

Work Opportunity Tax Credit (WOTC)

What You Need to Know to Save Up to \$2,400 per Employee on Federal Taxes

What is the Work Opportunity Tax Credit?

WOTC is a federal tax program available to employers who hire new employees from “targeted groups” which have historically had difficulty in finding employment. The credit is used to reduce the federal tax liability of private-for-profit employers and “tax-exempt” (i.e., 501(c)) organizations for specified “target groups”.

Who Qualifies as a Target Group?

(Group 1) **TANF** – Temporary Assistance to Needy Families

(Group 2) **Veteran** (food stamp recipient), or

Disabled Veteran with hire date one year after discharge, or

Disabled Veteran with aggregate periods of unemployment of six months during the year prior to hire date, or

Veteran having aggregate periods of unemployment at least 4 weeks but less than 6 months in year of hire date, or

Veteran having periods of unemployment of 6 months or more in a year prior to hire date.

(Group 3) **Ex-Felon**

(Group 4) **Designated Community Resident**

(Group 5) **Vocational Rehabilitation Referral**

(Group 6) **Summer Youth Employee**

(Group 7) **SNAP (Food Stamp) Recipient**

(Group 8) **Supplement Security Income Recipient (SSI)**

(Group 9) **Long-term Family Assistance (LTFA)**

(Group 10) **Qualified Long-term Unemployment Recipient**

THE TAX CREDIT APPLIES TO THE FIRST YEAR OF EMPLOYMENT ONLY.

WOTC Tax Saving For Employers

For certified hires in Target Groups 1, 3, 4, 5, 7, 8 and 9, the basic credit that an employer can receive is up 40% of the first \$6,000.00 in qualified first-year wages for a maximum credit of \$2,400.00. Even those employers who cannot qualify for the maximum credit can receive a partial credit of 25% of the first \$6,000.00 in qualified first-year wages.

For certified hires in the Veteran Target Groups:

1. **Veteran (SNAP) Food Stamp** - Employer can receive is up 40% of the first \$6,000.00 in qualified first-year wages for a maximum credit of \$2,400.00.
2. **Disabled Veteran** with hire date one year after discharge - Employer can receive is up 40% of the first \$12,000.00 in qualified first-year wages for a maximum credit of \$4,800.00.
3. **Disabled Veteran** with aggregate periods of unemployment of six months during the year prior to hire date - Employer can receive is up 40% of the first \$24,000.00 in qualified first-year wages for a maximum credit of \$9,600.00
4. **Disabled Veteran** having aggregate periods of unemployment at least 4 weeks but less than 6 months in year of hire date - Employer can receive is up 40% of the first \$ 6,000.00 in qualified first-year wages for a maximum credit of \$2,400.00
5. **Unemployed Veteran** having periods of unemployment of 6 months or more in a year prior to hire date - Employer can receive is up 40% of the first \$14,000.00 in qualified first-year wages for a maximum credit of \$5,600.00

Long-term Family Assistance (LTFA) Recipient – Tax credit applies to the first two years of employment capped at \$10,000 for a maximum tax credit for the two years of \$9,000 per new hire. The first year credit is calculated at 40% for earnings of \$4,000 for new hire working 400 or more hours and the second year credit is calculated at 50% of \$10,000 for earnings of \$5,000, making a total Tax Credit of \$9,000 for the two years.

Summer Youth (Group 6) – the Tax Credit applies to any 90-day employment period between May 1 and September 15. Wages capped at \$3,000 of the first year qualified wages for a maximum tax credit of \$1,200 per hire. Wages calculated at 40 percent requires an employee to work 400 hours or more for earnings of \$1,200. Wages calculated at 25 percent requires the employee to work at least 120 hours but less than 400 hours for earning of \$750.

THE BOTTOM LINE:

- Employers make the hiring decision.
- There is no limit to the number of new hires who can qualify the employer for the tax savings.
- There is minimal paper work needed to claim the WOTC.

How does an Employer apply for WOTC?

When an employer believes that a prospective employee meets the qualifications for WOTC, after an offer of employment has been made and the employee has performed their first day of work, the following simple steps should be taken:

1. Complete the employer section of the IRS FORM 8850, "Work Opportunity Credit Pre-Screening Notice and Certification Request" and have the jobseeker complete the first page on or before the date of the job offer. Make certain that the applicant signs the form. **Signatures must be original.**
2. Complete either the Department of Labor ETA FORM 9061, "Individual Characteristics Form" if the new employee has not been conditionally certified. This form should be accompanied by documentation validating the employee's eligibility, **OR** ETA FORM 9062, "Conditional Certification Form" if provided to the jobseeker by a participating agency*
3. Mail the completed IRS 8850 and ETA 9062 or ETA 9061 to your state/local WOTC coordinator **within 28 days after employee's start work day** and mail them to the address indicated below. The postmark will be used to establish the date of submission. The Oklahoma Employment Security Commission at this time does not have the capacity to accept faxed copies of the Form 8850.

How may I obtain further information?

To obtain forms and instructions, click on the links.

[IRS Form 8850](#), the Work Opportunity Tax Credits Pre-Screening Notice and Certification Request

[IRS Form 8850 Instructions](#)

[ETA Form 9061](#), the WOTC "Individual Characteristics Form"

[ETA Form 9062](#), "Conditional Certification Form"

Whom should I call for further information?

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