	<b>9</b>		
<b>10</b>	Net regular tax. Subtract line 8f from line 5. If zero or less, enter -0-	<b>10</b>		
<b>11</b>	Enter 25% (.25) of the excess, if any, of line 10 over \$25,000 (see instructions)	<b>11</b>		
<b>12</b>	Tentative minimum tax (see instructions) . . . . .	<b>12</b>		
<b>13</b>	Enter the greater of line 11 or line 12 . . . . .	<b>13</b>		
<b>14</b>	Subtract line 13 from line 9. If zero or less, enter -0- . . . . .	<b>14</b>		
<b>15</b>	<b>Credit allowed for the current year.</b> Enter the <b>smaller</b> of line 4 or line 14 here and on Form 1040, line 55; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 14 is smaller than line 4, see instructions	<b>15</b>		



## General Instructions

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

### What's New

The definition of "targeted group employee" has been expanded to include Hurricane Katrina employees. A Hurricane Katrina employee is:

- A person who, on August 28, 2005, had a main home in the core disaster area and, within a two-year period beginning on that date, is hired to perform services principally in the core disaster area; or
- A person who, on August 28, 2005, had a main home in the core disaster area, was displaced from the main home as a result of Hurricane Katrina, and is hired during the period beginning on August 28, 2005, and ending on December 31, 2005, for a job located outside the core disaster area.

Special rules that apply to members of this new targeted group are discussed below. For information about the core disaster area, see Publication 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma.

### Purpose of Form

Use Form 5884 to claim the work opportunity credit for qualified first-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, enterprise community, or renewal community 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 and Welfare-to-Work Credits, 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 21st 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 after the date you receive the notice of revocation do not qualify for the credit.

**Hurricane Katrina employee.** 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 (as defined above). 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 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,
- Qualified recipient of Temporary Assistance for Needy Families (TANF),
- Qualified veteran,
- Qualified ex-felon,
- High-risk youth,
- Vocational rehabilitation referral,
- Qualified summer youth employee,
- Qualified food stamp recipient, or

- Qualified SSI recipient.

However, if you use any wages of an employee to figure the welfare-to-work credit for any tax year, the employee is not treated as a member of a targeted group for that year.

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

### Qualified Wages

The credit is not allowed with respect to wages for services of employees who began work for you after December 31, 2005.

**Hurricane Katrina exception.** You can claim the credit after 2005 only for wages paid to Hurricane Katrina employees. To qualify, wages must be paid to a Hurricane Katrina employee who had a main home in the core disaster area on August 28, 2005, and, within a two-year period beginning on that date, was hired for a job whose principal place of employment is in the core disaster area.

**Qualified first-year wages.** Qualified first-year wages are wages you paid or incurred for work performed during the 1-year period beginning on the date the targeted group member begins work for you. The amount of qualified wages that may be taken into account for any employee is limited to \$6,000 (\$3,000 for a qualified summer youth employee). Wages qualifying for the credit generally have the same meaning as wages (excluding tips) 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, the first \$6,000 of that employee's wages subject to social security and Medicare taxes qualify. 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.

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)),
- 50% or less of the wages the employee received from you were for working in your trade or business, or
- You use any of the employee's wages to figure the welfare-to-work credit for the current year.

Qualified wages do not include:

- Wages paid to any employee during any period for which you received payment for the employee from a federally funded on-the-job training program;
- Wages paid or incurred to a high-risk or qualified summer youth employee for services performed while the employee lived outside an empowerment zone, enterprise community, or renewal community;
- Wages paid or incurred for services performed by a qualified 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.

## Specific Instructions

**Note.** If you only have a credit allocated to you from a pass-through entity, skip lines 1 and 2 and go to line 3.

### Part I—Current Year Credit

#### Lines 1a and 1b

**Note.** The "applicable date" is generally December 31, 2005 (see *Qualified Wages*, above). That is, the credit generally is not allowed with respect to wages for services of employees who began work for you after December 31, 2005. An

exception applies for Hurricane Katrina employees (see *Hurricane Katrina exception*, earlier).

Enter on the applicable line the total qualified first-year wages paid to employees who are members of a targeted group. Multiply the wages you enter on each line by the percentage shown on that line.

**Successor employer.** For successor employers, the 1-year period begins on the date the employee first began work for the previous employer and any qualified first-year wages paid by the successor employer are reduced by the qualified first-year wages paid 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/her trade or business an individual who was employed immediately prior to the acquisition in the trade or business of the previous employer.

**Special instructions for controlled group members.** The group member proportionately contributing the most qualified first-year wages figures the group credit in Part I and skips Part II. See sections 52(a) and 1563. On separate Forms 5884, that member and every other member of the group should skip lines 1a and 1b and enter its share of the group credit on line 2. Each member then completes lines 3, 4, and 5 through 15 (or Form 3800, if required) on its separate form. Each member must attach to its Form 5884 a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualifying wages.

**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. However, the following exceptions apply.

- If you capitalized any salaries and wages on which you figured the credit, reduce your depreciable basis by the amount of the credit on those salaries and wages.
- You used the full absorption method of inventory costing, which required you to reduce your basis in inventory for the credit.

If either of the above exceptions applies, attach a statement explaining why the amount on line 2 differs from the amount by which you reduced your deduction.

**Line 3**

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron of a cooperative.

**Line 4**

**S corporations and partnerships.** Allocate the credit among the shareholders or partners. Attach Form 5884 to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

**Estates and trusts.** Allocate the credit on line 4 between the estate or trust and the beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

**Cooperatives.** Most tax-exempt organizations cannot take the credit. However, a cooperative described in section 1381(a) takes the credit to the extent it has tax liability. Any excess is shared among its patrons.

**Regulated investment companies and real estate investment trusts.** Reduce the allowable credit to the company's or trust's ratable share of the credit. For details, see Regulations section 1.52-3(b).

**Part II—Allowable Credit**

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file Form 3800, General Business Credit.

**Who must file Form 3800.** You must file Form 3800 if you have:

- A work opportunity credit from a passive activity;
- More than one credit included in the general business credit (other than a credit from Form 8844, Form 6478, or Section B of Form 8835); or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

**Line 8e**

Include on line 8e any amounts claimed on:

- Form 8834, Qualified Electric Vehicle Credit, line 20,
- Form 8910, Alternative Motor Vehicle Credit, line 18, and
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit, line 19.

**Line 11**

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

**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. Enter on line 12 the TMT from the line shown below.

- Individuals: Form 6251, line 33.
- Corporations: Form 4626, line 12.
- Estates and trusts: Form 1041, Schedule I, line 54.

**Line 15**

If you cannot use all of the credit because of the tax liability limit (line 14 is smaller than line 4), carry the unused credit back 1 year then forward 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 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., 58 min.
- Learning about the law or the form** . . . . . 1 hr., 12 min.
- Preparing and sending the form to the IRS** . . . . . 1 hr., 20 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.

# Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits

▶ See separate instructions.

**Job applicant: Fill in the lines below and check any boxes that apply. Complete only this side.**

Your name \_\_\_\_\_ Social security number ▶ \_\_\_\_\_

Street address where you live \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

Telephone number (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

If you are under age 25, enter your date of birth (month, day, year) \_\_\_\_/\_\_\_\_/\_\_\_\_

## Work Opportunity Credit

- 1  Check here if you are a Hurricane Katrina employee. Enter the address of your main home on August 28, 2005, and the state and county or parish in which it was located.
- 2  Check here if you received a conditional certification from the state employment security agency (SESA) or a participating local agency for the work opportunity credit.
- 3  Check here if **any** of the following statements apply to you.
- I am a member of a family that has received assistance from Temporary Assistance for Needy Families (TANF) for any 9 months during the last 18 months.
  - I am a veteran and a member of a family that received food stamps for at least a 3-month period within the last 15 months.
  - I was referred here by a rehabilitation agency approved by the state, an employment network under the Ticket to Work program, or the Department of Veterans Affairs.
  - I am at least age 18 but **not** age 25 or older and I am a member of a family that:
    - a Received food stamps for the last 6 months **or**
    - b Received food stamps for at least 3 of the last 5 months, **but** is no longer eligible to receive them.
  - Within the past year, I was convicted of a felony or released from prison for a felony **and** during the last 6 months I was a member of a low-income family.
  - I received supplemental security income (SSI) benefits for any month ending within the last 60 days.

## Welfare-to-Work Credit

- 4  Check here if you received a conditional certification from the SESA or a participating local agency for the welfare-to-work credit.
- 5  Check here if you are a member of a family that:
- Received TANF payments for at least the last 18 months, **or**
  - Received TANF payments for any 18 months beginning after August 5, 1997, **and** the earliest 18-month period beginning after August 5, 1997, ended within the last 2 years, **or**
  - Stopped being eligible for TANF payments within the last 2 years because federal or state law limited the maximum time those payments could be made.

## All Applicants

Under penalties of perjury, I declare that I gave the above information to the employer on or before the day I was offered a job, and it is, to the best of my knowledge, true, correct, and complete.

**Job applicant's signature** ▶ \_\_\_\_\_

**Date** \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**For Employer's Use Only**

Employer's name \_\_\_\_\_ Telephone no. ( ) - EIN ▶ \_\_\_\_\_

Street address \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

Person to contact, if different from above \_\_\_\_\_ Telephone no. ( ) - \_\_\_\_\_

Street address \_\_\_\_\_

City or town, state, and ZIP code \_\_\_\_\_

If, based on the individual's age and home address, he or she is a member of group 4 or 6 (as described under Members of Targeted Groups in the separate instructions), enter that group number (4 or 6) . . . . . ▶ \_\_\_\_\_

Date applicant: Gave information \_\_\_\_/\_\_\_\_/\_\_\_\_ Was offered job \_\_\_\_/\_\_\_\_/\_\_\_\_ Was hired \_\_\_\_/\_\_\_\_/\_\_\_\_ Started job \_\_\_\_/\_\_\_\_/\_\_\_\_

**Complete Only If Box 1 on Page 1 is Checked**

State and county or parish of job \_\_\_\_\_

Check if the individual was not my employee on August 28, 2005 and this is the first time the employee has been hired by me since August 28, 2005.

Under penalties of perjury, I declare that the applicant completed this form on or before the day a job was offered to the applicant and that the information I have furnished is, to the best of my knowledge, true, correct, and complete. Based on the information the job applicant furnished on page 1, I believe the individual is a member of a targeted group or a long-term family assistance recipient. I hereby request a certification that the individual is a member of a targeted group or a long-term family assistance recipient.

**Employer's signature ▶** \_\_\_\_\_ **Title** \_\_\_\_\_ **Date** \_\_\_\_/\_\_\_\_/\_\_\_\_

**Privacy Act and Paperwork Reduction Act Notice**

Section references are to the Internal Revenue Code. Section 51(d)(12) permits a prospective employer to request the applicant to complete this form and give it to the prospective employer. The information will be used by the employer to complete the employer's federal tax return. Completion of this form is voluntary and may assist members of targeted groups and long-term family assistance recipients in securing employment. Routine uses of this form include giving it to the state employment security agency (SESA), which will contact appropriate sources to confirm that the applicant is a member of a targeted group or a long-term family assistance recipient. This form may also be given to the Internal Revenue Service

for administration of the Internal Revenue laws, to the Department of Justice for civil and criminal litigation, to the Department of Labor for oversight of the certifications performed by the SESA, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

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** . . . . . 5 hrs., 30 min.  
**Learning about the law or the form** . . . . . 24 min.  
**Preparing and sending this form to the SESA** . . . . . 30 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. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224.

Do not send this form to this address. Instead, see *When and Where To File* in the separate instructions.



# Instructions for Form 8850



Department of the Treasury  
Internal Revenue Service

(Rev. January 2006)

## Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits

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

### General Instructions

#### What's New

- The work opportunity credit and the welfare-to-work credit are now allowed for qualified individuals who begin work for you before January 1, 2006.



*These credits may be extended with respect to employees who began work for you after December 31, 2005. See *What's Hot in Tax Forms, Pubs, and Other Tax Products* at [www.irs.gov/formspubs](http://www.irs.gov/formspubs) to find out if the credits have been extended.*

- The Katrina Emergency Relief Act of 2005 added a new targeted group, Hurricane Katrina employee, identified as group 9.

#### Purpose of Form

Employers use Form 8850 to pre-screen and to make a written request to a state employment security agency (SESA) (unless the employee checks only the Hurricane Katrina employee box) to certify an individual as:

- A member of a targeted group for purposes of qualifying for the work opportunity credit or
- A long-term family assistance recipient for purposes of qualifying for the welfare-to-work credit.

Submitting Form 8850 to the SESA (unless the employee checks only the Hurricane Katrina employee box) is but one step in the process of qualifying for the work opportunity credit or the welfare-to-work credit. The SESA must certify the job applicant is a member of a targeted group or is a long-term family assistance recipient. After starting work, the employee must meet the minimum number-of-hours-worked requirement for the work opportunity credit or the minimum number-of-hours, number-of-days requirement for the welfare-to-work credit. The employer may elect to take the applicable credit by filing Form 5884, Work Opportunity Credit, or Form 8861, Welfare-to-Work Credit.



*The certification requirements described above do not apply to Hurricane Katrina employees. For an employer of a Hurricane Katrina employee, this form is used to accept reasonable evidence that the worker is a Hurricane Katrina employee. It is the employer's responsibility to ascertain that the place where the employee lived on August 28, 2005, (the address on line 1 of the form) is in fact in the core disaster area (see pages 2 and 3 for a list of these*

*areas). The employer is not required to ask employees to furnish any documentary evidence.*

#### Who Should Complete and Sign the Form

The job applicant gives information to the employer on or before the day a job offer is made. This information is entered on Form 8850. Based on the applicant's information, the employer determines whether or not he or she believes the applicant is a member of a targeted group (as defined under Members of Targeted Groups) or a long-term family assistance recipient (as defined under Welfare-to-Work Job Applicants). If the employer believes the applicant is a member of a targeted group or a long-term family assistance recipient, the employer completes the rest of the form no later than the day the job offer is made. Both the job applicant and the employer must sign Form 8850 no later than the date for submitting the form to the SESA.

### Instructions for Employer

#### When and Where To File

Do not file Form 8850 with the Internal Revenue Service. Instead, if required, file it with the work opportunity tax credit (WOTC) coordinator for your SESA no later than the 21st day after the job applicant begins work for you. Although electronic filing of Form 8850 is permitted, at the time these instructions were published, no state was equipped to receive Form 8850 electronically. See Announcement 2002-44 for details. You can find Announcement 2002-44 on page 809 of Internal Revenue Bulletin 2002-17 at [www.irs.gov/pub/irs-irbs/irb02-17.pdf](http://www.irs.gov/pub/irs-irbs/irb02-17.pdf).

To get the name, address, phone and fax numbers, and email address of the WOTC coordinator for your SESA, visit the Department of Labor Employment and Training Administration (ETA) web site at [www.ows.doleta.gov/employ/tax.asp](http://www.ows.doleta.gov/employ/tax.asp).



*Never include Form 8850 with a tax return or otherwise send it to the IRS, regardless of the employee's targeted group. Form 8850 should be filed with the state SESA unless the employee checks only the Hurricane Katrina employee box, in which case the employer should keep the Form 8850 for its records.*

## Additional Requirements for Certification

In addition to filing Form 8850, you must complete and send to your state's WOTC coordinator either:

- ETA Form 9062, Conditional Certification Form, if the job applicant received this form from a participating agency (e.g., the Jobs Corps) or
- ETA Form 9061, Individual Characteristics Form, if the job applicant did not receive a conditional certification.

You can get ETA Form 9061 from your local public employment service office or you can download it from the ETA web site at [www.ows.doleta.gov/employ/tax.asp](http://www.ows.doleta.gov/employ/tax.asp).

## Recordkeeping

Keep copies of Forms 8850, along with any transmittal letters that you submit to your SESA, as long as they may be needed for the administration of the Internal Revenue Code provisions relating to the work opportunity credit and the welfare-to-work credit. Records that support these credits usually must be kept for 3 years from the date any income tax return claiming the credits is due or filed, whichever is later.



**Hurricane Katrina employee.** *Form 8850 should not be filed with the state SESA for employees who only check box 1 on Form 8850. Employers should keep Form 8850 for their records. If a prior version of Form 8850 was sent to the state SESA indicating the employee is a Hurricane Katrina employee, the employer and employee should complete this version of Form 8850 for the employer to retain for its records. Do not attach Form 8850 to a tax return.*

## Members of Targeted Groups

A job applicant may be certified as a member of a targeted group if he or she is described in one of the following groups.

1. **Qualified IV-A recipient.** A member of a family receiving assistance under a state plan approved under part A of title IV of the Social Security Act relating to Temporary Assistance for Needy Families (TANF). The assistance must be received for any 9 months during the 18-month period that ends on the hiring date.
2. **Qualified veteran.** A veteran who is a member of a family receiving assistance under the Food Stamp program for at least a 3-month period during the 15-month period ending on the hiring date. See section 51(d)(3). To be considered a veteran, the applicant must:
  - Have served on active duty (not including training) in the Armed Forces of the United States for more than 180 days or have been discharged or released from active duty for a service-connected disability and
  - Not have a period of active duty (not including training) of more than 90 days that ended during the 60-day period ending on the hiring date.
3. **Qualified ex-felon.** An ex-felon who:
  - Has been convicted of a felony under any Federal or state law,
  - Is hired not more than 1 year after the conviction or release from prison for that felony, and

- Is a member of a family that had income on an annual basis of 70% or less of the Bureau of Labor Statistics lower living standard during the 6 months immediately preceding the earlier of the month the income determination occurs or the month in which the hiring date occurs.

4. **High-risk youth.** An individual who is at least 18 but not yet 25 on the hiring date and lives within an empowerment zone, enterprise community, or renewal community.

5. **Vocational rehabilitation referral.** An individual who has a physical or mental disability resulting in a substantial handicap to employment and who was referred to the employer upon completion of (or while receiving) rehabilitation services by a rehabilitation agency approved by the state, an employment network under the Ticket to Work program, or the Department of Veterans Affairs.

6. **Summer youth employee.** An individual who:

- Performs services for the employer between May 1 and September 15,
- Is age 16 but not yet age 18 on the hiring date (or if later, on May 1),
- Has never worked for the employer before, and
- Lives within an empowerment zone, enterprise community, or renewal community.

7. **Food stamp recipient.** An individual who:

- Is at least age 18 but not yet age 25 on the hiring date, and
- Is a member of a family that—
  - a. Has received food stamps for the 6-month period ending on the hiring date or
  - b. Is no longer eligible for such assistance under section 6(o) of the Food Stamp Act of 1977, but the family received food stamps for at least 3 months of the 5-month period ending on the hiring date.

8. **SSI recipient.** An individual who is receiving supplemental security income benefits under title XVI of the Social Security Act (including benefits of the type described in section 1616 of the Social Security Act or section 212 of Public Law 93-66) for any month ending within the 60-day period ending on the hiring date.

9. **Hurricane Katrina employee.** A Hurricane Katrina employee is:

- A person who, on August 28, 2005, had a main home in the core disaster area and, within a two-year period beginning on this date, is hired to perform services principally in the core disaster area; or
- A person who, on August 28, 2005, had a main home in the core disaster area, was displaced from the main home as a result of Hurricane Katrina, and was hired during the period beginning on August 28, 2005, and ending on December 31, 2005, for a job located outside the core disaster area.

**Gulf Opportunity (GO) Zone (Core Disaster Area).** The GO Zone (also called the core disaster area) covers the portion of the Hurricane Katrina disaster area determined by the Federal Emergency Management Agency (FEMA) to be eligible for either individual only or both individual and public assistance from the Federal

Government. The GO Zone covers the following areas in three states.

a. **Alabama.** The counties of Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington.

b. **Louisiana.** The parishes of Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana.

c. **Mississippi.** The counties of Adams, Amite, Attala, Choctaw, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Holmes, Humphreys, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

**Empowerment zones, enterprise communities, and renewal communities.** For details on all empowerment zones, enterprise communities, and renewal communities, you can use the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator). For details about empowerment zones, enterprise communities, and renewal communities, call 1-800-998-9999, or contact your SESA. For more information about empowerment zones, enterprise communities, and renewal

communities, see Publication 954, Tax Incentives for Distressed Communities.



*Under section 1400, parts of Washington, DC, are treated as an empowerment zone. For details, use the RC/EZ/EC Address Locator at [www.hud.gov/crlocator](http://www.hud.gov/crlocator) or see Notice 98-57, on page 9 of Internal Revenue Bulletin 1998-47 at [www.irs.gov/pub/irs-irbs/irb98-47.pdf](http://www.irs.gov/pub/irs-irbs/irb98-47.pdf). Also, there are no areas designated in Puerto Rico, Guam, or any U.S. possession.*

## Welfare-to-Work Job Applicants

An individual may be certified as a long-term family assistance recipient if he or she is a member of a family that:

- Has received TANF payments for at least 18 consecutive months ending on the hiring date, or
- Receives TANF payments for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997, ended within the last 2 years, or
- Stopped being eligible for TANF payments because Federal or state law limits the maximum period such assistance is payable and the individual is hired not more than 2 years after such eligibility ended.

### Member of a family

With respect to the qualified IV-A recipient, qualified veteran, food stamp recipient, and long-term family assistance recipient, an individual whose family receives assistance for the requisite period meets the family assistance requirement of the applicable group if the individual is included on the grant (and thus receives assistance) for some portion of the specified period.

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return.**

Name(s) shown on return

Identifying number

**Part I Current Year Credit**

<p><b>1</b> Enter on the applicable line below the qualified first- or second-year wages paid or incurred during the tax year and multiply by the percentage shown for services of employees who began work for you before January 1, 2006, and are certified as long-term family assistance recipients. Members of a controlled group, see instructions.</p>																		
<b>a</b>	Qualified first-year wages . . . . . \$ . . . . . × 35% (.35)	<b>1a</b>																
<b>b</b>	Qualified second-year wages . . . . . \$ . . . . . × 50% (.50)	<b>1b</b>																
<b>2</b>	Add lines 1a and 1b. You <b>must</b> subtract this amount from your deduction for salaries and wages	<b>2</b>																
<b>3</b>	<table border="1"> <tr> <td>Welfare-to-work credits from pass-through entities:</td> <td>If you are a—</td> <td>Then enter the total of the credits from—</td> </tr> <tr> <td><b>a</b> Shareholder . . . . .</td> <td></td> <td>Schedule K-1 (Form 1120S), box 13, code F, G, or K</td> </tr> <tr> <td><b>b</b> Partner. . . . .</td> <td></td> <td>Schedule K-1 (Form 1065), box 15, code F, G, or K</td> </tr> <tr> <td><b>c</b> Beneficiary . . . . .</td> <td></td> <td>Schedule K-1 (Form 1041), box 13, code G. . . . .</td> </tr> <tr> <td><b>d</b> Patron . . . . .</td> <td></td> <td>Written statement from cooperative . . . . .</td> </tr> </table>	Welfare-to-work credits from pass-through entities:	If you are a—	Then enter the total of the credits from—	<b>a</b> Shareholder . . . . .		Schedule K-1 (Form 1120S), box 13, code F, G, or K	<b>b</b> Partner. . . . .		Schedule K-1 (Form 1065), box 15, code F, G, or K	<b>c</b> Beneficiary . . . . .		Schedule K-1 (Form 1041), box 13, code G. . . . .	<b>d</b> Patron . . . . .		Written statement from cooperative . . . . .	<b>3</b>	
Welfare-to-work credits from pass-through entities:	If you are a—	Then enter the total of the credits from—																
<b>a</b> Shareholder . . . . .		Schedule K-1 (Form 1120S), box 13, code F, G, or K																
<b>b</b> Partner. . . . .		Schedule K-1 (Form 1065), box 15, code F, G, or K																
<b>c</b> Beneficiary . . . . .		Schedule K-1 (Form 1041), box 13, code G. . . . .																
<b>d</b> Patron . . . . .		Written statement from cooperative . . . . .																
<b>4</b>	<b>Current year credit.</b> Add lines 2 and 3. (S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions.) . . . . .	<b>4</b>																

**Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)**

<b>5</b>	Regular tax before credits:		
	• Individuals. Enter the amount from Form 1040, line 44 . . . . .	}	<b>5</b>
	• 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 . . . . .		
<b>6</b>	Alternative minimum tax:		
	• Individuals. Enter the amount from Form 6251, line 35 . . . . .	}	<b>6</b>
	• Corporations. Enter the amount from Form 4626, line 14 . . . . .		
	• Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56 . . . . .		
<b>7</b>	Add lines 5 and 6 . . . . .	<b>7</b>	
<b>8a</b>	Foreign tax credit . . . . .	<b>8a</b>	
<b>b</b>	Credits from Form 1040, lines 48 through 54. . . . .	<b>8b</b>	
<b>c</b>	Possessions tax credit (Form 5735, line 17 or 27) . . . . .	<b>8c</b>	
<b>d</b>	Nonconventional source fuel credit (Form 8907, line 23) . . . . .	<b>8d</b>	
<b>e</b>	Other specified credits (see instructions) . . . . .	<b>8e</b>	
<b>f</b>	Add lines 8a through 8e. . . . .	<b>8f</b>	
<b>9</b>	Net income tax. Subtract line 8f from line 7. If zero, skip lines 10 through 13 and enter -0- on line 14 . . . . .	<b>9</b>	
<b>10</b>	Net regular tax. Subtract line 8f from line 5. If zero or less, enter -0- . . . . .	<b>10</b>	
<b>11</b>	Enter 25% (.25) of the excess, if any, of line 10 over \$25,000 (see instructions) . . . . .	<b>11</b>	
<b>12</b>	Tentative minimum tax (see instructions):		
	• Individuals. Enter the amount from Form 6251, line 33 . . . . .	}	<b>12</b>
	• Corporations. Enter the amount from Form 4626, line 12 . . . . .		
	• Estates and trusts. Enter the amount from Form 1041, Schedule I, line 54 . . . . .		
<b>13</b>	Enter the greater of line 11 or line 12 . . . . .	<b>13</b>	
<b>14</b>	Subtract line 13 from line 9. If zero or less, enter -0- . . . . .	<b>14</b>	
<b>15</b>	<b>Credit allowed for the current year.</b> Enter the <b>smaller</b> of line 4 or line 14 here and on Form 1040, line 55; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 14 is smaller than line 4, see instructions	<b>15</b>	



## General Instructions

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

### What's New

The credit is not allowed with respect to wages for services of employees who began work for you after December 31, 2005.

### Purpose of Form

Use Form 8861 to claim the welfare-to-work credit for wages you paid to or incurred for long-term family assistance recipients during the tax year. The credit is 35% of qualified first-year wages and 50% of qualified second-year wages paid or incurred during the tax year.

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

### How To Claim the Credit

To claim the welfare-to-work credit, 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 long-term family assistance recipient. You must receive the certification by the day the individual begins work, or you must complete Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, 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 21st 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 after the date you receive the notice of revocation do not qualify for the credit.

**Long-term family assistance recipient.** An employee may be certified as a long-term family assistance recipient if the employee is a member of a family that:

- Received assistance payments from Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hiring date,
- Received assistance payments from TANF for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the employee is hired not more than 2 years after the end of the earliest 18-month period, or
- After August 5, 1997, stopped being eligible for assistance payments from TANF because federal or state law limits the maximum period such assistance is payable, and the employee is hired not more than 2 years after the date the eligibility for such assistance ended.

### Additional Information

For more details, see Pub. 954, Tax Incentives for Distressed Communities, and section 51A.

## Specific Instructions

### Part I—Current Year Credit

**Note.** If you only have a credit allocated to you from a pass-through entity, skip lines 1 and 2 and go to line 3.

### Line 1

Enter on the applicable line and multiply by the percentage shown the total qualified first-year or second-year wages paid or incurred to employees certified as long-term family assistance recipients. Qualified first-year wages are qualified wages you paid or incurred for work performed during the 1-year period beginning on the date the certified individual begins work for you. Qualified second-year wages are qualified wages you paid or incurred for work performed during the 1-year period beginning on the day after the last day of the first-year wage period. The amount of qualified first-year wages, and the amount of qualified second-year wages, which may be taken into account for any employee is limited to \$10,000 per year.

### Qualified Wages

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). For agricultural employees, 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.

Qualified wages also include the following amounts you paid or incurred for the employee that are excludable from the employee's gross income.

- Premiums and other amounts you paid or incurred under an accident and health plan excluded under section 105 or 106 (the amount must be based on the reasonable cost of coverage, but may not exceed the "applicable premium" under section 4980B(f)(4)).
- Educational assistance excluded under section 127, if paid or incurred to a person not related to the employer.
- Dependent care benefits excluded under section 129.

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

- The employee did not work for you for at least 400 hours or 180 days,
- The employee worked for you previously,
- 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 any employee during any period for which you received payment for the employee from a federally funded on-the-job training program, and
- Wages for services of replacement workers during a strike or lockout at a plant or facility.

**Successor employer.** For successor employers, the 1-year period begins on the date the employee first began work for the previous employer and any qualified first-year wages paid by the successor employer are reduced by the qualified first-year wages paid 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/her trade or business an individual who was employed immediately prior to the acquisition in the trade or business of the previous employer.

**Special instructions for controlled group members.** The group member proportionately contributing the greatest first-year wages figures the group credit in Part I and skips Part II. See sections 52(a) and 1563. On separate Forms 8861, that member and every other member of the group should skip line 1 and enter its share of the group credit on line 2. Each member then completes lines 3, 4, and 5 through 15 (or Form 3800, if required) on its separate form. Each member must attach to its Form 8861 a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualifying wages.

**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.

The exceptions to this rule are as follows.

- If you capitalized any salaries and wages on which you figured the credit, reduce the amount capitalized by the amount of the credit on those salaries and wages.
- You used the full absorption method of inventory costing which required you to reduce your basis in inventory for the credit.

If either of the above exceptions applies, attach a statement explaining why the amount on line 2 differs from the amount by which you reduced your deduction.

**Line 3**

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron of a cooperative.

**Line 4**

**S corporations and partnerships.** Allocate the credit on line 4 among the shareholders and partners. Attach Form 8861 to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

**Estates and trusts.** Allocate the credit on line 4 between the estate or trust and the beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

**Cooperatives.** Most tax-exempt organizations cannot take the credit. However, a cooperative described in section 1381(a) takes the credit to the extent it has tax liability. Any excess is shared among its patrons.

**Regulated investment companies and real estate investment trusts.** Reduce the allowable credit to the company's or trust's ratable share of the credit. For details, see Regulations section 1.52-3(b).

**Part II—Allowable Credit**

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file Form 3800, General Business Credit.

**Who must file Form 3800.** You must file Form 3800 if you have:

- A welfare-to-work credit from a passive activity,
- More than one credit included in the general business credit (other than a credit from Form 8844, Form 6478, or Section B of Form 8835), or

- A carryback or carryforward of any of those credits. See the instructions for Form 3800 to find out which credits are included in the general business credit.

**Line 8e**

Include on line 8e any amounts claimed on:

- Form 8834, Qualified Electric Vehicle Credit, line 20,
- Form 8910, Alternative Motor Vehicle Credit, line 18, and
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit, line 19.

**Line 11**

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

**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 15**

If you cannot use all of the credit because of the tax liability limit (line 14 is smaller than line 4), carry the unused credit back 1 year then forward 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 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.

<b>Recordkeeping</b> . . . . .	6 hr., 42 min.
<b>Learning about the law or the form</b> . . . . .	1 hr., 35 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	1 hr., 46 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.

Individual Characteristics Form  
Work Opportunity and Welfare-to-Work Tax Credits

U.S Department of Labor  
Employment and Training Administration

1. CONTROL NO. (For Agency Use Only)		OMB Control No. 1205-0371 <b>Individual Information</b> (Instructions on the Back)		2. DATE RECEIVED (For Agency Use Only)	
3. EMPLOYER NAME/ADDRESS		4. EMPLOYER FEDERAL ID No.		5. EMPLOYMENT START DATE:  Starting Wage: \$ _____ per hour  POSITION:	
		6. Have you worked for the above employer before?  Yes ___ No ___			
7. NAME OF INDIVIDUAL (Last, First, Middle)				8. SOCIAL SECURITY NUMBER:	
The above named individual is determined to have the following characteristics for WOTC Target Group Certification:					
9. Age is between 16 - 25?  Yes ___ No ___  If YES, indicate your "Date of Birth" below: Date of Birth: _____		10. Is a veteran and a member of a family that received Food Stamps for a period of at least 3 months in the last 15 months.  Yes ___ No ___ If YES, also complete Box 17.		11. Is a member of a family that received AFDC (TANF) benefits for any 9 months in the last 18 months.  Yes ___ No ___ If YES, also complete Box 17.	
12. Is a member of a family that received Food Stamps for the last 6 months.  Yes ___ No ___ or  for at least a 3-month period within the last 5 months, BUT is no longer receiving them?  Yes ___ No ___  If YES, to either, also complete Box 17.		13. In the past year has been <u>convicted</u> of a felony or <u>released</u> from prison after a felony conviction.  Yes ___ No ___  If Yes, complete below.  Date of Conviction _____  Date of Release _____  Total income for the 6 months prior to hire date for all family members living in the same household.  Total Income: _____  (If No income, enter 0 above)  No. of family members living in the same household for the 6 mos., prior to hire date, including yourself:  _____		14. Lives and plans to continue living in a Federal Empowerment Zone, Enterprise or Renewal Community.  Yes ___ No ___	
15. Is receiving or has received Rehabilitation Services through a State Rehabilitation Services program or the Veterans' Administration.  Yes ___ No ___				16. Received Supplemental Security Income (SSI) benefits for any month ending within the last 60 days.  Yes ___ No ___	
				17. If individual is not a primary recipient of benefits, please provide the following: _____ Name of Primary Recipient _____ City/State of Benefits	
This section is to be completed by individuals starting to work after December 31, 1997, under the Welfare-to-Work Tax Credit only.					
18. Is a member of a family that:					
<ul style="list-style-type: none"> <li>• Has received AFDC/TANF payments for at least the last 18 consecutive months; <span style="float: right;">Yes ___ No ___ or</span></li> <li>• Has received/is receiving AFDC/TANF payments for any 18 months starting after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997, ended within the last 2 years, or <span style="float: right;">Yes ___ No ___ or</span></li> <li>• Stopped being eligible for AFDC/TANF payments within the last 2 year because Federal or state law limited the maximum time those payments could be made. <span style="float: right;">Yes ___ No ___</span></li> </ul>					
19. SOURCES USED TO DOCUMENT ELIGIBILITY:					
<b>Note.</b> I certify that the information is true and correct to the best of my knowledge. I understand, that the information above may be subject to verification. The signature of the party completing this form is required below.					
20. SIGNATURE:				21. DATE:	

INSTRUCTIONS FOR COMPLETING THE INDIVIDUAL CHARACTERISTICS FORM (ICF), ETA Form 9061. This form is used in conjunction with IRS Form 8850 to determine eligibility for the Work Opportunity and Welfare-to-Work-Tax Credits. The form may be completed by the applicant, the employer or employer representative/consultant, the SWA/DLA or the participating agency and signed by the person or agency filling out this form. This form is required to be used without modification by all employers and/or their representatives.

- Box 1: **Control Number (for agency use only).** The SWA/DLA or participating agency determines the Control Number. It may be a Social Security number, case number, or other appropriate designation which permits easy filing, identification and retrieval of forms. Enter this number here.
- Box 2: **Date (for agency use only).** Enter the month, day, and year when the form is received.
- Box 3: **Employer Name/Address.** Enter the name and address including zip code and telephone number of the employer applying for a WOTC Employer Certification.
- Box 4: **Employer Federal ID No..** Enter employer's federal taxpayer identification number.
- Box 5: **Employment Start Date/Wage/Position or Title.** Enter the employment start date, the starting hourly wage which the employee will be paid. If not known, enter an estimated wage to be paid. Also, enter the job or position title, which the individual or prospective employee will be performing for this employer.
- Box 6: **Previous Employment for This Employer.** This requires a YES or NO answer. Enter a check mark (✓) in the corresponding blank.
- Box 7: **Name of Individual.** Enter full name of individual or prospective employee.
- Box 8: **Social Security Number.** Enter individual's social security number here.
- Boxes 9 through 16 **Read each box carefully.** Enter a check mark (✓) to indicate if your answer is a YES or a NO. Provide additional information where requested for either the WOTC or the WtW tax credit's target group eligibility.
- Box 17: **Name and Address.** Enter name and address of individual who is not a primary recipient of benefits.
- Box 19: **Sources to Document Eligibility.** List and/or describe the documentary\* evidence or sources of collateral contacts that are attached to this form (ICF) or that will be provided. Indicate in parentheses, next to each document listed whether it is attached or forthcoming. Some examples are provided below. Employers may also obtain a letter from the agency that administers a relevant program, stating that the employee or a member of his/her household meets one of the eligibility requirements.

**Examples of Documentary Evidence or Collateral Contacts.**

**AGE/BIRTHDATE:**

(Required for High-Risk, Summer Youth & FStamp)  
 . Birth Certificate  
 . Driver's License  
 . School I.D. Card\*

**EX-FELON STATUS:**

. Work Permit  
 . Parole Officer's Name  
 . Federal/State/Local Gov't I.D.\*  
 . Corrections Institution Records  
 . Court Records, Extracts

**FAMILY INCOME:**

(required for Ex-felons)  
 . Pay Stubs  
 . Employer Contacts  
 . W-2 Forms  
 . UI Documents  
 . Public Assistance Records of No. of Months Benefits were received.  
 . Family members' statements  
 . Parole officer's name

**SSI RECIPIENT**

. SSI Record or Authorization.  
 . SSI Contact  
 . Evidence of SSI Payments

**NUMBER IN FAMILY:**

. Public Assistance  
 . Social Services Agencies

**Examples Continued:**

**VETERANS' STATUS**

DD-214  
 Reserve Unit Contacts  
 Discharge Papers

**VOCATIONAL REHABILITATION REFERRAL:**

Voc. Rehab. Agency Contact  
 Signed statement from authorized individual w/specific description of months benefits received  
 Veterans' Adm. Records

**AFDC/TANF & LONG-TERM ASSISTANCE RECIPIENT:**

AFDC/TANF Benefits' History  
 Signed statement from authorized individual with specific description of months benefits received  
 Case Number Identifier

**FOOD STAMP (FS) RECIPIENT**

FS Benefit History  
 Case No. Identifier  
 Signed statement frm authorized individual w/ specific description of months benefits received

**EMPOWERMENT ZONES/ENTERPRISE, RENEWAL COMMUNITIES:**

Driver's License  
 Work Permit  
 Utility Bills  
 Signed statement from authorized individual w/ specific address  
 Lease Document  
 Voter Registration Card  
 Food Stamp Award Ltr  
 Social Security Agency Records  
 Library Card\*\*  
 Landlord's Statement  
 Letter from SSA  
 School Records  
 Medical/Medicare Card  
 Property Tax Record  
 Public assistance records  
 Rent Receipts  
 School I.D. Card\*  
 W-4  
 Selective service registration card

**NOTE:** This list is not an exhaustive list. For more information, contact your WOTC public State Workforce Agency.

\* Where any item of documentation such as a Federal I.D. Card does not contain age or birth date, the SWA./DLA must obtain another documentary source to verify the individual's age.

\*\* Where any item of documentary evidence, such as library card does not contain the holder's address. The SWA/DLA must obtain documentary evidence issued in the jurisdiction where the EZ/EC or RC is located showing the holder's address.

Box 20. **Signature.** If applicant completes this form, he/she must enter signature here. If applicant is a minor, the parent or guardian should sign this box. If form is completed by the employer or his/her representative, enter corresponding signature here. If form was completed by the intake staff of a SWA/DLA or participating agency, enter corresponding signature in this box.

Box 21. **Date.** Enter month, day and year when the form was completed.

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Persons are not required to respond to this collection of information unless it displays a currently valid OMB Control number. Respondent's obligation to reply to these requirements is required to obtain and retain benefits per P.L. 104-188. Public reporting burden for this collection of information is estimated to average 20 minutes per response including the time for reading instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to the U.S. Department of Labor, U.S. Employment Service, Room C-4514, Washington, D.C. 20210 (Paperwork Reduction Project 1205-0371).

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.....  
(Cut along dotted line and keep in your files)

TO THE JOB APPLICANT OR EMPLOYEE:

THE INFORMATION AND THE SUPPORTING DOCUMENTATION YOU HAVE PROVIDED IN COMPLETING THIS FORM --OR IN SOME CASES OTHER INFORMATION THAT COULD VERIFY THE RESPONSES YOU HAVE GIVEN TO THE ITEMS/QUESTIONS IN THIS FORM-- WILL BE DISCLOSED BY YOUR EMPLOYER TO THE STATE WORKFORCE AGENCY (SWA) [ENTER CORRESPONDING SWA NAME HERE] \_\_\_\_\_  
\_\_\_\_\_ IN ORDER TO QUALIFY FOR A FEDERAL EMPLOYER TAX CREDIT.  
PROVISION OF THIS INFORMATION IS VOLUNTARY. HOWEVER, THE INFORMATION IS REQUIRED FOR YOUR EMPLOYER TO RECEIVE THE FEDERAL TAX CREDIT. IF THE INFORMATION YOU PROVIDE IS ON A MEMBER OF YOUR FAMILY, YOU SHOULD PROVIDE HIM/HER A COPY OF THIS NOTICE.