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Work Opportunity Tax Credit Guide

General Background

- Incentivizes private–for-profit businesses to hire individuals from "targeted groups."
- Federal tax credits are provided in return for hiring individuals from "targeted groups" that may experience barriers to employment.
- The program's objective is to enable person in those "targeted groups" to become employed and move from economic dependency to self-sufficiency.

Minimum employment Tax Credit

- New adult employees must work a minimum of 120 hours
- Summer youth employees must work at least 90 days between May 1 and September 15

Maximum Tax Credit

- WOTC is dependent on the number of hours the employee works
  - 25% of qualified first year wages for those employed at least 120 hours but fewer than 400 hours.
  - 40% of first year qualified wages for those employed 400 hours or more
- Up to a maximum credit of $2,400 for each new adult hire
- Up to a maximum credit of $1,200 for each new summer you hire
- Up to a maximum credit of $4,800 for each new disabled veteran hire
- Up to a maximum credit of $9,000 for each new long-term family assistance recipient over a two-year period

Targeted Groups

- **TANF Recipient**
  A member of a family that is receiving or recently received Temporary Assistance to Needy Families (TANF) benefits for any 9-month or 18 –month period ending on the hire date.
- **Veteran**
  A veteran who is a member of a family that is receiving or recently received food and nutrition (food stamps) for at least a 3 month period during the past 15 months. WOTC has been expanded to include "Disabled Veteran" who are entitle to compensation for a service-connected disability and who during the one year ending on the hire date were a) discharged or released from active duty in the US Armed Forces, or b) unemployed for a period of periods totaling at least 6 months. The first year wages take into account for these "disabled veterans" are capped at $12,000. To qualify for the credit the Veteran must have served for more than 180 days or have been discharged from active duty for a service-connected disability.

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- **Ex-Felon**
  An individual convicted of a felony. The hire date must be less than one year after the conviction date or release date from prison.
- **Designated Community Resident**
  An 18-39 year old resident of one of the federally designated Empowerment Zone (EZ) or renewal Communities (RC).
- **Vocational Rehabilitation Recipient**
  An individual who completed is completing rehabilitative services from a State certified agency, an Employment Network or the US Dept. of Veterans Affairs.
- **Summer Youth**
  a 16-17 year old EZ/EC or RC residents hired between May 1 and September 15.
- **Food Stamp Recipient**
  An 18-39 year old member of a family that received Food and Nutrition (Food Stamp) benefits for at least 3 of the past 5 months
- **Supplemental Security Income Recipient**
  A recipient of Supplemental Security Income (SSI) benefits for any month ending during the past 60 day period ending on the hire date.
- **Long-term TANF Recipient**
  A member of a family that receives or recently received TANF payments for at least 18 consecutive months ending on the hiring date; or a family member started receiving TANF payments after August 5, 1997 and received TANF payments for any 18 months during that period and they ended within the past two years or they stopped be eligible for TANF payments within the past two years because federal or state law limited the maximum time those payments could be made.
- **Unemployed Veteran**
  A veteran 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 they received unemployment compensation for at least 4 weeks during the 1 year period ending on the hiring date.
- **Disconnected Youth**
  An individual who is certified as: 1) between the ages of 16, but not yet 25 on the hiring date, 2) not regularly attending any secondary, technical or post secondary school during the 6-month period preceding the hiring date, 3) not regularly employed during such 5-month period, and 4) not readily employable by reason of lacking sufficient number of basic skills.

The Process

An employer, to qualify for this tax credit, must receive certification that the new employee meets the criteria in one of the targeted group. To receive the certification an employer must:

1. Complete page one of IRS form 8850 by the day the job offer is made
2. Complete page 2 of IRS form 8850 after the individual is hired
3. Complete either the one page ETA form 9061 or Form 9062 as appropriate. For example:
   - If the new employee has already been conditionally certified as belonging to a WOTC target group by a State Workforce Agency, complete the bottom part of ETA Form 9062, sign and date , or

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- If the new employee has not been conditionally certified, the employer and the new employee must complete, sign and date ETA Form 9061

4. Mail the completed and signed IRS and ETA forms to the employers State Workers Agency within 28 days after the employee's employment start date.

Contact Information

NC WOTC coordinator is:
Employment Securities Commission of North Carolina
Attn: Applicant Services Unit: WOTC
PO Box 27625
Raleigh, NC
PH: (919)733-4896
Fax: (919)733-3010

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