



Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers who hire individuals from eligible target groups with significant barriers to employment. Each year, employers claim over \$1 billion in tax credits under the WOTC program. The information below will assist you in applying for and obtaining the tax credit.

Employer Benefits:

- WOTC reduces an employer's cost of doing business, requires little paperwork and applying for WOTC is simple.
- WOTC can reduce an employer's federal income tax liability by between \$1,200 and \$9,600 per employee hired.
- There is no limit to the number of qualifying individuals an employer can hire.
- Certain tax-exempt organizations can participate in WOTC by hiring eligible veterans and receiving a credit against the employer's share of Social Security taxes.

Target Groups (authorized from January 1, 2015 – December 31, 2019):

- Veterans
- Ex-Felons
- SSI Recipients
- Summer Youth
- Food Stamp Recipient (SNAP)
- Long-term unemployed persons
- Vocational Rehabilitation Referrals
- Designated Community Residents (DCR) 18-39 years of age
- Recipients of Temporary Assistance for Needy Families (TANF)

Employer Application Process:

- Set up an account with WOTC at <https://wotc.dllr.state.md.us>.
- Complete IRS Forms 8850, 9061 OR Form 9062 (pre-determination of eligibility), if applicable.
- Submit Forms 8850 and 9061 OR 9062 **within 28 days** after the employee's start date.
- Receive Final Determination. If approved, DLLR will issue the Employer Certification Form to the employer.
- Obtain IRS Form 5884 OR Form 5884-C (if hiring qualifying veterans) and file for the Credit with the IRS.

Important Requirements:

- Employees must work at least 120 hours in the first year of employment to receive the tax credit.
- Form 8850 must be signed by both the applicant and employer and be sent to DLLR with a postmark on or before the 28th day of employment.
- Some employees do not qualify the employer for the WOTC, they include:
 - Relatives and dependents of the employer, including sons, daughters, stepchildren, spouses, fathers, mothers, brothers, sisters, step-brothers or sisters, nephews, nieces, uncles, aunts, cousins, or in-laws.
 - Former employees, regardless of how long it has been since he/she last worked for the employer.
 - Majority owners of the business.
- Wages include all remuneration paid to an employee. However, to qualify, wages must be:
 - Wages for which the employer pays Federal Unemployment Tax Act (FUTA) taxes.
 - Wages actually paid by the employer, including those to on-the-job training (OJT) participants. If the OJT worker is receiving subsidized wages directly from another party, or indirectly paid through the employer, then the wages do not qualify (although the hours worked for the employer count for the minimum retention period).
- Forms required change periodically, for the most up-to-date copies of forms, please refer to the:
 - WOTC website at: <http://www.doleta.gov/business/incentives/opptax/forms.cfm>.
 - IRS website at: <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Expanded-Work-Opportunity-Tax-Credit-Available-for-Hiring-Qualified-Veterans>.
- For questions contact the WOTC Coordinator: Belinda Duncan, 410-767-2047/2093, Email: Belinda.Duncan@maryland.gov.