

# Work Opportunity Tax Credit



Collabor8 2017  
April 26<sup>th</sup> 2017  
Stevens Point, WI

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# What is WOTC?



- WOTC = Work Opportunity Tax Credit
- Federal tax incentives for employers to hire targeted individuals that are most in need of employment
- Credits are subtracted from accrued tax
- Up to a 100% elimination of tax liability
- 1-year carry-back and 20-year carry-forward



# New to WOTC in 2017



- Renewed retro-actively back to 1/1/2015
- Extended through 12/31/2019
- New target group: Qualified, Long-Term Unemployment Recipients

# WOTC Target Groups



- Disabled Veterans
- Qualified Veterans
- Hire a Hero Veteran Act/Unemployed Veterans
- Food Stamp/Food Share Recipients
- Vocational Rehabilitation Referrals
- Temporary Assistance for Needy Families (TANF) Recipients
- Long-Term Family Assistance (LTFA) Recipients
- Former Offenders
- SSI Recipients
- Qualified, Long-Term Unemployment Recipients

## Employee cannot be:

- A relative of the employer
- A person with a substantial financial interest in the employer
- A re-hired worker
- A non-resident individual or undocumented individual
- A replacement worker during a strike or lockout

# Disabled Veterans



- Veterans entitled to compensation for a service-connected disability whose:
  - Hiring date is within 1 year after discharge or release from active duty; or
  - Been unemployed for a period of at least 6 months during the 1-year period ending on the hiring date.



# Disabled Veterans, *continued...*



- Tax credits are available based on 1st year wages capped at \$12,000 per new hire
- 25% tax credit for employees working 120-399 hours (\$3,000 maximum)
- 40% tax credit for employees working 400+ hours (\$4,800 maximum)
- Employees must work at least 120 hours

# Qualified Veterans



- ④ A veteran who is a member of a family that received food stamps for at least 3 consecutive months within the last 15 months
- ④ Not on extended active duty during 60-day period ending on hire date
- ④ Active duty more than 180 days or discharged/released from active duty for service-connected disability



# Vow To Hire A Hero/Unemployed Veterans



- Veterans unemployed for at least 4 weeks with qualified wages cap of \$6,000 and maximum tax credit of \$2,400
- Veterans unemployed for at least 6 months with qualified wages cap of \$14,000 and maximum tax credit of \$5,600



# Food Stamp/Food Share Recipients



- Must be between the ages of 18 and 40 on the hiring date and:
- Must be a member of a family that received food stamps for the last 6 months ending on the hiring date; or
- Must be a member of a family that received food stamps for at least 3 of the last 5 months, but is no longer eligible to receive them for non-compliance.

# Vocational Rehabilitation Referrals



- Must have a physical or mental disability that constitutes as a substantial barrier to obtaining employment
- Referred to an employer upon completion of, or while receiving, rehabilitation services under a state-approved rehabilitation plan or program ending within 2 years before the hiring date
- Referred to employer under a Vocational Rehabilitation Program for Veterans (VA or DVA)
- Ticket-to-Work participant with an Employment Network work plan (SSDI)

# TANF Recipients



- Must be a member of a family that has received TANF assistance for any 9 months during the last 18 months ending on hire date
- These 9 months do not have to be consecutive

# LTFA Recipients



- Received TANF payments for at least 18 consecutive months ending on the hire date
- Received benefits for any 18 months beginning after August 5, 1997 and hire date is no more than 2 years after end of earliest 18-month period

# LTFA Recipients, *continued...*



- ① Can be a 2-year tax credit per the following criteria:
  - ② Must work at least 120 hours per calendar year
  - ② Wages are capped at \$10,000 per year
  - ② Credit is 25% if employed 120-399 hours
  - ② Credit is 40% of capped wages for the 1st year if employee works 400+hours
  - ② Credit is 50% of capped wages for the 2nd year if employee works 400+ hours
  - ② Potential savings to employer: \$9,000

# Former Offenders



- Must have been convicted of a state or federal felony
- Hired within 1 year of the last date of conviction or release from prison/parole/probation (whichever date is later)
- Individuals on supervision, probation, or parole for felony charges are eligible up to 1 year after supervision ends

# SSI Recipients



- Must have received supplemental security income benefits for any month ending within the last 60 days before the hiring date
- Recipient must be the employee and not a family member of the employee
- Ticket-to-Work participant with Employment Network work plan (SSDI)



# Qualified Long-Term Unemployment Recipients



- Must be an employee who has been unemployed for at least 27 consecutive weeks at the day you begin work for the employer
- Must have received unemployment benefits for 1 week from either a state or federal unemployment program during the 27 week period

- The 8850 is a pre-screening notice
- Job applicant and employer complete form on or before the day the individual is offered the job
- Employer/Employee signatures must be originals
- Must be postmarked within 28 days of the start date of employee

- Identifies specific target groups
- Completed, signed and submitted by the applicant or employer/consultant
- Should be filled out in its entirety
- Any supporting documentation should accompany this form



- The 9062 Conditional Certification form is for agencies with caseloads or with a contract with DWD only
- Pre-determines eligibility
- Agency representative signs 9062
- Employer completes Part II declaration and submits with 8850 (no 9061 required)

# Final Certification



- Employer/Consultant will receive a certification/denial letter
- No charge for certification
- A needs letter is sent if:
  - Documentation is missing/insufficient
  - Proof of age is needed
- Employer files IRS form 5884 at:  
[www.irs.ustreas.gov](http://www.irs.ustreas.gov)



# Links



- <http://dwd.wisconsin.gov/jobservice/taxcredit/wotc.htm>
- [www.doleta.gov/programs/wotcdata.cfm](http://www.doleta.gov/programs/wotcdata.cfm)
- <http://www.irs.gov/pub/irs-pdf/f8850.pdf>
- [http://www.doleta.gov/business/incentives/opptax/PDF/WOTC\\_ETA\\_Form\\_9061.pdf](http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_ETA_Form_9061.pdf)
- [http://www.doleta.gov/business/incentives/opptax/PDF/eta\\_form\\_9062\\_cert.pdf](http://www.doleta.gov/business/incentives/opptax/PDF/eta_form_9062_cert.pdf)

# Questions?

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