

EMPLOYERS: 12 Ways to Earn Income Tax Credits for Your Company

The Work Opportunity Tax Credit (WOTC): An Employer-Friendly Benefit for Hiring Job Seekers Most in Need of Employment

In This Fact Sheet:

- **How to Earn a Tax Credit For New Hires**
- **How To Apply For The Tax Savings**
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Background and Updates:

Use of the WOTC has substantially increased in recent years as Congress has introduced new target groups, expanded several target groups' requirements, increased the tax credit for certain groups and introduced new flexible filing provisions. For example, during Fiscal Year 2008, over 691,421 certifications were issued by the state workforce agencies, and this figure is growing every year.

On February 17, 2009, the President signed into law the *American Recovery and Reinvestment Act of 2009* (Recovery Act). The Recovery Act introduced two new target groups: 1) Unemployed Veterans, and 2) Disconnected Youth. Individuals in these two new target groups must begin work for an employer during 2009 or 2010. The *Small Business and Work Opportunity Tax Act of 2007* (P.L. 110-28) extended the WOTC Program through August 31, 2011. This Act and the *Tax Relief and Health Care Act of 2006* (P.L. 109-432), amended certain target group definitions and introduced new provisions that streamline the WOTC program and make it easier for the business sector to participate. For example, P. L. 109-432 eliminated the Welfare-to-Work Tax Credit (WtWTC) by merging it into the WOTC and making the *Long-term TANF Recipient* another WOTC target group. This Fact Sheet discusses the consolidated WOTC as extended and modified by the three Acts mentioned above. The Work Opportunity Tax Credit can now be as much as:

- \$2,400 generally for each new adult hire,
- \$1,200 for each summer youth hire,
- \$4,800 **for each new disabled veteran hire**, and
- \$9,000 **for each new long-term TANF recipient hired over a 2-yr. period.**

By Participating in the WOTC Program Employers:

- Make the hiring decision,
- Complete minimal paperwork to claim the tax credit, and
- Can hire as many new individuals who qualify for these tax savings.

Hire From Among These 12 Groups of Job Seekers to Qualify for the WOTC

1. **Long-term TANF recipient*** -- member of a family that received Temporary Assistance for Needy Families (TANF) 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 during the past 2 years prior to the hiring date; **or** whose family stopped being eligible for TANF payments because Federal or state law limited the maximum time those payments could be made, and the individual is hired not more than 2 years after such eligibility ended.
2. **Other TANF recipient*** -- member of a family that received TANF payments for any 9 months during the 18-month period ending on the hiring date.
3. **Veteran*** -- member of a family that received assistance under the Supplemental Nutrition Assistance Program (SNAP) (food stamps) for at least a 3-month period during the 15-month period ending on the hiring date; **or** a disabled veteran entitled to compensation for a service-connected disability and is hired not more than one year after being discharged or released from active duty; **or** a disabled veteran entitled to compensation for a service-connected disability and was unemployed for a period or periods totaling at least 6 months (whether or not consecutive) in the one-year period ending on the hiring date.
4. **18-39 year-old SNAP (food stamps) benefits' recipient *** -- member of a family who is at least age 18 but not yet 40 on the hiring date, **and** who received SNAP (food stamps) benefits for **either** the 6-month period ending on the hiring date, **or** he/she is no longer eligible for such assistance under Section 6(o) of the Food Stamp Act of 1977, but the family received SNAP benefits for at least 3 of the 5-month period ending on the hiring date.
5. **18-39 year-old designated community resident *--** and individual who is at least age 18 but not yet 40 on the hiring date and lives within an Empowerment Zone (EZ), Renewal Community (RC), or Rural Renewal County (RRC). **
6. **16-17 year-old summer youth** -- individual who works for the employer between May 1 and September 15, is at least age 16 but not yet 18 on the hiring date (or if later, on May 1), has never worked for the employer before, and lives in an Empowerment Zone or Renewal Community. **
7. **Vocational rehabilitation referral** -- disabled person referred to the employer upon completion of (or while receiving) rehabilitation services approved by the State, an Employment Network under the Ticket-to-Work Program, or the Department of Veterans Affairs.
8. **Ex-felon** -- individual who was convicted of a felony and who is hired not more than one year after the conviction or release from prison.

9. **SSI recipient** – individual who is receiving Supplemental Security Income benefits for any month ending during the past 60-day period ending on the hiring date.
10. **Hurricane Katrina employee** – an individual who, on August 28, 2005, had a primary residence in the Gulf Opportunity (GO) Zone (core disaster zone) and, during a 4-year period beginning on this date, is hired to perform services, principally, in the GO Zone. **State certification does not apply to this group.**
11. **Unemployed veteran** – a veteran hired after 2008 and before 2011, who is certified as: 1) having been discharged or released from active duty at any time during the 5-year period ending on the hiring date, **and** 2) having received unemployment compensation under State or Federal law for not less than four weeks during the one-year period ending on the hiring date.
12. **Disconnected youth** -- individual who is certified as: 1) having attained age 16 but not age 25 on the hiring date, 2) not regularly attending any secondary, technical, or post-secondary school during the 6-month period preceding the hiring date, 3) not regularly employed during such 6-month period, **and** 4) not readily employable by reason of lacking a sufficient number of basic skills.

Transition Relief: Any employer who hires an unemployed veteran or disconnected youth after December 31, 2008, and before September 17, 2009, will be considered to satisfy the deadline in Section 51(d)(13)(A)(ii)(II) if the employer submits IRS Form 8850 to a State Workforce Agency to request certification not later than October 17, 2009.

Some employees do not qualify the employer for the WOTC. They include:

- Relatives and dependents,
- Majority owners of the employer, or
- Former employees.

* The individual need not receive the assistance for the entire period if the family received it for the entire period **and** the individual was on the grant and thus received assistance for at least one day of the specified period.

** For information on EZ/RCS, visit <http://www.hud.gov/cr> or call 1-800-998-9999. For information on RRCs see **Instructions** to IRS 8850, June/07.

CLARIFICATION: *The former “long-term TANF recipient” target group under the WtWTC is now a new WOTC target group. This new target group retains its former statutory definition and the more generous tax credit provisions for a tax credit of as much as \$9,000 over a two-year period per new hire. With respect to this target group, the first-year WOTC is increased to 40% of qualified wages for the first year of employment and 50% of qualified wages for the second year of employment. Qualified wages are capped at \$10,000 per year. **To qualify employers for this tax credit, new hires must be employed at least 120 hours.***

Certification of an Employee Takes Three Simple Steps:

An employer must request and receive certification from its state workforce agency (SWA) that the **new hire** is a member of one of the nine WOTC target groups before the employer can claim the WOTC on its federal income tax return. To request certification, the employer must:

1. Complete page 1 of IRS Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity Credit*, by the date of the job offer and page 2 of IRS Form 8850 after the individual is hired; **and**
2. Complete *one of the following* one-page U.S. Department of Labor forms, as appropriate:
 - ETA Form 9061, *Individual Characteristics Form*, if the new hire has not been given a conditional certification, ETA Form 9062, or
 - ETA Form 9062, *Conditional Certification Form*, if provided to the job seeker by a participating agency, such as a vocational rehabilitation agency, an employment network, or a SWA; **and**
3. Mail the signed/dated IRS and ETA forms to the state workforce agency's WOTC Coordinator not later than 28 days after the new hire begins work.

Form	Website Address	Phone No.
IRS 8850	http://www.irs.gov/formspubs/index.html	1-800-829-3676
ETA 9061	http://www.doleta.gov/business/Incentives/opptax	(See State Coordinators Contact List)

How to Figure the WOTC

For most target groups, the WOTC is based on *qualified wages* paid to the employee for the *first year of employment*. Generally, qualified wages are capped at \$6,000. The credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours and 40% for those employed 400 hours or more.

Summer youth employees. Wages are capped at \$3,000 for 16- and 17-year-olds working for a 90-day period between May 1 and September 15.

Disabled veterans. Wages are capped at \$12,000.

Long-term TANF recipients. Wages are capped at \$10,000. The WOTC is also available for the employee's qualified second-year wages, also capped at \$10,000. The credit is 40% for the first year and 50% of qualified wages for the second year of employment.

The WOTC Program

The *American Recovery and Reinvestment Act of 2009* (Recovery Act) is intended to preserve and create jobs, promote the nation's economic recovery and assist those most affected by the recession.

The Work Opportunity Tax Credit reduces an employer's cost of doing business and requires little paperwork. The success and growth of this federal income tax credit for private-sector employers depends on a strong public- and private-sector partnership to help those most in need find and retain jobs and gain on-the-job skills and experience. The WOTC benefits employers and increases America's economic growth and productivity.

We need your input to make the Work Opportunity Tax Credit Program work. Let us know how we can improve its value to you and your employees. Be a part of that success! Send your comments/suggestions to: Carmen Ortiz, U.S. Department of Labor, Employment and Training Administration, Office of Workforce Investment, Division of Adult Services, at: ortiz.carmen@dol.gov. To learn more about other employer-related services, such as training and assistance for workers affected by layoffs, please call the Toll Free Help Line: 1-877-US-2JOBS or (1-877-872-5627), TTY: 1-877-889-5627) or visit the Web site at: www.doleta.gov/usworkforce

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EMPLOYMENT AND TRAINING ADMINISTRATION
UNITED STATES DEPARTMENT OF LABOR

Call Your State Workforce Agency WOTC Coordinator

To learn more about the WOTC, call your State WOTC Coordinator, visit the WOTC website, <http://www.doleta.gov/business/Incentives/opptax> or call your local employment or state workforce agency. The telephone numbers of the State WOTC Coordinators are as follows:

Alabama - 334-353-8037
Alaska - 907-465-5956
Arizona - 602-542-3957
Arkansas - 501-682-3749
California - 916-227-5153
866-593-0173 (Toll Free)
Colorado - 303-318-8829
Connecticut - 860-263-6066
Delaware - 302-761-8121
District of Columbia - 202-698-3540
Florida - 850-921-3299
Georgia - 404-656-3157
Hawaii - 916-586-8820
Idaho - 208-332-3570, Ext.-3318
Illinois - 312-793-6811 Ext.-231
Indiana - 317-232-7746
Iowa - 515-281-9010
Kansas - 785-296-7435
Kentucky - 502-564-7456
Louisiana - 225-342-2923
Maine - 207-623-7993
Maryland - 410-767-2080
Massachusetts - 617-626-5730
Michigan - 313-456-3363
Minnesota - 651-259-7507
Mississippi - 601-321-6084
Missouri - 573-522-9581
Montana - 406-444-9046
Nebraska - 402-471-2693
Nevada - 775-684-0321
New Hampshire - 603-228-4079

New Jersey - 609-633-7755
New Mexico - 505-841-8501
New York - 518-457-8668
North Carolina - 919-733-4896
North Dakota - 701-328-2997
Ohio - 614-644-0966
Oklahoma - 405-557-5371
Oregon - 503-947-1672
Pennsylvania - 717-783-3676
Puerto Rico - 787-993-9400; Ext.-2315
Rhode Island - 401-462-8717
South Carolina - 803-737-2592
South Dakota - 605-626-2302
Tennessee - 615-253-6664
Texas - 512-463-9926
Utah - 801-526-9480
Vermont - 802-828-5277
Virginia - 804-786-5277
Virgin Islands - 340-776-3700; Ext.-2055
Washington - 360-438-4726
West Virginia - 304-558-3452
Wisconsin - 608-267-4442
Wyoming - 307-235-3611

National Coordinator

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