

# Can the WOTC save tax for your business?



Employers that hire individuals who are members of a “target group” may be eligible for the Work Opportunity tax credit (WOTC). If you made qualifying hires in 2016 and obtained proper certification, you can claim the WOTC on your 2016 tax return. Whether or not you’re eligible for 2016, keep the WOTC in mind in your 2017 hiring, because the credit is also available for 2017.

In fact, the Protecting Americans from Tax Hikes Act of 2015 (the PATH Act) extended the WOTC through 2019. The PATH Act also expanded the credit beginning in 2016 to apply to employers that hire qualified individuals who have been unemployed for 27 weeks or more.

## What are the “target groups”?

Besides the long-term unemployed, target groups include:

- Designated community residents who live in Empowerment Zones or rural renewal counties,
- Long-term family assistance recipients,
- Qualified ex-felons,
- Qualified recipients of Temporary Assistance for Needy Families (TANF),
- Qualified veterans,
- Summer youth employees,
- Supplemental Nutrition Assistance Program (SNAP) recipients,
- Supplemental Security Income benefits recipients, and
- Vocational rehabilitation referrals for individuals who suffer from an employment handicap resulting from a physical or mental handicap.

## How much is the credit worth?

Qualifying employers can claim the WOTC as a general business credit against their income tax. The amount of the credit depends on the:

- Target group of the individual hired,
- Wages paid to that individual, and
- Number of hours that individual worked during the first year of employment.

The maximum credit that can be earned for each member of a target group is generally \$2,400 per employee. The credit can be as high as \$9,600 for certain veterans. Employers aren’t subject to a limit on the number of eligible

individuals they can hire. In other words, if there are 10 individuals that qualify, the credit can be 10 times the amount listed.

### **Certification requirement**

Before you can claim the WOTC, you must obtain certification from a “designated local agency” (DLA) that the hired individual is indeed a target group member. You must submit IRS Form 8850, “Pre-Screening Notice and Certification Request for the Work Opportunity Credit,” to the DLA no later than the 28th day after the individual begins work for you.

But if you hired long-term unemployment recipients between January 1, 2016, and May 31, 2016, the IRS extended the deadline to June 29, 2016, as long as the individuals started work for you on or after January 1, 2016, and before June 1, 2016.

The WOTC can lower your company's tax liability when you hire qualified new employees. We can help you determine whether an employee qualifies, calculate the applicable credit and answer other questions you might have.

Please contact Ceschini, CPAs at (631) 474-9400 for more information about this topic and other tax and business developments – such as new IRS regulations and court decisions.

© 2017