

**Employers:**

# **9**

**Ways**

## **To Earn Federal Income Tax Credits For Your Company**

**The Welfare-to-Work and  
Work Opportunity Tax Credits**

**Two Employer-Friendly Benefits  
for Hiring Job Seekers  
Most in Need of Employment**

- How to Earn Tax Credits For New Hires**
- How To Apply For The Tax Savings**
- Where To Get More Information**

**Employment and Training Administration  
U.S. Department of Labor  
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## Earn the Welfare-to-Work (WtWTC) and Work Opportunity Tax Credits (WOTCs)

- *Employers make the hiring decision*
- *There is no limit to the number of new hires who can qualify an employer for the tax savings*
- *There is minimal paperwork needed to claim the tax credits*

Use of the WOTC has increased substantially in recent years and use of the WtWTC has decreased in line with welfare reform objectives:

- During 2003, **403,243** WOTC and **33,068** WtWTC certifications were issued
- During 2002, **377,310** WOTC and **46,652** WtWTC certifications were issued
- During 2001, **383,357** WOTC and **97,072** WtWTC certifications were issued

**Note.** FY 2004 program data is not included because it does not reflect full program year activity. The WOTC and WtWTC Program experienced a nine-month hiatus from December 31, 2003 through October 4, 2004.

The *Working Families Tax Relief Act of 2004 (P.L. 108-311)* extended the Work Opportunity and Welfare-to-Work Tax Credits (WOTC/WtWTC), without change, for two additional years through December 31, 2005. The reauthorization is retroactive to December 31, 2003, and applies to new hires that begin work for an employer on or after December 31, 2003 and before January 1, 2006.

***The Welfare-to-Work Tax Credit for hiring long-term family assistance recipients is as much as \$8,500 per new hire:*** 35% of qualified wages for the first year of employment and 50% of qualified wages for the second year of employment. Qualified wages -- which include tax-exempt amounts received under accident and health plans as well as educational and dependent assistance programs -- are capped at \$10,000 per year. To qualify employers for this tax credit, new hires must be employed at least 400 hours.

***The Work Opportunity Tax Credit for hiring all WOTC target groups, except for Summer Youth Employees, is up to \$2,400 for each new hire:*** 40% of qualified first-year wages for those employed 400 or more hours; 25% for those employed at least 120 hours. Qualified wages are capped at \$6,000. Summer Youth wages are capped at \$3,000. To qualify employers for the WOTC, the "new" hire must begin work on or after December 31, 2003 and before January 1, 2006.

**Coordination of WOTC & WtWTC:** Participating employers have a maximum combined period of two years to claim either credit. The WOTC and Welfare-to-Work Tax Credits cannot both be claimed for the same individual in the same taxable year.

## **Hire From Among These Nine Groups of Job Seekers to Qualify for the Welfare-to-Work Tax Credit and/or the Work Opportunity Tax Credit**

1. **Long-term family assistance recipient** -- member of a family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hiring date, **or** a member of a family whose family's TANF eligibility expired under federal or state law after August 5, 1997, **or whose** family received TANF for at least 18 months after August 5, 1997 -- **WtWTC**
2. **Other family assistance recipient** -- member of a family that received TANF for any 9-month period of the 18 months ending on the hiring date -- **WOTC**
3. **Veteran** – veteran and member of a family that received food stamps for at least a 3-month period during the 12 months ending on the date of hire -- **WOTC**
4. **18-24 year-old food stamp recipient** -- member of a family that received food stamps for at least the last 6 months ending on the hiring date, **or** for at least 3 of the 5 months ending on the date of hire in the case of a family member who ceases to be eligible for such public assistance -- **WOTC**
5. **18-24 year-old EZ/EC/RC resident** – an individual who lives in one of the federally designated Empowerment Zones, Enterprise Communities or Renewal Communities (EZ/EC/RCs)\* -- **WOTC**

**Note.** All Round I Enterprise Communities (ECs) including Enhanced Enterprise Communities expired on December 31, 2004. Round II ECs are still in existence as are all the EZs.

6. **16-17 year-old EZ/EC/RC resident** -- hired as a Summer Youth employee between May 1 and September 15 -- **WOTC**
7. **Vocational rehabilitation referral** -- a disabled person who completed or is completing rehabilitative services approved by a State or the U.S. Department of Veteran's Affairs -- **WOTC**
8. **Ex-felon** -- individual who was convicted of a felony, member of a low-income family and who is hired within one year of the conviction or release from prison-- **WOTC**
9. **SSI recipient** -- received Supplemental Security Income benefits for any month during the 60 days ending on the date of hire – **WOTC**

**UPDATE: 10. New York Liberty Zone Business Employee (NYLZBE)** – This target group was not reauthorized. The WOTCs for NYLZBE hires are available only for 2002 and 2003 - **WOTC**

\* For information about EZ/EC/RCs, visit their website: <http://www.hud.gov/cr> or call 1-800-998-9999.

## Applying for Welfare-to-Work or Work Opportunity Tax Credit Certification Takes Three Simple Steps:

Employers must apply for and receive certification from their State Employment Security Agency (SESA) now “State Workforce Agency” (SWA) that their **new hire** is a long-term family assistance recipient or member of one of the WOTC target groups before they can claim the Welfare-to-Work or Work Opportunity Tax Credit on their federal tax return. To apply for certification, employers must:

1. Complete the one-page *IRS Form 8850, A Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Tax Credits,* by the date of the job offer, and
2. Complete *one of the following* one-page U.S. Department of Labor forms, as appropriate
  - ETA Form 9061, “Individual Characteristics Form,”* if the new hire has not been given a conditional certification, or
  - ETA Form 9062, @Conditional Certification Form,”* if provided to the job seeker by a participating agency, such as the Vocational Rehabilitation agencies or the SESA/SWA, *and*
3. Mail the signed and dated IRS and ETA forms to the State Workforce Agency’s WOTC/WtWTC Coordinator, in your state, not later than 21 days after the new hire’s employment-start date.

For your convenience, the forms are available as follows:

Form	Website address	Phone no.
IRS 8850	<a href="http://www.irs.gov/prod/forms_pubs/forms.html">www.irs.gov/prod/forms_pubs/forms.html</a>	1-800-829-3676
ETA 9061	<a href="http://www.ows.doleta.gov/employ/tax.asp">http://www.ows.doleta.gov/employ/tax.asp</a>	(See state coordinators contact list)

### Who Doesn’t Qualify:

- No tax credit can be claimed for wages paid to relatives.
- No tax credit can be claimed for federally subsidized on-the-job-training. However, wages paid after the subsidy expires can qualify for the credits.
- Any individual who previously worked for the employer and does not meet the definition of a “qualifying re-hire.”

## **The WtWTC and WOTC and Other Employer-Friendly Benefits**

The Welfare-to-Work and Work Opportunity Tax Credits reduce an employer=s cost of doing business and require little paperwork. The success and growth of these federal income tax credits for private-sector employers depend on a strong public- and private-sector partnership. Helping those most in need find and retain jobs and gain on-the-job experience benefits all employers and increases America=s economic growth and productivity.

We need your input to make the Welfare-to-Work and Work Opportunity Tax Credits work. Let us know how we can improve their value to you and your employees. Be part of that success! The success and growth of these Federal Income Tax Credits for private sector employers depend on strong public and private sector partnerships formed under “America’s Workforce Network.” Send your comments/suggestions to: U.S. Department of Labor, ETA, Office of Workforce Security, Division of U.S. Employment Service/ALMIS, Rm. C-4518, 200 Constitution Avenue, N.W., Washington, D.C. 20210. To learn more about other employer-related services, such as training and assistance for workers affected by layoffs, please call 1-877-US-2JOBS (or 1-877-872-5627), or visit the website at:

[www.doleta.gov/usworkforce](http://www.doleta.gov/usworkforce)

Another Employer Friendly Opportunity: Help Your Employees Make Ends Meet by offering them the “Advanced Earned Income Credit (AEIC).@ For more information contact the IRS at 1-800-829-1040; or download Form W-5 , “*Earned Income Credit Advance Payment Certificate*” or Publication 596, “*Earned Income Credit*” from the Internet website - [www.irs.gov](http://www.irs.gov)

## Call Your State Workforce Agency WOTC/WtWTC Coordinator

To learn more about the WOTC and WtW Tax Credits, call your State WOTC Coordinator, visit the WOTC/WtW website, <http://www.ows.doleta.gov/employ/tax.asp> or call your local employment or state workforce agency. If you have *tax-related* questions, call the IRS at 202-622-6080.

**Alabama** - 334-353-8037

**Alaska** - 907-465-5953

**Arizona** - 602-542-0398

**Arkansas** - 501-682-3749

**California** - 916-654-8195

**Colorado** - 303-318-8829

**Connecticut** - 860-263-6060

**Delaware** - 302-761-8126

**District of Columbia** - 202-698-5849

**Florida** - 850-921-3299

**Georgia** - 404-656-3157

**Hawaii** - 808-586-8815

**Idaho** - 208-332-3570, xt.3318

**Illinois** - 312-793-6805

**Indiana** - 317-232-7186

**Iowa** - 515-281-9010

**Kansas** - 785-296-7435

**Kentucky** - 502-564-7456

**Louisiana** - 225-342-2923

**Maine** - 207-624-6390

**Maryland** - 410-767-2080

**Massachusetts** - 617-626-5363

**Michigan** - 313-456-2105

**Minnesota** - 651-297-2981

**Mississippi** - 601-961-7591

**Missouri** - 573-751-0977

**Montana** - 406-444-9046

**Nebraska** - 402-471-2693

**Nevada** - 775-684-0321

**New Hampshire** - 603 -228-4079

**New Jersey** - 609-292-8112

**New Mexico** - 505-841-8501

**New York** - 518-457-6823

**North Carolina** - 919-733-4896

**North Dakota** - 701-328-2997

**Ohio** - 614-728-7297

**Oklahoma** - 405-557-5371

**Oregon** - 503-947-1672

**Pennsylvania** - 717-783-3676

**Puerto Rico** -787-754-5151, xt. 2275

**Rhode Island** - 401-462-8802

**South Carolina** - 803-737-2594

**South Dakota** - 605-626-2302

**Tennessee** - 615-741-6473

**Texas** - 512-463-9926

**Utah** - 801-526-9480

**Vermont** - 802-828-4350

**Virginia** - 804-786-2887

**Virgin Islands** - 340-776-3700 x-2055

**Washington** -360-407-5107

**West Virginia** - 304-558-3452

**Wisconsin** - 608-267-4442

**Wyoming** - 307-235-3611

### **National Coordinator**

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