



## **Understanding the Transition Relief in the Newly Extended Work Opportunity Tax Credit**

You may be aware that the Protecting Americans from Tax Hikes Act of 2015 extended the very lucrative Work Opportunity Tax Credit (WOTC). However, you may not be aware that the IRS recently issued Notice 2016-22 providing transitional relief and additional information on how to claim the lucrative tax credits.

### **Overview of the WOTC**

The WOTC provides tax credits that are computed as a percentage of the salary of new hires who belong to targeted groups. The purpose of the WOTC is to provide an incentive for employers to hire employees who have difficulty obtaining a job. The WOTC can be very beneficial for business owners, as hiring members of certain targeted groups may yield up to \$9,600 in tax credits.

### **General Guidelines for Obtaining Tax Benefits under the WOTC**

For a business to receive the benefits of the WOTC, it must follow the steps below:

- Complete and submit Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit) no more than 28 days after the employee's first day of work;
- The Form 8850 must be signed by the employee on or before the date of the job offer/first day of work;
- Complete and submit Form 9061 (Individual Characteristics) with the Form 8850 or at a later date;
- Both forms must be submitted to the State Workforce Coordinator (SWC) within 28 calendar days of the employees start date;
- SWC will review the Forms 8850 and 9061 to determine eligibility; and
- A certification or denial for the tax credit will be issued by SWC.

### **Transition Relief beyond the 28 Day Deadline**

Claiming the WOTC requires that the employer submit Forms 8850 and 9061 within 28 days of the newly hired employees starting work. The problem is that – because Congress extended the WOTC retroactively – employers could not have submitted the appropriate paperwork before or within 28 days of hiring employees in 2015 and would have difficulty doing so in early 2016.

For this reason, the IRS allows employers that hired or do hire members of targeted groups (including the newly created qualified long-term unemployment recipient target group) between January 1, 2015 and May 31, 2016 to satisfy the requirements if they submit Forms 8850 and 9061 no later than June 29, 2016. Keep in mind, the 28-day rule will apply for new hires that begin work after June 1, 2016.

### **Implement a Plan to Benefit from the WOTC**

To ensure that your business obtains the full benefits of the WOTC, contact a UHY professional at 314.615.1200. We have the experience to navigate you through the complex statutes, regulations, and IRS Notices to ensure that your business maximizes its profitability through the WOTC.