

Work Opportunity Tax Credit (WOTC)



What is the Work Opportunity Tax Credit (WOTC)?

The Work Opportunity Tax Credit (WOTC) is a federal income tax credit designed to help people gain on-the-job experience and achieve better employment outcomes. The WOTC program offers federal tax credits to employers as an incentive to hire people in several specific target groups.

Who qualifies for the WOTC?

WOTC applies only to **new** employees. The new employee must belong to one of the following target groups:

- **TANF Recipients:** a member of a family who has received or is receiving Temporary Assistance to Needy Families (TANF) or Aid to Families with Dependent Children (AFDC) or a successor program. Employee must have received benefits for at least 9 of the last 18 months ending on the hiring date.
- **Veterans:** a veteran AND a member of a family that has received food stamps for at least 3 months in the last 15 months ending on the hiring date. **Disabled Veterans:** a veteran who is entitled to compensation for a service-connected disability and has a hiring date not more than one year after discharge or release from active duty, or has been unemployed for a period or periods totaling at least six months during the one-year period ending on the date of hire.
- **Unemployed Veteran:** a veteran unemployed at least four weeks or six months or more in the year prior to being hired.
- **Ex-Felons:** convicted of a felony or released from prison for a felony within one year of the date of hire.
- **Vocational Rehabilitation Referrals:** has a disability serious enough to be a barrier to employment AND is referred to an employer upon completion of or while receiving rehabilitation services under a State rehabilitation plan or a program approved by the Department of Veterans Affairs. Services must have been received no longer than 2 years before the Hire Date.
- **Food Stamp Recipients:** 18-39 years old AND a member of a family that has received food stamps for the last 6 months or received food stamps for at least 3 of the last 5 months, but is no longer eligible to receive them.
- **Supplemental Security Income (SSI) Recipients:** an individual who received SSI benefits for any month within the last 60 days ending on the hire date.
- **Long-term Family Assistance Recipients (LTFA):** an individual may be certified as an LTFA recipient if he/she is a member of a family that:
 - Received TANF payments for at least 18 consecutive months ending on the hiring date or;
 - Received such family assistance for a total of at least 18 months (whether or not consecutive) after August 5, 1997 if the individual is hired within two years after the date that the 18 month total is reached or;
 - Stopped being eligible for assistance after August 5, 1997 due to federal or state law limits and the individual is hired not more than two years after such eligibility for assistance ends.

Long-term Unemployed Recipient (LTUR): 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.

How Much Does an Employer Save with WOTC?

Employers can claim up to 40% of the first \$6,000 in qualified first-year wages for a maximum credit of \$2,400 per **new** hire.

Calculation of WOTC tax credit

The tax credit for WOTC new hires except LTFA is:

- 25% - employed at least 120 hours (maximum credit \$1,500);
- 40% - employed at least 400 hours (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:

- 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; For Disabled Veterans discharged within a year, wages are capped at \$12,000:
- 25% - employed at least 120 hours but less than 400 hours (\$3,000 maximum credit);
- 40% - employed at least 400 hours (\$4,800 maximum credit); For Unemployed Disabled Veterans -- wages are capped at \$24,000:
- 25% - employed at least 120 hours but less than 400 hours (\$6,000 maximum credit);
- 40%, for those employed at least 400 hours (\$9,600 maximum credit);

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

- 25%, for those employed at least 120 hours but less than 400 hours (\$3,500 maximum credit);

How does an employer apply for the credits?

1. Complete **BOTH SIDES** of the [IRS Form 8850](#), "Work Opportunity Credit Pre-Screening Notice and Certification Request". The job applicant should complete the front side, and the employer or representative must complete the back side of the form on or before the job offer date.

The 8850 form must be complete in every detail.

Note: This document must be entered or uploaded in the [eWOTC](#) system or mailed to the WOTC Office at the DWD address below within 28 days of the job start date or the application will be denied (no exceptions).

2. Complete the [ETA Form 9061](#) (Individual Characteristics form) if the job applicant does not have a completed ETA Form 9062 from a service provider. Client service providers may provide job applicants with ETA Form 9062, "Conditional Certification", identifying them as a member of a WOTC target group.

Job applicants would then give this form to the potential employer to complete their portion of the form.

- Employer/Representatives using Form ETA 9061 **must** staple reasonable eligibility documentation of a target group to this form, or provide reasonable audit trail information in response No. 19 on the form. ([ETA Form 9061](#))

How to Claim the WOTC Tax Credit?

You file for the credit when you fill out your annual Business Federal Income Tax Forms. In addition to these forms, you will need an [IRS 5884 Form](#) and the Tax Credit Certification issued to you by the Wisconsin Department of Workforce Development Tax Credit Unit.

Any questions regarding the filing of the tax credit with the IRS may be addressed to the [IRS website](#) or their help line at 1-800-829-1040.

