

ESTIMATE - PENDING CPA CONFIRMATION

IRS Form 8846

Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips (IRC §45B)

Tax Year: 2025

Filing entity: Sample Bistro Group LLC (SAMPLE DATA)

EIN: 99-0001234

Generated: Feb 10, 2026

Figures below are mapped to the official line numbers. Blank lines are completed by you or your CPA.

FILING SUMMARY

FICA Tip Credit (IRC §45B)

\$1,969

How to file: enter on Form 8846 line 6 -> Form 3800, Part III, line 4f

Section 280C addback: \$1,969 reduction to the employer FICA-tax deduction

ESTIMATE ONLY - NOT TAX ADVICE. P.A.I.D. is a software calculation tool, not a CPA, tax preparer, or law firm, and does not prepare, sign, or file returns. Figures are automated estimates from the data you provided and must be independently reviewed, verified, and filed by your own licensed tax professional. No accountant-client relationship is created. No credit is guaranteed.

Eligibility - Statutory Gates

Each controlling bright-line test, with the authority cited. All must hold.

1. Food or beverage establishment

Per industry & attestation

Tips received for providing, serving, or delivering food/beverages, where tipping is customary.

Authority: IRC §45B(b)(2)

2. Employer paid FICA on the tips

From payroll records

Employer remitted its 7.65% Social Security + Medicare share on the reported tips.

Authority: IRC §45B(a)

3. Tips above the minimum-wage floor

Applied per employee

Credit applies only to tips ABOVE the amount needed to reach \$5.15/hr - the federal minimum wage frozen as of 1/1/2007, NOT the current minimum wage.

Authority: IRC §45B(b)(1)(B)

4. No deduction double-benefit

Addback applied

Employer reduces its FICA-tax deduction by the credit amount.

Authority: IRC §45B(c); §280C(a)

Source Data & Traceability

Data provenance: Computed from the payroll register the taxpayer uploaded (ADP Excel/CSV) or the figures they entered. Figures are machine-generated with no manual overrides; P.A.I.D. has not audited or independently confirmed the underlying data.

Uploaded payroll register (ADP export)

Hours, regular wages, and reported tips per employee - tie-out: Worksheet below / Appendix A

Form 941 (all 4 quarters)

Social Security + Medicare wages & tips; employer FICA remitted - tie-out: Appendix B

Form W-2 / W-3 totals

Box 1 wages, Box 7 SS tips, Box 5 Medicare wages - tie-out: Appendix C

Tip records (Form 4070 / POS)

Employee-reported tips - tie-out: Appendix D

Reconciliation: Total reported tips in the worksheet below should tie to Form 941 Social Security tips (Box 5b) across all four quarters. Confirm against the filed 941s.

Calculation - Method (reproducible)

Step 1 Deemed wage floor = Hours worked x \$5.15 (federal min wage frozen 1/1/2007)
Step 2 Floor shortfall = max(0, Floor - cash wages paid)
Step 3 Tips applied to floor = min(Reported tips, Floor shortfall) [NOT creditable]
Step 4 Creditable tips = Reported tips - Tips applied to floor
Step 5 Credit = Creditable tips x 7.65%

The official IRS line mapping and per-employee detail follow below.

1	Tips received by employees on which you paid employer SS & Medicare taxes this year	\$48,400
2	Tips not subject to the credit (used to meet the federal minimum wage)	\$22,660
3	Creditable tips. Subtract line 2 from line 1	\$25,740
4	Multiply line 3 by 7.65% (0.0765)	\$1,969
5	Credit for employer SS & Medicare taxes on tips from partnerships and S corporations	
6	Add lines 4 and 5 - report on Form 3800, Part III, line 4f	\$1,969

Tip Credit Worksheet (supporting detail)

Employee	Total tips	Baseline wages	Creditable tips	Credit	Status
EMP-201	\$24,000	\$9,270.00	\$14,730.00	\$1,126.85	Creditable
EMP-202	\$15,500	\$7,725.00	\$7,775.00	\$594.79	Creditable
EMP-203	\$8,900	\$5,665.00	\$3,235.00	\$247.48	Creditable

Estimate generated free of charge. The success fee applies only after your CPA files and you mark the credit as filed/received.

Blank lines (and any worksheet-only lines) are completed by you or your CPA on the official IRS form. P.A.I.D. computes the lines it can from your payroll/financial data.

Industry: RESTAURANT.

Limitations & Interactions

- Section 280C addback (mandatory): the employer's FICA-tax deduction is reduced by the credit amount - no double benefit.
- Tipped-wage interaction: only tips above the \$5.15/hr floor are creditable. Employees paid at or above \$5.15 cash -> all tips creditable; below -> the floor fills first.
- No overlap with other credits: these tips/wages are not used for any other credit on the return (no double-counting against WOTC wages).
- General Business Credit limitation: this credit is a component of the GBC (IRC §38) and is limited by tax liability; unused amounts generally carry back 1 year and forward 20 (IRC §39). Pass-through entities flow the credit to owners via Schedule K-1.

Assumptions - Confirm Before Filing

Each figure rests on the assumptions below. If any is false, the credit changes - confirm each before filing.

- All reported tips in the payroll data are tips on which the employer actually paid its 7.65% FICA share.
- The \$5.15/hr (1/1/2007 frozen federal minimum), not the current minimum wage, is the correct floor for every employee.
- Cash wages used in the floor test exclude tips, and no employee crossed the Social Security wage base (above which the rate drops to 1.45%).

Responsibility Delineation

P.A.I.D. (software)

Computed the credit and assembled this packet from the payroll register the taxpayer uploaded (or the figures they entered). P.A.I.D. does not issue a tax opinion, attest to eligibility, or sign the return.

The taxpayer

Attests to the accuracy and completeness of the underlying facts - hours, wages, reported tips, premiums, plan, expenditure, and entity information.

The reviewing CPA of record

Independently reviews this packet, applies professional judgment, and is solely responsible for the decision to claim the credit and for signing the return.

Reliance by tax professionals: This packet is a software-generated estimate prepared from client-supplied data and is not a tax opinion. It is not intended to be relied upon by any tax professional as a substitute for that professional's own due diligence under Treasury Department Circular 230, including §10.22 (diligence as to accuracy) and §10.37 (requirements for written advice). The reviewing tax professional remains solely responsible for verifying all eligibility conditions, figures, and computations against source records and applicable law before preparing, signing, or filing any return.

Verify Before Filing

Open items P.A.I.D. cannot confirm from the data. Verify each against source records before filing.

- [] Total creditable tips tie to Form 941 Social Security tips (Box 5b) across all four quarters.
- [] The establishment is a food/beverage business where tipping is customary (IRC §45B(b)(2)).
- [] No employee's tips were also used toward WOTC qualified wages or another credit (no double-counting).
- [] The §280C FICA-tax deduction addback is reflected on the return.

Workpaper Appendix

- Appendix A - Per-employee creditable-tip worksheet (in this packet)
- Appendix B - Form 941 quarterly summary & employer-FICA tie-out (attach)
- Appendix C - W-3 / W-2 reconciliation (attach)
- Appendix D - Tip reporting summary, Form 4070 / POS export (attach)
- Appendix E - Draft Form 8846 (the line mapping in this packet)
- Appendix F - Authority excerpts: IRC §45B, §280C(a), Form 8846 instructions

Record-Retention Guide

- Keep the records that substantiate this credit for as long as they are material - in practice, at least 3 years after the return is filed (4 years for employment-tax records). IRC §6001; Treas. Reg. 1.6001-1.
- Retain the source payroll register / financial export this estimate was built from, plus the filed return and the supporting IRS forms in this packet.
- Keep employee tip reports (Form 4070 / POS), the filed Forms 941, and W-2/W-3 totals supporting the tips figure.
- If a large food/beverage establishment, retain Form 8027 and confirm it ties to the tips on Form 8846.

Important Notices

1. No professional relationship. P.A.I.D. is software. Receiving this packet does not create an accountant-client, attorney-client, or other professional or fiduciary relationship.
2. Estimates, not advice. Every figure is an automated estimate generated from data you supplied. It is informational only and is not tax, legal, accounting, or financial advice.
3. Your responsibility for accuracy. You are solely responsible for the accuracy and completeness of the data provided and for maintaining the records required to substantiate any credit claimed.
4. Independent CPA verification required. This packet is intended to be reviewed by your own licensed tax professional, who must independently verify every eligibility condition, figure, and computation against source records before any return is prepared, signed, or filed. P.A.I.D. does not prepare, sign, or file returns.
5. No guarantee of credit. Eligibility for and the amount of any credit depend on facts, law, and IRS or state determinations outside P.A.I.D.'s control. No estimated amount is guaranteed to be allowed or realized.
6. Data handling & privacy. This packet contains no employee names or Social Security numbers; individuals are referenced by anonymized labels. Treat it as confidential tax information; transmit it securely (e.g. encrypted download), not as an open email attachment.

Eligibility Attestation

- §45B: reported tip figures are accurate.

Attested by owner@samplebistro.example on 2026-02-10 from IP 203.0.113.42.