Work Opportunity Tax Credit

BACKGROUND

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit incentive that Congress provides to private-sector businesses for hiring individuals from any of *nine* target groups who have consistently faced significant barriers to employment. The 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 able to reduce their federal income tax liability.

PROGRAM UPDATES

The WOTC program's legislative authority for all WOTC target groups expired on December 31, 2013. As a result, the program is currently undergoing an authorization lapse.

The WOTC unit will adhere to the following procedure until there is further legislative action and guidance relating to the program:

The WOTC unit will accept and retain certification requests for employers' new hires made on or after January 1, 2014. Eligibility certifications will NOT be issued, however, unless the program is reauthorized.

WHAT NEW HIRES QUALIFY EMPLOYERS FOR THE WOTC?

A **veteran** who is:

- A member of a family that received SNAP benefits (food stamps) for at least a 3-month period during the 15-month period ending on the hiring date.
- Entitled to compensation for a service-connected disability:
  - Hired within 1 year of discharge or release from active duty
  - Unemployed at least 6 months in the year ending on the hiring date
- Unemployed
  - Entitled to compensation At least 4 weeks
  - At least 6 months

Please note that to be considered a veteran eligible for WOTC, an individual must meet these two standards:

- Have served on active duty (not including training) in the U.S. Armed Forces for more than 180 days or have been discharged or released from active duty for a service-connected disability
- Not have a period of active duty (not including training) of more than 90 days that ended during the 60-day period ending on the hiring date

Long-term Temporary Assistance for Needy Families (TANF) Recipient:

A member of a family that meets one of the following circumstances:

- Received TANF benefits for at least 18 consecutive months ending on the hiring date.
- Received TANF benefits for at least 18 consecutive or non-consecutive months after August 5, 1997, and has a hiring date that is not more than 2 years after the end of the earliest 18-month period after August 5, 1997.
- Stopped being eligible for TANF payments during the past 2 years because a Federal or state law limited the maximum time those payments could be made.

Short-term TANF Recipient:

- A member of a family that received TANF benefits for any 9-month period during the 18-month period ending on the hiring date.

SNAP (food stamp) Recipient:

- An 18-39 year old member of a family that received Supplemental Nutrition Assistance Program (SNAP) benefits for the 6 months ending of the hiring date or received SNAP benefits for at least 3 of the 5 months ending on the hiring date.

Designated Community Resident:

- An 18-39 year old who lives within one of the federally designated Rural Renewal Counties or Empowerment Zones.

Vocational Rehabilitation Referral:

- An individual with a disability who completed or is completing rehabilitative services from a state-certified agency, an Employment Network under the Ticket to Work program, or the U.S. Department of Veteran Affairs.

Ex-felon:

- An individual who has been convicted of a felony and has a hiring date that is not more than 1 year after the conviction or release from prison.

Supplemental Security Income (SSI) recipient:

- A recipient of SSI benefits for any month ending during the past 60-day period ending on the hire date.

Summer Youth Employee

- A 16 or 17 year-old youth who works for the employer between May 1 and September 15 and lives in an Empowerment Zone.

Important Notice to Employers:

Minimum employment or retention period. The WOTC amount an employer may claim depends on the number of hours the employee works.

All new adult employees must work a minimum of 120 or 400 hours. 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. 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.

Rehires. Federal law prohibits an employer from claiming a tax credit under WOTC for an employee who has worked for that employer prior to the employment hiring date reported on IRS Form 8850. Employers and consultants **must not** submit WOTC certification requests for former employees.

Submission of false information. Falsification of information submitted to obtain a WOTC certification is a FEDERAL CRIME in violation of 18 CSC 1001. Falsification of work history or concealment of information is punishable by a fine or imprisonment.

HOW CAN VIRGINIA EMPLOYERS PARTICIPATE IN THE WOTC?

1. The new employee must *complete and sign* page one of IRS Form 8850 by the day the job offer is made.
2. The employer must *complete and sign* page two of IRS form 8850 ***after*** the individual is hired.
3. The employer must *complete and sign* ETA Form 9061.
4. Mail all original fully completed and signed IRS and ETA forms along with any additional required documentation noted above to:

Virginia Employment Commission
WOTC Program - Room 3
P. O. Box 1358 Richmond, VA 23218-1358
804-786-2887 (voice mail available)

Important Note: The fully completed and signed forms ***must*** **be postmarked within 28 days** after the new employee's employment-start date. If not postmarked within 28 days, the application ***will*** be denied.

REQUIRED FORMS:

IRS Form 8850 Pre-Screening Notice and Certification Request and Instructions
http://www.irs.gov/pub/irs-pdf/f8850.pdf **[1]**
http://www.irs.gov/pub/irs-pdf/i8850.pdf **[2]**

ETA Form 9061 Individual Characteristics
Form http://www.doleta.gov/business/incentives/opptax/PDF/etaform9061.pdf **[3]**

BRAND NEW OPTION FOR APPLYING FOR THE WOTC TAX CREDIT

Employers may also submit applications via the WOTC online system accessible at https://wotc.vec.virginia.gov/Logon.aspx [4]

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