EMPLOYERS: 8 Ways To Earn Income Tax Credits for Your Company

The Work Opportunity Tax Credit (WOTC): An Employer 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
- Where To Get More Information

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 and the qualified wages for Veterans and introduced new flexible filing provisions. For example, 1,160,523 certifications were issued by the state workforce agencies in Fiscal Year 2011, and this figure is growing every year.

NEW! On November 21, 2011, President Obama signed into law the VOW to Hire Heroes Act of 2011 (P.L. 112-56). Section 261 of the Act, the “Returning Heroes and Wounded Warriors Work Opportunity Tax Credits,” amends and expands the definition of WOTC’s Veteran target group by increasing qualified wages and tax credits for certain veteran groups. The Act also created two new categories of unemployed veterans. The changes and new provisions in this Act apply to individuals who begin to work for an employer on or after, November 22, 2011, and before January 1, 2013. This Act did not extend the non-veteran WOTC target groups. For additional information on these provisions and how employers and their representatives can participate, please visit the program’s national website at: www.doleta.gov/wotc or the Internal Revenue Service’s website (IRS) at: www.irs.gov/form8850.

Other Significant Changes:

1) The legislative authority for the two temporary groups created by the American Recovery and Reinvestment Act of 2009 (Recovery Act) ended on December 31, 2010. These groups, Unemployed Veterans and Disconnected Youth, no longer exist.

2) The legislative authority for the Empowerment Zones (EZs) and the remaining non-veteran WOTC target groups expired on December 31, 2011. Expiration of the EZs eliminates the Summer Youth as a WOTC target group.

There is a reasonable expectation that the non-veteran groups will be reauthorized at some point in the future based on prior similar legislative history and Congressional action. Consistent with Congressional past practice to extend the program retroactive to its expiration date, the Department of Labor issued TEGL No. 15-11, “Work Opportunity Tax Credit Procedural Guidance During Authorization Lapse for Non-Veteran Target Groups” instructing employers
and their representatives to continue filing their certification requests for new hires during the authorization lapse and the SWAs to accept but not process applications until the program is reauthorized.

This Fact Sheet discusses the WOTC program and how employers can participate and benefit from different tax credits for different target group members. While employers and their representatives can continue to request certifications for all WOTC target groups, during the authorization lapse, employers can only receive the tax credit by hiring eligible members from the amended and expanded Veteran group before January 1, 2013.

For the Veteran-target group and its new categories, the Work Opportunity Tax Credit can now be as much as:

- $2,400 for each Veteran new hire receiving SNAP benefits,
- $2,400 for each new veteran unemployed for at least 4 weeks,
- $4,800 for each disabled veteran new hire released one year after active duty,
- $5,600 for each new veteran unemployed for at least 6 months,
- $9,600 for each new disabled veteran unemployed for 6 months.

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 8 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*
   - received TANF for any 18 months beginning after August 5, 1997, and the earliest 18 month period beginning after August 5, 1997, ended during the past 2 years, *or*
   - stopped being eligible for TANF because a 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. **Short-term 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** ★ – a veteran who is:
   - a member of a family that received Supplemental Nutrition Assistance Program (SNAP) benefits (food stamps) for at least a 3-month period during the 15-month period ending on the hiring date, or
   - entitled to compensation for a service-connected disability hired within one year of discharge or release from active duty, or
   - entitled to compensation for a service-connected disability and unemployed for a period or periods totaling at least 6 months of the year ending on the hiring date, or
   - unemployed for at least 4 weeks (but less than 6 months) during the one year period ending on the hiring date, or
   - unemployed for at least 6 months during the one year period ending on the hiring date.

   **Note.** For additional information on the expanded veteran group and the new unemployed categories visit: [www.doleta.gov/wotc](http://www.doleta.gov/wotc) and get the Fact Sheet on the VOW to Hire Heroes Act of 2011.

4. **18-39 year-old SNAP (food stamps) recipient** ★ – member of a family that received SNAP benefits (food stamps) for either the 6-month period ending on the hiring date, or for at least 3 of the 5 months ending on the hiring date in the case of a family member who ceased to be eligible for such assistance under Section 6(o) of the Food Stamp Act of 1977.

5. **18-39 year-old designated community resident** -- individual who lives within a Rural Renewal County (RRC). ★

6. **Vocational rehabilitation referral** -- a person with a disability referred to the employer upon completion of or while receiving rehabilitative services from a state certified agency, an Employment Network under the Ticket-to-Work Program, or the U.S. Department of Veterans Affairs.

7. **Ex-felon** -- individual who was convicted of a felony and who is hired within one year after the conviction or release from prison.

8. **SSI recipient** -- individual who received Supplemental Security Income benefits for any month ending during the past 60-day period ending on the hiring date.

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

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

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- Based on the Internal Revenue Service’s 2003 Revenue Ruling, members of these four groups (i.e., Veteran; Short and Long-Term TANF; and SNAP Recipient groups) need not receive the assistance/benefits for the entire period if the family received it for the entire period and the individual was on the grant and thus received such assistance/benefits for at least one day of the specified period (see TEGL #: 20-04, March 18, 2005).

- For information on RRCs see [Instructions to IRS Form 8850](http://www.irs.gov/form8850), January 2012, available at [www.irs.gov](http://www.irs.gov). The designated community resident target group used to also include individuals who lived in Empowerment Zones (EZ). However, the EZs expired on December 31, 2011.
An employer must request and receive certification from its state workforce agency (SWA) that the new hire is a member of at least one of the 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;

2. Complete *one of the following* 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. File the signed/dated IRS and ETA forms to the SWA’s WOTC Coordinator within the following timeframes:
   - For hires made on or after May 22, 2012 – file not later than 28 calendar days after the new hire begins work.

How to Calculate the WOTC

For most target groups, the WOTC is based on qualified wages paid to the employee for the first year of employment and the number of hours worked. Generally, qualified wages for non-veteran groups 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.

Veterans Receiving SNAP Benefits. Wages are capped at $6,000.

Disabled Veterans One Year after Active Duty. Wages are capped at $12,000.

Disabled Veterans Unemployed for 6 Months. Wages are capped at $24,000.

Veterans Unemployed for 4 Weeks. Wages are capped at $6,000.

Veterans Unemployed for 6 Months. Wages are capped at $14,000.

The WOTC Program

The Work Opportunity Tax Credit Program reduces an employer’s cost of doing business and requires little paperwork. The success and growth of this income tax credit for private-sector businesses depends on a strong public- and private-sector partnership. Helping those in need find and retain good jobs and gain on-the-job experience benefits all employers and increases America’s economic growth and productivity.

We need your input to make the WOTC Program continue to 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 National Programs Tools and Technical Assistance at: Cortiz.WOTC@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 http://www.careeronestop.org/.

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EMPLOYMENT AND TRAINING ADMINISTRATION
UNITED STATES DEPARTMENT OF LABOR
To learn more about the WOTC, call your State WOTC Coordinator, visit the WOTC website, http://www.doleta.gov/wotc 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 - 907-465-5952  
Arizona - 602-542-6320  
Arkansas - 501-683-1354  
California - 916-227-0397  
California - 866-593-0173 (Toll Free)  
Colorado - 303-318-8845  
Connecticut - 860-263-6066  
Delaware - 302-761-8121  
District of Columbia - 202-698-5136  
Florida - 850-921-3299  
Georgia - 404-232-3567  
Hawaii - 808-586-8820  
Idaho - 208-332-3570 ext. 3351  
Illinois - 312-793-6811 Ext.-231  
Indiana - 317-232-7746  
Iowa - 515-725-2810  
Kansas - 785-296-7435  
Kentucky - 502-782-3069  
Louisiana - 225-342-2939  
Maine - 207-623-7981  
Maryland - 410-767-2080  
Massachusetts - 617-626-5730  
Michigan - 313-456-3363  
Minnesota - 651-259-7521  
Mississippi - 601-321-6084  
Missouri - 573-522-9581  
Montana - 406-444-9046  
Nebraska - 402-471-9977  
Nevada - 775-684-0321  
New Hampshire - 603-228-4079  
New Jersey - 609-292-5525  
New Mexico - 505-841-8501  
New York - 518-457-6823  
North Carolina - 919-814-0439  
North Dakota - 701-328-2997  
Ohio - 1-888-296-7541, option 9  
Oklahoma - 405-557-7112  
Oregon - 503-947-1478  
Pennsylvania - 717-783-3676  
Puerto Rico - 787-625-3137 Ext.-2315  
Rhode Island - 401-462-8717  
South Carolina - 803-737-2592  
South Dakota - 605-626-7652 Ext.-4415  
Tennessee - 615-253-6664  
Texas - 800-695-6879  
Utah - 435-830-9355  
Vermont - 802-828-5250  
Virginia - 804-786-2887  
Virgin Islands - 340-776-3700 Ext.-2055  
Washington - 360-407-1323  
West Virginia - 304-558-3452  
Wisconsin - 608-267-1903  
Wyoming - 307-233-4623

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