

# Work Opportunity Tax Credit (WOTC)

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit incentive that the Congress provides to private-sector businesses for hiring individuals from any of twelve target groups who have consistently faced significant barriers to employment. The objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while the participating employers are able to reduce their federal income tax liability.

## **Please be aware of occurrences that have caused the current backlog in certifications:**

In the past the U.S. Congress has, on several occasions, failed to re-authorize the WOTC program upon its scheduled expiration. The most recent occurrence was in December 2006. Subsequent legislation was passed in May of 2007 when the program was retroactively re-authorized to January 1, 2006. The huge backlog of applications began when Congress and DOL would not allow states to process the applications during the period from December 2006 through May 2007. DOL continued to encourage employers to send applications that could not be processed, causing Virginia and most other states to fall further behind resulting in an avalanche of documents awaiting certification. When the program was finally re-authorized retroactively, Virginia had accumulated a backlog of over 40,000 applications that the VEC was not allowed to process earlier.

In February of 2010 Virginia began the design and implementation of an automated processing system for WOTC applications. The new system will make our processing more accurate and efficient, but automation will not make the backlog go away quickly. We ask all employer's and consultants to be patient with us. DOL mandates that we process applications using a "first-in-first-out" (FIFO) methodology, and we need to process applications that way. Given the large volume of applications we believe that is the only way to be fair to all who submit applications.

## **WHAT NEW HIRES CAN QUALIFY EMPLOYERS FOR THE WOTC?**

The consolidated WOTC applies only to new employees who begin working for an employer between January 1, 2007, and September 1, 2011. The new employee *must* belong to one of the following WOTC target groups:

**Target Group A: TANF Recipient.** A member of a family that is receiving or recently received TANF benefits for any 9-month period during the 18-month period ending on the hiring date.

**Target Group B: Qualified Veteran.** A veteran who is a member of a family that is receiving or recently received Food Stamps for at least a 3-month period during the past 15 months; and for individuals who begin to work for an employer after May 25, 2007. The veteran group has been expanded to include "**disabled veterans**" (group B2) who are entitled to compensation for a service-connected disability **and** who, during the one-year ending on the hiring date, were: a) discharged or released from active duty in the U.S. Armed Forces, **or** b) unemployed for a period or periods totaling at least 6 months. The first-year wages taken into account for these "disabled veterans" are capped at \$12,000.

**Important Note:** Additional documentation required for a disabled veteran is VA form FL 21-802, *and* a completed Form DD-214

**Target Group C: *Qualified Ex-Felon.*** An individual who has been convicted of a *felony* and has a hire date which is not more than one year after the last date on which he was so convicted or released from prison.

***Important Note:*** Signed documentation from the Court System, Virginia Department of Corrections, or parole officer assigned to the *ex-felon* that specifies: 1. the type of conviction (felony) 2. the conviction date, and 3. the release date is required as verification for this target group.

**Target Group D: *Designated Community Resident.*** An 18-39 year old resident of one of the federally designated Empowerment Zones (EZs), Enterprise Communities (ECs), Renewal Communities (RCs), and for individuals who begin to work for an employer after May 25, 2007, this High-Risk Youth group has been renamed “Designated Community Resident” and expanded to include residents of Rural Renewal Counties;

***Important Note:*** All Round I Enterprise Communities (ECs) including enhanced Enterprise Communities expired on December 31, 2004. The Virginia Empowerment Zone (Portsmouth/Norfolk) expired on December 31, 2009. Congress may consider reauthorization legislation for this EZ in the future. For information about other EZ/EC/RC locations, visit the U.S. Department of Housing and Urban Development (HUD) Web site at <http://www.hud.gov/cr>, or call 1-800-998-9999.

**Target group E: *Vocational Rehabilitation Referral.*** An individual who completed or is completing rehabilitative services from a State certified agency, an Employment Network, or the U.S. Department of Veterans Affairs.

***Important Note:*** Signed documentation must be provided to verify that the applicant was referred to the employer by Voc-Rehab upon completion of, or while receiving services pursuant to a written plan of employment.

**Target Group F: *Summer Youth Employee.*** A 16-17 year old EZ/EC or RC resident hired between May 1 and September 15.

**Target Group G: *Qualified Food Stamp Recipient.*** An 18-39 year old member of a family that received Food Stamps for the past 6 months, *or* received Food Stamps for at least 3 of the past 5 months.

**Target Group H: *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.

***Important Note:*** Documents verifying receipt of SSI must be provided with the original application. Virginia does not verify SSI records.

**Target Group I: *Long-term TANF Recipient.*** A member of a family that:

1. Received or recently received Temporary Assistance to Needy Families (TANF) payments for at least 18 consecutive months ending on the hiring date, *or*
2. Received TANF payments for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997 ended during the past 2 years, *or*

3. Stopped being eligible for TANF payments during the past 2 years because federal or state law limited the maximum time those payments could be made.

**Target Group J: Unemployed Veteran.** A U.S. military veteran hired after 2008 and before 2011 who has been discharged or released from active duty in the U.S. Armed Forces at any time during the 5-year period ending on the hiring date; and who received unemployment compensation under state or federal law for a period or periods totaling at least 4 weeks during the one year period ending on the hiring date. To be considered a Veteran, the applicant must have served on active duty (other than active duty for training) in the Armed Forces of the United States for a period of more than 180 days, or have been discharged or released from active duty in the Armed Forces for a service-connected disability

**Target Group K: Disconnected Youth.** An individual who is certified as an individual who is certified as having attained age 16 but not age 25 on the hiring date; not regularly attending any secondary, technical, or post-secondary school during the 6-month period preceding the hiring date; not regularly employed during such 6-month period; **and** not readily employable by reason of lacking a sufficient number of basic skills.

**Important Note:** ETA Form 9154 (Youth Self-Attestation Form) with original signature must be submitted to the VEC along with the 8850, and 9061 forms. (See required forms below).

**The consolidated WOTC for hiring most target group members can now be as much as:**

- \$2,400 for each *new* adult hire;
- \$1,200 for each *new* summer youth hire,
- \$4,800 for each *new* disabled veteran hire, and
- \$9,000 for each *new* long-term family assistance recipient hired over a two-year period.

**Minimum employment or retention period.** All new adult employees must work a minimum of 120 or 400 hours. Individuals hired as Summer Youth employees must work at least 90 days, between May 1 and September 15, before an employer is eligible to claim the tax credit. The WOTC amount an employer may claim depends on the hours the employee works. The credit is 25% of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours and 40% for those employed 400 hours or more.

### **HOW CAN VIRGINIA EMPLOYERS PARTICIPATE IN THE WOTC?**

1. The new employee must complete and sign page one of IRS Form 8850 (Rev. 8-2009) by the day the job offer is made. Previous versions of this form are not acceptable.
2. The employer must complete and sign page two of IRS form 8850 *after* the individual is hired.
3. The employer must complete and sign the one page ETA Form 9061 (August 2009). Previous versions of this form are not acceptable
4. Mail the completed and signed IRS and ETA forms along with any additional required documentation to:

**Virginia Employment Commission  
WOTC Program - Room 209  
P. O. Box 1358  
Richmond, VA 23218-1358**

**804-786-2887 (voice mail available)**

**Important Note:** The completed forms *must* be mailed within 28 days after the new employee's employment-start date. If not postmarked within 28 days, the application *will* be denied. The IRS requires original signatures; therefore, faxed, photocopied, or electronic signature documents will *not* be accepted.

### **REQUIRED FORMS:**

**IRS Form 8850 (Rev. August 2009) - Pre-Screening Notice and Certification Request for WOTC**

[http://www.doleta.gov/business/Incentives/opptax/PDF/WOTC\\_IRS\\_Form\\_8850.pdf](http://www.doleta.gov/business/Incentives/opptax/PDF/WOTC_IRS_Form_8850.pdf)

**IRS Form 8850 – (Rev. August 2009) - Instructions**

[http://www.doleta.gov/business/Incentives/opptax/PDF/WOTC\\_IRS\\_Form\\_8850\\_I.pdf](http://www.doleta.gov/business/Incentives/opptax/PDF/WOTC_IRS_Form_8850_I.pdf)

**ETA Form 9061 (Rev. August 2009) - Individual Characteristics Form (ICF)**

[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)

**ETA Form 9154 (February 2010) – Youth Self-Attestation Form – For Group K only (Disconnected Youth)** <http://wdr.doleta.gov/directives/attach/TEGL/TEGL3-09c2a1.pdf>

### **USDOL WOTC PROGRAM POLICY GUIDANCE:**

[http://www.doleta.gov/business/Incentives/opptax/policy\\_guidance.cfm?DOCN=2326](http://www.doleta.gov/business/Incentives/opptax/policy_guidance.cfm?DOCN=2326)

### **HOW EMPLOYERS CLAIM THE WOTC CREDIT:**

Employers file for the tax credit when they complete their annual Business Federal Income Tax Forms. In addition to these forms, employers will need [IRS 5884 Form](#) (2009) and the Tax Credit Certification document issued by the WOTC Program Unit of the Virginia Employment Commission.