Form **8881**

(Rev. December 2013)

Department of the Treasury
Internal Revenue Service

Credit for Small Employer Pension Plan Startup Costs

▶ **Attach to your tax return.**

▶ **Information about Form 8881 and its instructions is at *www.irs.gov/form8881*.**

OMB No. 1545-1810

Attachment
Sequence No. **130**

Name(s) shown on return

Identifying number

1	Qualified startup costs incurred during the tax year. **Do not** enter more than $1,000	**1**	
2	Enter one-half of line 1	**2**	
3	Credit for small employer pension plan startup costs from partnerships and S corporations . .	**3**	
4	Add lines 2 and 3	**4**	
5	Enter the **smaller** of line 4 or **$500**. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, line 1j	**5**	

Cat. No. 33435N

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General Instructions

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

Future Developments

For the latest information about developments related to Form 8881 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form8881*.

Purpose of Form

Eligible small employers use Form 8881 to claim the credit for qualified startup costs incurred in establishing or administering an eligible employer plan.

The credit is allowed under section 45E and is part of the general business credit. You may elect, however, to have section 45E not apply for the tax year the credit is available by not claiming it on your tax return for that year.

Taxpayers, other than partnerships and S corporations, whose only source of this credit is from a partnership or S corporation, are not required to complete or file this form. Instead, they can report this credit directly on Form 3800.

How To Figure the Credit

For an eligible small employer, the credit is 50% of the qualified startup costs paid or incurred during the tax year. The credit is limited to $500 per year for the first credit year and each of the following 2 tax years. No credit is allowed for any other tax year.

Eligible small employer. To be an eligible small employer, you must have had no more than 100 employees during the tax year preceding the first credit year who received at least $5,000 of compensation from you during that tax year. However, you are not an eligible small employer if, during the 3 tax years preceding the first credit year, you established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the new qualified employer plan. See section 45E(c) for rules for controlled groups and predecessor employers.

Qualified startup costs. Qualified startup costs are expenses paid or incurred in connection with: **(a)** establishing or administering an eligible employer plan; or **(b)** the retirement-related education of employees about the plan.

Eligible employer plan. An eligible employer plan is a qualified employer plan (as defined in section 4972(d)) with at least one employee eligible to participate who is not a highly compensated employee. All eligible employer plans of the same employer are treated as one eligible employer plan.

First credit year. The first credit year generally is your tax year that includes the date that the eligible employer plan becomes effective. However, you may elect to have the preceding tax year be the first credit year, and claim the credit for qualified startup costs paid or incurred during that tax year. For example, a calendar-year eligible small employer whose eligible plan is first effective on January 1, 2014, may elect to treat 2013 as the first credit year and claim the credit on its 2013 tax return for qualified startup costs incurred in 2013.

No Deduction Allowed for Credit Amount

You must reduce your otherwise allowable deduction for startup costs by the credit amount on line 2.

Member of Controlled Group or Business Under Common Control

For purposes of figuring the credit, all members of a controlled group of corporations (as defined in section 52(a)), all members of a group of businesses under common control (as defined in section 52(b)), and all members of an affiliated service group (as defined in section 414(m)), are treated as a single employer. As a member, compute your credit based on your proportionate share of qualified startup costs giving rise to the group's credit for small employer pension plan startup costs. Enter your share of the credit on line 2. Attach a statement showing how your share of the credit was figured, and write "See Attached" next to the entry space for line 2.