WHAT IS THE WORK OPPORTUNITY TAX CREDIT?

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers who hire individuals from eligible target groups with significant barriers to employment. Each year, employers claim over $1 billion in tax credits under the WOTC program. The success and growth of this income tax credit for business is beneficial for all who participate, while increasing America’s economic growth and productivity.

• WOTC reduces an employer’s cost of doing business, requires little paperwork, and applying for WOTC is simple.
• WOTC can reduce an employer’s federal income tax liability by as much as $9,600 per employee hired.
• There is no limit on the number of individuals an employer can hire to qualify to claim the tax credit.
• Certain tax-exempt organizations can take advantage of WOTC by hiring eligible veterans and receiving a credit against the employer’s share of Social Security taxes.

WHO IS ELIGIBLE?

• Veterans
• TANF Recipients
• SNAP (food stamp) Recipients
• Designated Community Residents
• Vocational Rehabilitation Referral
• Ex-Felons
• Supplemental Security Income Recipients
• Summer Youth Employee
• Qualified Long-Term Unemployment Recipient

HOW MUCH IS THE TAX CREDIT

Employers can earn a tax credit of between $1,200 and $9,600 per employee, depending on the target group of the new employee and the number of hours worked in the first year. Employees must work at least 120 hours in the first year of employment to receive the tax credit. Visit http://www.doleta.gov/wotc for the maximum tax credit for each WOTC target group.

HOW TO APPLY

To apply for WOTC, employers should follow these steps:

1. Complete IRS Form 8850 by the day the job offer is made.

2. Complete ETA Form 9061, or complete ETA Form 9062 if the employee has been conditionally certified as belonging to a WOTC target group by a State Workforce Agency, Vocational Rehabilitation agency, or another participating agency.

3. Submit the completed and signed IRS and ETA forms to your State Workforce Agency. Forms must be submitted within 28 calendar days of the employee’s start date.

4. Wait for final determination from your State Workforce Agency. The determination will indicate whether the employee is certified as meeting the eligibility for one of the WOTC target groups.

5. After the target group employee is certified by the State Workforce Agency, file for the tax credit with the Internal Revenue Service.

INFORMATION & RESOURCES

Visit the WOTC web-site, http://www.doleta.gov/wotc, for more information on eligibility requirements, how to apply for the tax credit, and WOTC contacts in your state.

Visit the IRS web-site, www.irs.gov, for more information on how to claim the tax credit.