

Maximizing the Value of the Federal Work Opportunity Tax Credit (WOTC) Program

WOTC Program Implementation Materials

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Program Overview



Maximizing the Value of the Federal Work Opportunity Tax Credit

Program Description:

The Work Opportunity Tax Credit (WOTC) provides tax credits to employers to incent the hiring of eligible workers. Eligibility is based on a number of factors including age, location and status within other government benefit programs (as outlined below).

Obtaining the credits requires employers to conduct pre-screening activities, utilizing DOL & IRS forms (attached), as part of the hiring process. If a favorable hiring decision is made, the Company needs to document certain facts not later than the hiring date and submit the completed forms not later than the 28th day after the hiring date. (See “Process” for more details on required documentation and other administrative details.)

Unless otherwise noted, tax credits are available for all eligible workers hired and working after December 31, 2005 and before September 1, 2011. Tax credit amounts range from \$750 to \$9,000 per eligible worker hired, depending on hours worked. The tax credit generated by this program is non-refundable, but it can generally be carried back 1 year and forward 20 years.

Eligibility Overview:

Eligible Worker			Benefit	
Category	Age	Status / Location	Credit Calculation	Tax Credit
Distressed Community Programs				
1 <small>(Designated Community)</small>	18-39 Year-Old	Who lives within: <ol style="list-style-type: none"> 1) an Empowerment Zone (EZ), <u>or</u> 2) a Renewal Community (RC), <u>or</u> 3) a Rural Renewal County (RRC). 	25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000	Up to \$2,400

<p>2 (SNAP)</p>	<p>18-39 Year-Old</p>	<p>Who is a member of a family that received SNAP benefits (food stamps) for either: 1) the 6-month period ending on the hiring date, <u>or</u> 2) 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.</p>	<p>25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000</p>	<p>Up to \$2,400</p>
<p>3 (SSI Recipient)</p>	<p>Anyone</p>	<p>Who received Supplemental Security Income benefits for any month ending during the 60-day period ending on the hiring date.</p>	<p>25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000</p>	<p>Up to \$2,400</p>
<p>4 (TANF Recipient)</p>	<p>Anyone</p>	<p>Who is a member of a family that received TANF payments for any 9 months during the 18-month period ending on the hiring date.</p>	<p>25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000</p>	<p>Up to \$2,400</p>
<p>5 (Long-Term TANF Recipient)</p>	<p>Anyone</p>	<p>Who is a member of a family that either: 1) received Temporary Assistance for Needy Families (TANF) payments for at least 18 consecutive months ending on the hiring date, <u>or</u> 2) received TANF payments for any 18 months (consecutive or not) beginning after August 5, 1997, and the earliest 18 month period ended during the</p>	<p>40% of first-year Qualified Wages paid if employed at least 120 (or more) hours in Year 1 50% of second-year Qualified Wages paid if employed at least 120 hours (or more) in Year 2.</p>	<p>Up to \$9,000</p>

		<p>past 2 years prior to the hiring date, <u>or</u></p> <p>3) stopped being eligible for TANF payments because Federal or State law limited the maximum time those payments could be made, <u>and</u> the individual is hired not more than 2 years after such eligibility ended.</p>	<p>“Qualified Wages” capped at \$10,000</p>	
<p>Younger Worker Programs</p>				
<p>6 (Summer Youth)</p>	<p>16 or 17 Year-Old</p>	<p>Who:</p> <p>1) works for the employer between 5/1 & 9/1; 2) lives in an EZ or RC, and 3) has never worked for that employer before.</p>	<p>25% of the Qualified Wages paid during 90-day period</p> <p>“Qualified Wages” capped at \$3,000</p>	<p>Up to \$750</p>
<p>7 (Disconnected Youth)</p>	<p>16-24 Year-Old</p>	<p>Who:</p> <p>1) During the past 6 months, has not attended or has not regularly attended any secondary, technical, or post-secondary school for more than an average of 10 hours per week, not counting periods during which the school was closed for scheduled vacation; 2) During each consecutive 3-month period within the past 6 months, was not employed or was employed and earned an amount less than he or she would have earned working for the applicable minimum wage 30 hours every week during the 3-month period; and 3) Does not have a certificate of graduation from a secondary school or a General Education Development (GED) certificate or has a certificate that was awarded at least 6 months ago and he or she has not held a job (other than occasionally) or been admitted to a technical or post-secondary school since receiving the certificate.</p> <p><i>NOTE: Worker must begin work after 12/31/2008 and before 12/31/2010</i></p>	<p>25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours)</p> <p>40% of first-year Qualified Wages paid if employed at least 400 hours (or more)</p> <p>“Qualified Wages” capped at \$6,000</p>	<p>Up to \$2,400</p>

Vocational Rehab & Ex-Felon Programs

10 (Vocational Rehab Referral)	Anyone	Who is a disabled person referred to the employer upon completion of (or while receiving) rehabilitation services approved by the State, Ticket-to-Work Program, or the Dept of Veteran Affairs.	25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000 For Disabled Veterans , the 40% of first-year Qualified Wages paid if employed at least 120 hours “Qualified Wages” capped at \$12,000	Up to \$2,400 Up to \$4,800
11 (Ex-Felon)	Anyone	Who was convicted of a felony and hired within one year after the date of the conviction or release from prison.	25% of first-year Qualified Wages paid if employed at least 120 hours (up to 399 hours) 40% of first-year Qualified Wages paid if employed at least 400 hours (or more) “Qualified Wages” capped at \$6,000	Up to \$2,400

Process:

- Step 1. Prior to Offer – Pre-screen **all** applicants using Form 8850 (to be completed by Applicant)
- Step 2. Day of Hire (or earlier) – Complete relevant forms:
 - a. IRS Form 8850
 - b. DOL Form 2061 (Individual Characteristics Form) or Form 2062 (Conditional Certification Form)
- Step 3. Submit completed forms (IRS 8850 and DOL Form 2061 or 2062) & verifying documentation to:
- Step 4. Review completed forms for sufficiency
 - a. If sufficient, submit completed forms (IRS 8850 and DOL Form 2061 or 2062) & verifying documentation to State Workforce Agency NOT LATER THAN 28 days after the day of hire (See attached list for office address)
- Step 5. Receive notice of decision (certification or rejection of certification) from SWA
- Step 6. Add newly Certified Eligible Employees to WOTC Tracking Report
- Step 7. Track hours worked for all Certified Eligible Employees
- Step 8. Claim credit by filing Form 5884 (Work Opportunity Credit) with annual (federal) tax filings (do not attach Form 8850)
 - a. Credits will be disallowed for the following:
 - i. wages for services of replacement workers during a strike or lockout, and
 - i. wages paid to or incurred for any employee during any period for which the employer received payment for the employee from a federally funded on-the-job training program

Attachments:

WOTC Process Checklist

IRS Form 8850

EZ, RC & RRC Lists

WOTC Initial Eligibility Determination

DOL Form 2061 (Individual Characteristics Form)

Applicant Self-Attestation Letter (Category 7 – Disconnected Youth)

Directory of State WOTC Contacts

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Attachments



Attachment

(WOTC Process Checklist)



Attachment

(IRS Form 8850)



Attachment

(EZ, RC & RRC Lists)



Attachment

(WOTC Initial Eligibility Determination)



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(DOL Form 2061 (Individual Characteristics Form))

Attachment

(Applicant Self-Attestation Letter
[Category 7 – Disconnected Youth])

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(Directory of State WOTC Contacts)



Attachment

(SWA Transmittal Letter)



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(WOTC Tracking Report)



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(IRS Form 8850 (Instructions))



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(IRS Form 5884 (Incl. Instructions))

