

**The Work Opportunity Tax Credit is a Federal Tax Credit up to \$9,600 for employers who hire and retain veterans or individuals from targeted groups with significant barriers to employment. There are nine main categories of applicants which qualify for a credit under the program. Below is a list of the categories and a brief description of each.**

## *WOTC Categories*

**1. Qualified Veteran.** A veteran who meets at least one of the following criteria:

Was unemployed for at least 4 weeks, but less than 6 months in the past year;

Was unemployed for at least 6 months during the past year

Is 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;

Is entitled to compensation for a service-connected disability and who is hired within one year of discharge or release from active duty in the U.S. Armed Forces,

Is entitled to compensation for a service-connected disability and unemployed for a period or periods totaling at least 6 months of the year ending on the hiring date;

**2. Long-term TANF Recipient.** A member of a family that:

Received Temporary Assistance to Needy Families (TANF) payments for at least 18 consecutive months ending on the hiring date,

Received TANF payments for any 18 months (whether or not consecutive) beginning after August 5, 1997, and has a hiring date that is not more than two 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.

**3. 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.

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

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

**6. Vocational Rehabilitation Referral.** An individual 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 Veterans Affairs .

**7. Ex-Felon.** An individual who has been convicted of a felony and has a hiring date which is not more than one year after the last date on which he was so convicted, released from prison, or released from probation status. .

**8. SSI Recipient.** A recipient of Supplemental Security Income (SSI) benefits for any month ending during the past 60-day period ending on the hire date.

**9. Long-Term Unemployment Recipient.** An individual who has been unemployed for a minimum of 27 week and received unemployment compensation during some or all of that period.

## *Frequently Asked Questions (FAQ) About the Work Opportunity Tax Credits:*

- **What is the amount of the credit available through WOTC?**
  - **What is the minimum length of employment to claim credits?**
  - **What is the 28 day rule?**
  - **How do I claim the WOTC Tax Credit?**
  - **For which tax years can the credit be applied?**
  - **Can I go back and amend our returns?**
  - **Can I carry forward tax credits not used?**
  - **How do I apply?**
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### **What is the amount of the credit available through WOTC?**

The amount of the tax credit varies by target group. The majority of groups receive a maximum credit of \$2,400 per eligible hire however certain groups are eligible for increased credit amounts up to \$9,600. Strategic Systems will evaluate each hire and ensure that the applicant is filed under the group that would result in the highest credit.

### **What is the minimum length of employment to claim credits?**

The WOTC amount an employer claims depends on the number of hours the employee works and their wages earned. All new employees must work a minimum of 120 hours to qualify for any credit. Employees who worked at least 120 hours but less than 400 hours are eligible for a reduced credit. Employees who work over 400 hours are eligible for the full credit on their wages.

### **What is the 28 day rule?**

The program requires the application for the tax credit is filed with the appropriate agency within 28 days of the employee's hire date. Strategic Systems will assist you with establishing a workflow process to ensure applications reach us in a timely manner so that we can screen, prepare, and file them prior to the deadline.

### **How do I claim the WOTC Tax Credit?**

#### **Taxable Employers**

For taxable employers, after the required certification is secured, taxable employers claim the tax credit as a general business credit against their income tax. Strategic Systems will assist you with tracking certified employees, collect the data needed to calculate the credit, and send you a fully prepared package to provide to your accountant with which to claim the credit on your Federal tax return.

#### **Tax-exempt Employers**

Qualified tax-exempt organizations described in IRC Section 501(c) and exempt from taxation under IRC Section 501(a), may claim the credit for the qualified veteran group only. Tax-exempt employers may not claim the WOTC for other targeted group members.

After the required certification is secured, tax-exempt employers claim the credit against the employer social security tax by separately filing for a refund of social security taxes paid. After filing the related employment tax return for the employment tax period for which the credit is claimed, Strategic Systems will calculate the amount eligible to be requested for each period and fully prepare the package to be submitted to the IRS to request the refund of the eligible amount. It

is recommended that qualified tax-exempt employers do not reduce their required deposits in anticipation of any credit as the forms are processed separately and are not guaranteed until reviewed.

### **For which tax years can the credit be applied?**

Employers may claim the Work Opportunity Tax Credit for a total of two years. Employers who do not take the full credit amount because of the tax liability limitation may carry back one year or forward 20 years. Employers claim the tax credit for the year they “realize” the credit i.e. employee hired in 2015, received certification in 2017, tracked hours and wages for eligibility for full credit in 2017.

### **Can I go back and amend our returns?**

Yes, the IRS will generally allow an amended return. Amended returns generally must be filed by the later of 3 years after the filing date of the original return or 2 years after the tax is paid.

### **Can I carry forward tax credits not used?**

Yes, WOTC tax credits rules are the same as general business credits. You can carry forward unused tax credits for up to twenty (20) years & back one (1) year from the year the credit was earned.

### **How do I apply?**

Your employees fill out the brief questionnaires as part of their application and new hire paperwork. Strategic Systems will provide you with the questionnaires and have a number of options available for transferring the completed forms to us for processing. Once received by Strategic Systems, we will screen, prepare, and file any eligible applications, provide you with requests for any additional information needed, and prepare the actual credit each year to be claimed on your tax return.