

Employers:
10
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)

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

Use of the tax credit has increased substantially, in recent years:

- During 2001, **438,604** WOTC and **97,072** WtWTC certifications were issued
- During 2000, **370,835** WOTC and **154,608** WtWTC certifications were issued
- During 1999, **336,000** WOTC and **105,000** WtWTC certifications were issued

The *Job Creation and Worker Assistance Act of 2002, (P.L. 107-147)*, retroactively, extended the Work Opportunity and Welfare-to-Work Tax Credits (WOTC/WtWTC) through December 31, 2003. The Act also created a new target group under the WOTC that includes existing employees and new hires who work in New York City for small and mid-sized businesses affected by the September 11, 2001, terrorist attack. The target group is the ^ANew York Liberty Zone Business Employee.^B This target group, however, applies only to employers in the New York Liberty Zone or who relocated their business to an area in the City of New York.

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 July 1, 1999 and before January 1, 2004.

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 Ten 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 family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on hiring date, **or** member of family whose 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 family that received TANF for any 9-month period of the 18 months ending on hiring date -- **WOTC**
3. **Veteran** -- veteran and member of family that received food stamps for at least a 3-month period during the 12 months ending on date of hire -- **WOTC**
4. **18-24 year-old food stamp recipient** -- member of family that received food stamps for at least the last 6 months ending on hiring date, **or** for at least 3 of the 5 months ending on date of hire in case of family member who ceases to be eligible for such public assistance **B WOTC**
5. **18-24 year-old EZ/EC/RC resident** -- individual who lives in federally designated Empowerment Zones, Enterprise Communities or Renewal Communities (EZ/EC/RCs)* **B WOTC**
6. **16-17 year-old EZ/EC/RC* resident** -- hired as Summer Youth employee between May 1 and September 15 -- **WOTC**
7. **Vocational rehabilitation referral** -- disabled person who completed or is completing rehabilitative services approved by state certified agency or U.S. Department of Veteran's Affairs --**WOTC**
8. **Ex-felon** -- individual convicted of felony and member of low-income family; hired within one year of conviction date or release from prison-- **WOTC**
9. **SSI recipient** -- received Supplemental Security Income benefits for any month during the 60 days ending on date of hire -- **WOTC**
10. **New York Liberty Zone Business Employee** -- available only to employers in New York Liberty Zone or City of New York affected by the September 11, 2001 terrorist attack -- **WOTC**

* For information about EZ/EC/RCs, visit the EZ/EC/RCs= website: <http://www.hud.gov> 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*, "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	www.irs.gov/prod/forms_pubs/forms.html	1-800-829-3676
ETA 9061	http://www.ows.doleta.gov/employ/tax.asp	(See state coordinators' contact list)

These forms and a directory of SWA WOTC Coordinators are also available through Fax-on-Demand at 1-877-828-2050. To access this service you may call from a fax machine or your touch-tone telephone.

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 who is not a qualified re-hire.

The WtW and WOTC Tax Credits

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 aAmerica=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**

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

Call Your State Workforce Agency WOTC/WtW 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

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