

Employers, Don't Miss the Work Opportunity Tax Credit

Article Highlights:

- Credit is Elective
- Credit Amount
- Work Hours Requirements
- Targeted Groups
- Limitations
- Certification Requirement

Through 2019, employers who hire individuals from targeted groups are qualified to claim the work opportunity tax credit (WOTC). The credit is elective, and if claimed it reduces the employer's wage deduction dollar for dollar.

The credit is a percentage of the employee's first-year wages, generally up to \$6,000 per eligible employee, paid during the tax year for work performed during the one-year period beginning on the date the target group member begins work for the employer.

This provides a tax credit worth as much as \$2,400 for each eligible employee (and up to \$4,800, \$5,600 or \$9,600 for certain veterans or \$9,000 for "long-term family assistance recipients").

For the full credit (40%), the targeted employee must work for a minimum of 400 hours in the first year. For those that work between 120 and 399 hours, the credit percentage is reduced to 25%.

Targeted groups after 2015 include qualified:

- **Veterans** - the first-year wages considered for this group vary between \$12,000 and \$24,000 with a maximum credit between \$4,800 and \$9,600 per employee, depending on the period of unemployment, whether he or she is receiving service-connected disability payments, and when he or she was discharged from active duty service.
- **Long-term unemployed individuals** (unemployed for 27 consecutive weeks)
- **Ex-Felons**
- **Recipients of Temporary Assistance for Needy Families (TANF) program**
- **Designated community residents**
- **Vocational rehabilitation referrals**
- **Summer youth employees** – Special rules apply – The credit is 40% for up to \$3,000 of wages paid during any 90-day period between May 1 and Sept. 15, for a maximum credit of \$1,200 ($\$3,000 \times 40\%$) per employee.
- **Supplemental nutrition assistance benefits recipients**
- **SSI recipients**
- **Long-term family assistance (TANF) recipients** – The first-year wages considered for this group amount to \$10,000 with a maximum credit of \$4,000 per employee. In addition, this group qualifies for a second-year credit equal to 50% of up to \$10,000 of the second-year wages.

Before claiming the credit, an employer must obtain certification that an individual is a member of the targeted group. This is done by filing Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, with the employer's respective state workforce agency (Designated Local Agency) within 28 days after

the eligible worker begins work, although additional time is provided in some cases.

Claiming the WOTC may also impact the availability of certain other employment-related tax credits. The credit is generally not available for employment of prior employees, certain family members, replacements for employees on strike or locked out and employees who are receiving federally funded on-the-job training. This credit is part of the general business credit and subject to its limitations and carryover provisions.

Please call this office for additional information or assistance in applying for employee credit certification.