

Work Opportunity Tax Credit

Program Overview

The **Work Opportunity Tax Credit (WOTC)** is a program that provides up to \$9,600 in federal income tax credits to employers to incentivize the hiring of individuals from targeted demographic groups. These groups include those that have traditionally faced barriers to gaining or sustaining employment or have other special employment needs.

The tax credit is wage based, and is calculated on wages paid in the first year of employment to qualified employees who have worked a minimum of 120 hours. The credit has a maximum value of between \$2,400 and \$9,600 per eligible new hire, depending upon the employee's Target Group.

Credits generated through the WOTC program reduce federal income tax liability. For shareholders in a pass-through entity, including S Corps and LLCs, the credits flow through to their personal tax liability. Credits can be carried forward up to 20 years. [\[IRS 5884\]](#)

RetroTax Role

RetroTax[®] can take the administrative burden off employers, while maximizing the certifications and supplying all the necessary calculations and support documentation to generate the credits.

RetroTax[®] Procedures

1. Integrate screening through JazzHR platform to allow seamless WOTC processing.
2. Educates hiring managers regarding screening procedures via our WOTC Implementation Webinar.
3. Establishes goals to meet client's needs, and audits and monitors program progress.
4. Works with State WOTC Coordinators to streamline processes and obtain certifications for any qualified employees.
5. Calculates tax credits and provides support documentation and appropriate tax forms to be included with your filings.
6. RetroTax will research your other facilities to determine if you are eligible to qualify for any other state and federal tax programs.

Your Role

Our client's responsibility is to ensure that all new employees are screened for the WOTC program in a timely manner, through the JazzHR platform.

RetroTax Fees

Our fee is contingent upon the total credits we obtain for you. If there are no credits, there is no fee.

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WOTC Target Groups

- A. A member of a family that has received **Temporary Assistance to Needy Families (TANF)** cash benefits for at least any 9 of the last 18 months prior to the hiring date.
- B. A qualified **Veteran receiving Food Stamps** is a member of a family that has received Food Stamps/SNAP (Supplemental Nutrition Assistance Program) benefits for at least 3 consecutive months in the 15 months prior to the date of hire.
- C. An **Ex-Felon** who has been convicted of a felony and was hired within one year of the conviction date or release date, or who is participating in a “Work Release” program.
- D. An 18-39 year-old **Designated Community Resident** who resides in a federally designated Empowerment Zone (FEZ) or Rural Renewal County.
- E. A **person with a disability** who is participating in a vocational rehabilitation program and has an individual written plan for employment (IWP) or completed a program and received an IWP within two years from hire date, through State Division of Vocational Rehabilitation, Services for the Blind, or US Veteran’s Administration, and “Ticket Holders” who participate in the Social Security Administration’s Ticket-to-Work (TTW) program and choose a private Employment Network for services.
- F. A 16-17 year-old **Summer Youth** who resides in a federally designated Empowerment Zone (FEZ) and is hired between May 1 and September 15.
- G. An 18-39 year-old who is a member of family that has received **Food Stamps/SNAP** (Supplemental Nutrition Assistance Program) for at least 3 months during the 6-month period ending on the hiring date.
- H. A person who has received **Supplemental Security Income (SSI)** for any month ending during the 60-day period prior to the date of hire.
- I. A **Long-Term TANF** (Temporary Assistance to Needy Families) recipient:
- A member of a family that has received TANF for at least the previous 18 consecutive months before the date of hire, or
 - A member of family that has received TANF for total of 18 months beginning August 1997 and the earliest such 18th month is within two years of the hire date, or
 - Stopped being eligible for TANF payments within two years of the hire date because federal or state law limited the maximum time those payments could be made.
- J. A **Disabled Veteran** who is entitled to compensation for a service-connected disability of at least 10%, and is hired within one year of the discharge date from active duty.
- M. A **Long-Term Unemployment Recipient** who was unemployed for a period of at least 27 weeks immediately preceding their hire, and received unemployment compensation at some point during that period.
- R & S. A **Returning Hero** is a Veteran who was unemployed for at least a total of 6 months during the 1-year period ending on their hiring date (Category R), or who was unemployed for at least a total of 4 weeks but less than a total of 6 months during the 1-year period ending on the hiring date (Category S).
- W. A **Wounded Warrior is** a Veteran who is entitled to compensation for a service-connected disability of at least 10%, and who was unemployed for at least a total of 6 months during the 1-year prior to the hiring date.

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How Much Can An Employer Save in Federal Income Taxes?

For all Target Groups listed above except I (Long Term TANF Recipient)

WOTC is a one-year tax credit program, with the 12 months beginning on the first day of a qualified new hire's employment. Qualified wages for most target groups are capped at \$6,000. Eligible Summer Youth employee wages are capped at \$3,000 for any 90-day period between May 1 and September 15. Eligible wages for qualified Veterans are capped at \$12,000, \$14,000, or \$24,000 depending on the qualifying Veteran target group.

WOTC has two tiers based on number of hours the new hire works for the employer. Certified employees must work for at least 120 hours during the first year for the employer to claim WOTC credit.

Schedule for all Target Groups except I

Tier 1: Employee worked for 120-399 hours

For Target Groups A, B, C, D, E, G, H, M, S

- 25% up to first \$6,000 in wages
- Maximum credit is \$1,500

For Target Group F (Summer Youth)

- 25% up to the first \$3,000 in wages
- Maximum credit is \$750

For Target Group J (Veteran target group)

- 25% up to the first \$12,000 in wages
- Maximum credit is \$3,000

For Target Group R (Veteran target group)

- 25% up to the first \$14,000 in wages
- Maximum credit is \$3,500

For Target Group W (Veteran target group)

- 25% up to the first \$24,000 in wages
- Maximum credit is \$6,000

Tier 2: Employee worked for 400+ hours

For Target Groups A, B, C, D, E, G, H, M, S

- 40% up to the first \$6,000 in wages
- Maximum credit is \$2,400

For Target Group F (Summer Youth)

- 40% up to the first \$3,000 in wages
- Maximum credit is \$1,200

For Target Group J (Veteran target group)

- 40% up to the first \$12,000 in wages
- Maximum credit is \$4,800

For Target Group R (Veteran target group)

- 40% up to the first \$14,000 in wages
- Maximum credit is \$5,600

For Target Group W (Veteran target group)

- 40% up to the first \$24,000 in wages
- Maximum credit is \$9,600

Schedule for Target Group I: Long-Term TANF recipient

The Long-Term TANF recipient target group is a two-year credit program which runs from the first day of employment for 24 months for a qualified new hire. Qualified wages are capped at \$10,000 per year.

First year

400+ hours worked

- 40% up to the first \$10,000 in wages
- Maximum credit is \$4,000

Second year

400+ hours worked

- 50% up to the first \$10,000 in wages
- Maximum credit is \$5,000