

## EMPLOYERS: 9 Ways to Earn Income Tax Credits for Your Company

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

- How to Earn a Tax Credit For New Hires
- How To Apply For The Tax Savings
- Where To Get More Information

#### Earn the Work Opportunity Tax Credit (WOTC)

- Employers make the hiring decision
- No limit to the number of new hires who can qualify an employer for the tax savings
- Minimal paperwork needed to claim the tax credit

**PROGRAM OUTCOMES:** Use of the WOTC has increased substantially in recent years and use of the Welfare-to-Work Tax Credit (WtWTC) has decreased in line with welfare reform objectives. During 2005, over 630,000 certifications were issued by the state workforce agencies, and this figure is growing every year.

**UPDATE:** On May 25, 2007, the President signed into law the *Small Business and Work Opportunity Tax Act of 2007* (P.L. 110-28), which extends the WOTC Program through August 31, 2011. This Act and the *Tax Relief and Health Care Act of 2006* (P.L. 109-432), signed into law on December 20, 2006, amend certain target groups and introduce new provisions that streamline the WOTC program and make it easier for the business sector to participate. This Fact Sheet discusses the WOTC as extended and modified by both Acts. 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 family assistance recipient hired over a 2-yr. period.*

## Hire From Among These 9 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** a member of a family whose TANF eligibility expired under federal or state law after August 5, 1997, and no more than 2 years before the hiring date, **or** whose family received TANF for any 18 months after August 5, 1997, and the 18<sup>th</sup> month of benefits ended no more than 2 years before the hiring date.
2. **Other TANF recipient\*** -- member of a family that received TANF for any 9 months during the 18-month period ending on the hiring date.
3. **Veteran\*** -- member of a family that received food stamps for at least a 3-month period during the 12-month period ending on the date of hire, **or** a disabled veteran hired within one year of discharge or release from active duty or unemployed for at least 6 months of the year ending on the hiring date.
4. **18-39 year-old food stamp recipient t\*** -- member of a family that received food stamps for **either** the 6-month period ending on the hiring date, **or** at least 3 of the 5 months ending on the date of hire in the case of a family member who ceased to be eligible for such assistance because of failure to meet the work requirement.
5. **18-39 year-old designated community resident \*--** individual who lives in 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 and lives in an EZ, RC, or RRC. \*\*
7. **Vocational rehabilitation referral** -- disabled person who completed or is completing rehabilitative services approved by a State, the Ticket-to-Work program, or the U.S. Department of Veteran's Affairs.
8. **Ex-felon** -- individual who was convicted of a felony and who is hired within one year of the conviction or release from prison.
9. **SSI recipient** -- individual who received Supplemental Security Income benefits for any month ending during the 60 days ending on the date of hire.

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\* 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 about EZ/RCs, visit <http://www.hud.gov/cr> or call 1-800-998-9999.

**NEW:** The former “long-term family assistance 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 Four 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,
2. Complete page 2 of IRS Form 8850 after the individual is hired,
3. 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, 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
4. 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	<a href="http://www.irs.gov/formspubs/index.html">http://www.irs.gov/formspubs/index.html</a>	1-800-829-3676
ETA 9061	<a href="http://www.doleta.gov/business/Incentives/opptax">http://www.doleta.gov/business/Incentives/opptax</a>	(See State Coordinators Contact List)

## Ineligible Employees:

- Relatives and dependents
- Majority owners of the employer
- Individuals previously employed by the employer

### 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 50% of qualified wages for the second year of employment.

### The WOTC and Other Employer - Friendly Benefits

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 depend 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 benefits all 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, ETA, Office of Workforce

Investment, Division of Adult Services, Room C-4318, 200 Constitution Avenue, N.W., Washington, D.C. 20210. 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 website at: [www.doleta.gov/usworkforce](http://www.doleta.gov/usworkforce)

**Another Employer Friendly Opportunity:** Help your employees with children make ends meet by offering them advance payments of the Earned Income Credit. For more information contact the IRS at 1-800-829-1040 or get Form W-5, *Earned Income Credit Advance Payment Certificate*, or Publication 596, *Earned Income Credit*, both available at [www.irs.gov](http://www.irs.gov).

### 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. If you have *tax-related* questions, call the IRS at 202-622-6080. The telephone numbers of the State WOTC Coordinators are as follows:

**Alabama** - 334-353-8037  
**Alaska** - 907-465-5955  
**Arizona** - 602-495-1861 Ext. 1002  
**Arkansas** - 501-682-3749  
**California** - 916-654-5857  
**California** - 866-593-0173 (Toll Free)  
**Colorado** - 303-318-8829  
**Connecticut** - 860-263-6066  
**Delaware** - 302-761-8087  
**District of Columbia** - 202-698-3540  
**Florida** - 850-921-3299  
**Georgia** - 404-656-3157  
**Hawaii** - 808-586-8819  
**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** - 207-624-6390  
**Maryland** - 410-767-2080  
**Massachusetts** - 617-626-5730  
**Michigan** - 313-456-3363  
**Minnesota** - 651-205-4505  
**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** - 609-292-8112  
**New Mexico** - 505-841-8501  
**New York** - 518-457-6823  
**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

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**Puerto Rico** - 787-993-9564; Ext.-2315  
**Rhode Island** - 401-462-8724  
**South Carolina** - 803-737-2593  
**South Dakota** - 605-626-2302  
**Tennessee** - 615-741-6473; Ext.-585  
**Texas** - 512-463-5065  
**Utah** - 801-526-9480  
**Vermont** - 802-828-4350  
**Virginia** - 804-786-2887  
**Virgin Islands** - 340-776-3700; Ext.-2055  
**Washington** - 360-407-5107  
**West Virginia** - 304-558-3452  
**Wisconsin** - 608-267-4442  
**Wyoming** - 307-235-3611

**National Coordinator**

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