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Internal Revenue Code Section 3111

Rate of tax

(a) Old-age, survivors, and disability insurance

In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to 6.2 percent of the wages (as defined in section 3121(a)) paid by the employer with respect to employment (as defined in section 3121(b)).

(b) Hospital insurance

In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to 1.45 percent of the wages (as defined in section 3121(a)) paid by the employer with respect to employment (as defined in section 3121(b)).

(c) Relief from taxes in cases covered by certain international agreements

During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement exclusively to the laws applicable to the social security system of such foreign country.

[(d) Repealed. Pub. L. 115–141, div. U, title IV, § 401(b)(34), Mar. 23, 2018, 132 Stat. 1204]

(e) Credit for employment of qualified veterans

(1) In general

If a qualified tax-exempt organization hires a qualified veteran with respect to whom a credit would be allowable under section 38 by reason of section 51 if the organization were not a qualified tax-exempt organization, then there shall be allowed as a credit against the tax imposed by subsection (a) on wages paid with respect to employment of all employees of the organization during the applicable period an amount equal to the credit determined under section 51 (after application of the modifications under paragraph (3)) with respect to wages paid to such qualified veteran during such period.

(2) Overall limitation

The aggregate amount allowed as a credit under this subsection for all qualified veterans for any period with respect to which tax is imposed under subsection (a) shall not exceed the amount of the tax imposed by subsection (a) on wages paid with respect to employment of all employees of the organization during such period.

(3) Modifications

For purposes of paragraph (1), section 51 shall be applied—

(A) by substituting “26 percent” for “40 percent” in subsection (a) thereof,

(B) by substituting “16.25 percent” for “25 percent” in subsection (i)(3)(A) thereof, and

(C) by only taking into account wages paid to a qualified veteran for services in furtherance of the activities related to the purpose or function constituting the basis of the organization’s exemption under section 501.

(4) Applicable period

The term “applicable period” means, with respect to any qualified veteran, the 1-year period beginning with the day such qualified veteran begins work for the organization.

(5) Definitions

For purposes of this subsection—

(A) the term “qualified tax-exempt organization” means an employer that is an organization described in section 501(c) and exempt from taxation under section 501(a), and

(B) the term “qualified veteran” has the meaning given such term by section 51(d)(3).

(f) Credit for research expenditures of qualified small businesses

(1) In general

In the case of a taxpayer who has made an election under section 41(h) for a taxable year—

(A) there shall be allowed as a credit against the tax imposed by subsection (a) for the first calendar quarter which begins after the date on which the taxpayer files the return specified in section 41(h)(4)(A)(ii) an amount equal to so much of the payroll tax credit portion determined under section 41(h)(2) as does not exceed the limitation of subclause (I) of section 41(h)(4)(B)(i) (applied without regard to subclause (II) thereof), and

(B) there shall be allowed as a credit against the tax imposed by subsection (b) for the first calendar quarter which begins after the date on which the taxpayer files the return specified in section 41(h)(4)(A)(ii) an amount equal to so much of the payroll tax credit portion determined under section 41(h)(2) as is not allowed as a credit under subparagraph (A).

(2) Limitation

The credit allowed by paragraph (1)(A) shall not exceed the tax imposed by subsection (a) for any calendar quarter, and the credit allowed by paragraph (1)(B) shall not exceed the tax imposed by subsection (b) for any calendar quarter, on the wages paid with respect to the employment of all individuals in the employ of the employer.

(3) Carryover of unused credit

If the amount of any credit under paragraph (1) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be carried to the succeeding calendar quarter and allowed as a credit under paragraph (1) for such quarter.

(4) Deduction allowed for credited amounts

The credits allowed under paragraph (1) shall not be taken into account for purposes of determining the amount of any deduction allowed under chapter 1 for taxes imposed under subsection (a) or (b).