



Work Opportunity Tax Credit (WOTC)

Presented by: Whitney Mauger, CPA

Agenda:

- Background
- Members of targeted groups
- Compliance
 - Prescreening process
 - Income tax return filing
- Calculating the credit
- Tax Reform

WOTC - Background

- **WOTC** is a Federal tax credit available to employers who hire and retain veterans and individuals from other target groups with significant barriers to employment.
- The credit was created in 1996, and has been extended several times since then.
- The PATH (Protecting Americans from Tax Hikes) Act of 2015 extended through credit to cover hiring through 2019.
- The PATH Act of 2015 also modified the WOTC rules to benefit employers that hire qualified long-term unemployed individuals, effective January 1, 2016.

Members of Targeted Groups

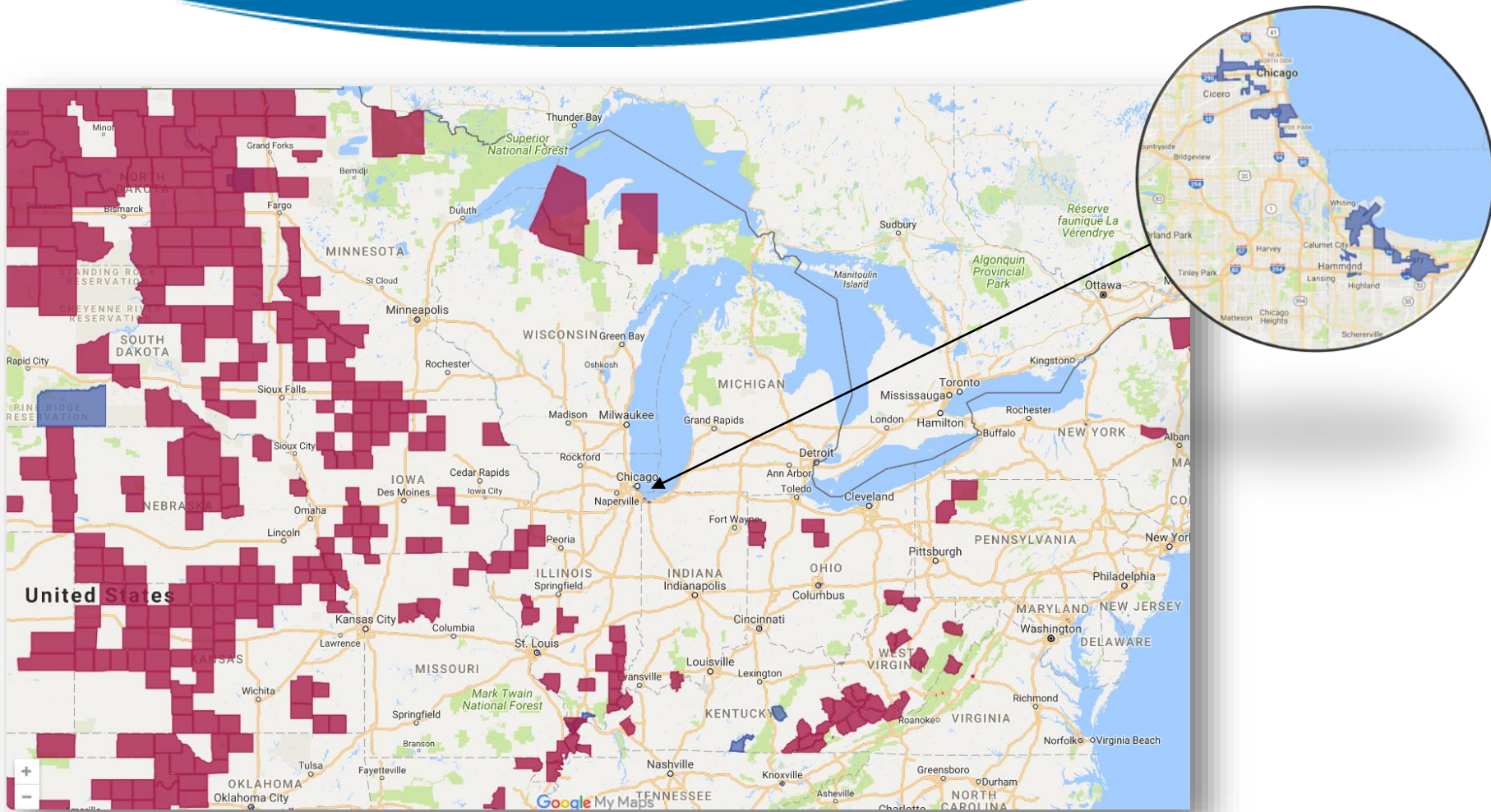
- **Qualified veteran**

- A member of a family receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) (food stamps) for at least 3 months during the first year of employment.
- Unemployed for a period totaling at least 4 weeks (whether or not consecutive) but less than 6 months in the 1-year period prior to the date of hire.
- Unemployed for a period or periods totaling at least 6 months (whether or not consecutive) in the one-year period ending on the date of hire.
- Entitled to compensation for a service-connected disability and hired not more than one year after being discharged or released from active duty in the U.S. Armed Forces.
- Entitled to compensation for a service-connected disability and unemployed for a period totaling at least six months (whether or not consecutive) in the one-year period that ended on the date of hire.

Members of Targeted Groups (cont.)

- **Qualified ex-felon**
 - Has been convicted of a felony; **AND**
 - Has a hiring date that is not more than 1 year after the conviction or release from prison.
- **Designated community resident**
 - Is age 18 to 39 years old, **AND**
 - Resides within one of the federally designated:
 - Rural Renewal Counties (RRCs), **OR**
 - Empowerment Zones (EZs)
- **Vocational rehabilitation referral**
 - If the individual with a disability has completed, or is completing, rehabilitative services provided by:
 - A state-certified agency, **OR**
 - An Employment Network under the Ticket to Work program, **OR**
 - The U.S. Department of Veteran Affairs

Members of Targeted Groups (cont.)



Rural Renewal Zones
Empowerment Zones

Members of Targeted Groups (cont.)

- **Summer youth employee**
 - Is a 16 or 17 year old youth, **AND**
 - Works for the employer between May 1 and September 15; **AND**
 - Resides in an Empowerment Zone (EZ)
- **Recipient of SNAP benefits (food stamps)**
 - Age 18 to 39 years old, **AND**
 - A member of a family that received Supplemental Nutrition Assistance Program (SNAP) benefits for:
 - The 6 months ending on the hiring date, **OR**
 - At least 3 of the 5 months ending on the hiring date
- **Supplemental Security Income (SSI) recipient**
 - If the individual is a recipient of SSI benefits for any month that ends during the 60-day period ending on the hire date.

Members of Targeted Groups (cont.)

- **Long-term TANF recipient**

- New hire must be a member of a family that meets one of the following circumstances:
 - Has received TANF benefits for at least 18 consecutive months ending on the hiring date; **OR**
 - Has received TANF benefits for at least 18 consecutive or non-consecutive months after August 5, 1997, AND has a hiring date that is not more than 2 years after the end of the earliest 18-month period after August 5, 1997; **OR**
 - Has 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.

- **Short-term TANF recipient**

- New hire qualifies for this target group, if the individual is a member of a family that received TANF benefits for any 9-month period during the 18-month period ending on the hiring date.

- **Qualified long-term unemployment recipient**

- An individual hired after December 31, 2015 who is in a period of unemployment that:
 - Is not less than 27 consecutive weeks, **AND**
 - Includes a period (which may be less than 27 consecutive weeks) in which the individual received unemployment compensation under state or federal law.

Members of Targeted Groups (cont.)

- **Ineligible individuals**

- 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 (except for summer youth)
- Majority owners of the business

Certification Process

How do I Apply?

- Complete page 1 of IRS Form 8850 by the day the job offer is made.
- Complete page 2 of IRS Form 8850 after the individual is hired.
- Complete ETA Form 9061, ETA Form 9062, or ETA Form 9175 if the employee has been conditionally certified as belonging to a WOTC target group by a state workforce agency, Vocational Rehabilitation agency, or another participating agency.
- Submit the completed and signed IRS and ETA forms to your state workforce agency. **Forms must be submitted within 28 calendar days of the employee's start date.**
- www.doleta.gov/business/incentives/opptax
(Department of Labor, Employment and Training Administration)
- https://www.doleta.gov/business/incentives/opptax/State_Contacts.cfm
State WOTC Coordinators

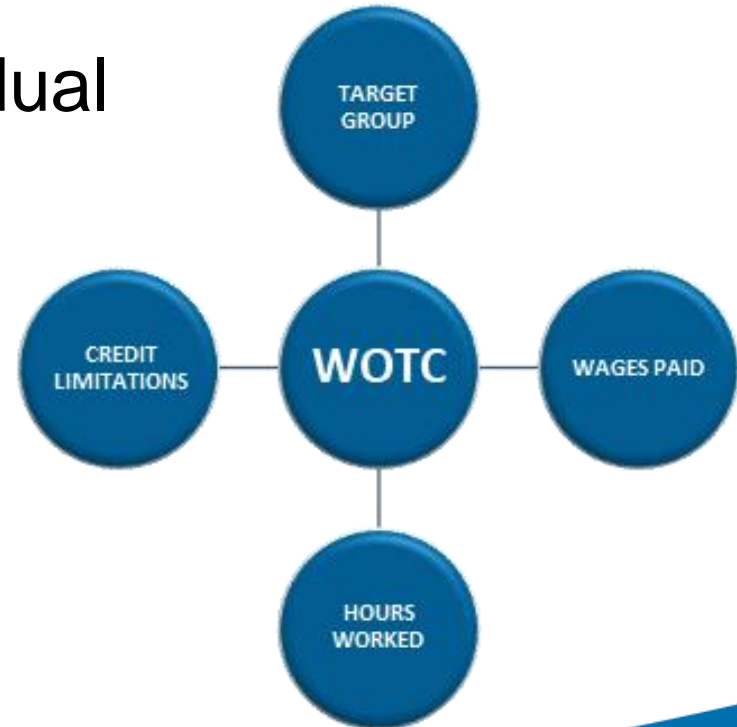
Compliance – Tax filing

- Form 5884 is filed with your Partnership, S Corporation, Corporation, or Cooperative tax return.
- The credit will flow through the k-1s for Partnerships and S-Corporations.

Credit Calculation

Factors that determine the credit amount:

- Number of hours the individual worked
- Wages paid to the individual
- The target group
- Credit limitations



Credit Calculation

The tax credit for **WOTC new hires except LTFA** is:

- 25% for those employed at least 120 hrs (maximum credit \$1,500);
- 40% for those employed at least 400 hrs (maximum credit \$2,400);
and
- No credit allowed for second-year wages

For **Long-Term Family Assistance** -- tax credits can be earned for the first two years of employment, wages are capped at \$10,000:

- 25%, for those employed at least 120 hrs (\$2,500 maximum credit);
- 40%, for those employed at least 400 hours the first-year (\$4,000 maximum credit);
- 50% for those employed at least 400 hours the second year (\$5,000 maximum credit);
- Maximum credit of \$9,000;

Credit Calculation

For **Disabled Veterans discharged within a year**, wages are capped at \$12,000:

- 25%, for those employed at least 120 hrs but less than 400 hours (\$3,000 maximum credit);
- 40%, for those employed at least 400 hours (\$4,800 maximum credit);

For **Unemployed Veterans** -- wages are capped at \$14,000:

- 25%, for those employed at least 120 hrs but less than 400 hours (\$3,500 maximum credit);
- 40%, for those employed at least 400 hours (\$5,600 maximum credit);
- No credit allowed for employees who work less than 120 hours.

For **Unemployed Disabled Veterans** -- wages are capped at \$24,000:

- 25%, for those employed at least 120 hrs but less than 400 hours (\$6,000 maximum credit);
- 40%, for those employed at least 400 hours (\$9,600 maximum credit);

Credit Calculation - Examples

- Excel calculator
- Example

Tax Reform & WOTC

- WOTC would be repealed as the House bill stands currently
- House Ways and Means Committee was expected to approve the Republican tax bill on Thursday, November 9, with plans to be ready for a House floor vote next week.
- Senate was scheduled to introduce its tax plan Thursday, November 9.

Resources - Other

- Wisconsin WOTC Coordinator:
Jody Thomas
Wisconsin DWD
Federal Tax Credit Office, Room G-100
201 East Washington Avenue
Madison, WI 53707
608-266-1903
Jody.Thomas@dwd.Wisconsin.gov
- <https://dwd.wisconsin.gov/jobservice/taxcredit/wotc.htm>
- www.doleta.gov/business/incentives/opptax
(Department of Labor, Employment and Training Administration)
- https://www.doleta.gov/business/incentives/opptax/State_Contacts.cfm
State WOTC Coordinators

Thank you!

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