

FICA Tip Credit

If you have tipped employees and you paid Social Security or Medicare tax on the employees' tips, you could qualify for the FICA Tip Tax Credit.

Assuming your employees' tips exceed the federal minimum wage that you are required to pay FICA taxes on, you can recoup the extra taxes paid.

You'll need:
Employee W-2s

STEP 1: TOTAL HOURLY WAGE

Calculate each tipped employee's **hourly wage plus the employee's average tipped wages**. For example:



STEP 2: AMOUNT ELIGIBLE FOR FICA

Subtract the total hourly wage paid from the minimum wage. For tipped employees, **this figure is \$5.15**, even though the federal minimum wage has increased. This is the hourly amount that is eligible for the FICA Tip Tax Credit.



STEP 3: FINAL TAX CREDIT AMOUNT

Multiply the hourly amount by the FICA rate.

For every hour that the employee works, you can take a **38 cent credit**.



STEP 4:

Transfer this information to the **IRS Form 8846** and attach to your tax return.

The tip tax credit scenario is provided as an example only. The minimum cash wage in your state may be higher than \$2.13. FrankCrum does not provide reporting or filing service for this particular tax credit.