**TITLE: Work Opportunity Tax Credit**

**REFERENCES**

ETA Handbook Number 408, Third Edition, November 2002 and addendums.

**Links to Sections within the Procedure:**

[Overview](#overview) | [WOTC Program](#wotcprogram) | [Employer Participation](#employer) | [Filing Requirements](#filingreq) | [Tax Credit Limitations](#taxcreditlimits) | [Responsibilities](#respons) | [Supersedes](#supersedes) | [Contact](#contact)

**Forms:**

[IRS Form 8850](http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_IRS_Form_8850.pdf) | [IRS Form 8850 Instructions](http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_IRS_Form_8850_I.pdf) | [Individual Characteristics Form](http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_ETA_Form_9061.pdf) (ETA 9061) | [Youth Self Attestation Form](http://www.doleta.gov/business/incentives/opptax/PDF/Youth_Self_Attestation_Form.pdf)

**PURPOSE**

To provide guidance and requirements for the Work Opportunity Tax Credit program as administered by the Employment & Career Development Division.

**Background**

The Work Opportunity Tax Credit (WOTC) program was created by the Small Business Job Protection Act of 1996 and the Welfare-to-Work Tax Credit (WtWTC) was created by the Taxpayer Relief Act of 1997.  On December 20, 2006, the President signed into law the Tax Relief and Health Care Act of 2006. This legislation eliminated the Welfare-to-Work Tax Credit by merging it into the WOTC program, and repealed permanently section 51(A) of the Internal Revenue Code. On May 25, 2007, the Small Business and Work Opportunity Tax Act of 2007 was signed into law which extended the WOTC Program through August 31, 2011.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA) of 2009. The Recovery Act amended Section 51 of the Internal Revenue Code by adding two new target groups to the WOTC program, Unemployed Veterans and Disconnected Youth who begin work for an employer during 2009 and 2010.

**PERSONS AFFECTED** (Staff, Management, offices, or departments affected by the policy)

**POLICY**

It is the policy of the Employment Security Department (ESD) to make the WOTC Tax Credit Program available to job-ready individuals having difficulty finding employment who meet the eligibility criteria and to qualified employers who desire to receive a tax credit for hiring individuals from various targeted groups.

**OVERVIEW**

**Services**

WOTC services include:

1. Verifying the eligibility of individuals as members of targeted groups;
2. Issuing employer certification and denials; and
3. Informing employers about the tax credit programs and providing training and technical assistance.

**Work Opportunity Tax Credit (WOTC) Program**

The Work Opportunity Tax Credit (WOTC) is a federal income tax credit that can save employers up to $2,400 during the first year of employment for each qualified employee or up to $9,000 over two years for each qualified Long-Term Temporary Assistance for Needy Families (TANF) recipient when they hire someone who is a member of one of twelve targeted groups that have traditionally faced significant barriers to employment.

An employer that hires someone from one of the following groups can claim the WOTC Tax Credit.

1. A member of a family that has received TANF for any 9 months during the 18-month period ending on the hiring date.
2. A veteran who is a member of a family receiving Supplemental Nutrition Assistance Program (SNAP) for at least 3 consecutive months in the 15 months prior to the date of hire, and 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 was discharged or released from active duty in the Armed Forces of the United States for a service-connected disability.

3. Disabled veteran who is entitled to compensation for a service-connected disability, and was hired within one year from discharge date, or was unemployed for at least six months during the one year period before being hired.

1. An ex-felon who has been convicted or released from prison within one year of the date of hire.
2. An 18-39 year-old resident of a federally designated Enterprise Community, or Renewal community.
3. A person with a disability who is receiving individualized services pursuant to a plan of employment under a state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973; or

has completed or is completing individualized services pursuant to a plan of employment under a vocational rehabilitation program for veterans, carried out under Chapter 31 of Title 38, U.S. Code, or

Ticket Holder through Social Security Protection Act of 2004, who receives vocational rehabilitation services, employment services with an Individual Work Plan (IWP) from private Employment Networks.

1. A 16-17 year-old resident of an [Enterprise Community](http://www.ezec.gov/) or Renewal Community hired between May 1 and September 15 as a Summer Youth Employee.
2. An 18-39 year-old member of a family receiving Supplemental Nutrition Assistance Program (SNAP) under the Food Stamp Act of 1977 for the 6-month period ending on the hiring date **or** receiving such assistance for at least 3 of the last 5 months in the case of an able-bodied adult without dependents who has been determined ineligible to participate due to failure to comply with the work requirements of section 6(o) of the Food Stamp Act of 1977.
3. A Supplemental Security Income (SSI) recipient who has received benefits for any month in the 60-day period prior to the date of hire.
4. Long-Term Family Assistance Recipient who is a member of a family that received TANF for at least 18 consecutive months ending on the hiring date, or

Has received TANF for a total of at least 18 months beginning after August 5, 1997 and has a hiring date within two years of the earliest 18-month period, or

Whose TANF eligibility expired under a Federal or State law and hired within two years after their eligibility expired.

1. A veteran who received unemployment compensation under a state or federal law for at least 4 weeks during the one-year period ending on the hiring date, and was discharged from active duty within 5 years ending on the hiring date.
2. 16-24 year old who is not attending any secondary, technical, or post-secondary school during the 6-month period preceding the hiring date, and not regularly employed during such 6-month period, and not readily employable by reason of lacking a sufficient number of basic skills.

Employers can claim up to 40 percent of the first $6,000 in qualified first-year wages for a maximum credit of $2,400 per certified employee. Qualified first-year wages are capped at $6,000 for all WOTC target groups except Summer Youth, wages are capped at $3,000, Disabled Veteran at $12,000, and Long-Term TANF recipient at $10,000 for each two years.

Schedule of tax credit:

Certified employee hours worked during the first year:

* 1-119 hours = No Credit
* 120-399 hours 25 percent of capped wages
* 400+ hours 40 percent of capped wages.

Long-Term TANF recipient only:

Second year: 50% of the first $10,000 in wages

**Employer Participation**

Participation in the program is voluntary. Employees are not required to provide this kind of information to an employer. Therefore, employers first determine whether the applicant is willing to provide the information. If the applicant is willing to provide the information, the employer follows these steps to apply for certification which is required before taking WOTC tax credit.

1. Complete Pre-Screening Notice and Certification Request ([IRS Form 8850](http://esdsharepoint/ECDD/ReemploymentServices/WOTC/WOTC%20Forms/WOTC_IRS_Form_8850.pdf))
2. Complete either a U.S. Department of Labor, Conditional Certification Form (ETA Form 9062) if employee provided OR [Individual Characteristics Form](http://esdsharepoint/ECDD/ReemploymentServices/WOTC/WOTC%20Forms/WOTC_ETA_Form_9061.pdf) (ETA Form 9061)
3. Mail both forms to:

Employment Security Department
WOTC Administrative Unit
P.O. Box 9046
Olympia, WA 98507-9046

**Timely Filing Requirements**

Forms (IRS 8850 and ETA 9061 or ETA 9062) must be completed with all information requested and must be mailed no later than 28calendar days from when the applicant starts work. Original forms that bear original signatures of employee and employer must be mailed. All **untimely** applications will be denied.

**Tax Credit Limitations**

Tax credit is not allowable in the following situations:

1. For wages paid to a rehired employee unless a certification was issued when the employee was hired the first time;
2. For wages paid to an on-the-job training (OJT) participant for any employment for which the employer receives federal payments for the OJT;
3. For wages paid to a person who replaces a striking or locked-out worker;
4. For wages paid to a person who is related to the employer or is a dependent living in the employer’s household; or
5. For wages paid to non-resident aliens and H-2A workers.

**RESOPONSIBILITIES**

The role of the WOTC Administrative Unit is to:

1. Receive and process applications (IRS 8850, ETA-9061, ETA-9062), for certification request;
2. Verify the eligibility of individuals as members of targeted groups;
3. Issue employer certifications and denials;
4. Conduct quarterly reviews, through random sample, of the eligibility of individuals certified and establish recordkeeping, reporting processes, and corrective action measures;
5. Inform employers and other interested organizations about the tax credit programs and provide training and technical assistance; and
6. Prepare and submit quarterly reports to DOL.

**Recordkeeping**

The WOTC Administrative Unit maintains complete WOTC records as required by federal regulations.

**SUPERSEDES**

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| **Version** | **Date** | **Description** |
| 2.0 | 3/31/2010 | Replaces and cancels the June 14th, 2002 policy. |
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**Click below for Web Address:**

[WOTC Website](http://www.esd.wa.gov/hireanemployee/resources/taxcredits/index.php)

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