

Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit incentive that the Congress provides to private-sector businesses for hiring individuals from twelve target groups who have consistently faced significant barriers to employment. The main objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while the participating employers are compensated by being able to reduce their federal income tax liability. WOTC joins other workforce programs that help incentivize workplace diversity and facilitate access to good jobs for American workers.

WHAT NEW HIRES CAN QUALIFY EMPLOYERS FOR THE WOTC?

- The consolidated WOTC applies only to new employees who began to work for an employer **after** December 31, 2006 **and before** September 1, 2011.
- The new employee must belong to one of the following 12 WOTC target groups:
 - ✓ Long-term TANF Recipient
 - ✓ Other TANF Recipient
 - ✓ Qualified Food Stamp Recipient.
 - ✓ Designated Community Resident.
 - ✓ Summer Youth Employee.
 - ✓ Qualified Veteran.
 - ✓ Vocational Rehabilitation Referral.
 - ✓ Qualified Ex-Felon.
 - ✓ SSI Recipient.
 - ✓ Hurricane Katrina Employee.
 - ✓ Unemployed Veteran.
 - ✓ Disconnected Youth.

The consolidated WOTC for hiring most target group members can now be as much as:

- \$2,400 for each new adult hire;
- \$1,200 for each new summer youth hire,
- \$4,800 **for each new disabled veteran hire**, and
- \$9,000 **for each new long-term family assistance recipient hired over a two-year period.**

Minimum employment or retention period. All new adult employees must work a minimum of 120 or 400 hours. Individuals hired as Summer Youth employees must work at least 90 days, between May 1 and September 15, before an employer is eligible to claim the tax credit. The WOTC amount an employer may claim depends on the hours the employee works. 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.

HOW CAN EMPLOYERS PARTICIPATE IN THE WOTC?

To receive certification that a *new employee* qualifies the employer for this tax credit, the employer must:

1. Complete page one of IRS Form 8850 by the day the job offer is made.
2. Complete page 2 of IRS form 8850 after the individual is hired.
3. Complete either the one page ETA Form 9061 or Form 9062 as appropriate. For example:
 - ✓ If the new employee has already been conditionally certified as belonging to a WOTC target group by a state workforce agency (SWA) or participating agency, complete the bottom part of ETA Form 9062, sign and date it, **or**
 - ✓ If the new employee has not been conditionally certified, the employer and the new employee must complete, sign and date ETA Form 9061.
4. Mail the completed and signed IRS and ETA forms to the employer's state workforce agency within 28 days after the employee's employment-start date for all individuals who begin work for an employer on or after January 1, 2007.