



How Your Business Can Benefit from the Work Opportunity Tax Credit

If you hired new employees in 2015 – or have plans to in the near future – then you should know that your business may be entitled to substantial tax benefits for doing so. This is because the Protecting Americans Against Tax Hikes Act of 2015 extended the Work Opportunity Tax Credit (WOTC) through 2019.

Mechanics of the WOTC

The tax credits under the WOTC are computed as a percentage of the salary of a newly-hired employee who belongs to a Targeted Group. The permissible amount of tax credits can run as high as \$9,600 for hiring certain qualifying veterans.

Note that a newly-hired employee must work at least 120 hours in the first year of employment for the employer to be able to claim any tax credits on the new employee's wages. In addition, there is no limit on the number of eligible newly-hired employees for which an employer can claim the WOTC. Furthermore, unused credits may be carried back one year and carried forward 20 years. Thus, with so much flexibility allowed, the WOTC is capable of providing enormous benefits for businesses that plan and execute properly.

Targeted Groups

Qualifying new hires must be from one of the following target groups:

- Qualified IV-A Recipient;
- Qualified SNAP (food stamp) Recipient;
- Qualified Veteran;
- Vocational Rehabilitation Referral;
- Designated Community Resident;
- Qualified Summer Youth Employee;
- Qualified Ex-Felon;
- Qualified Supplemental Security Income Recipient; and
- Long-Term Family Assistance Recipient.

Beginning in 2016, hiring Qualified Long-Term Unemployed Individuals makes a business eligible for the WOTC.

Application Procedure/Approval Method

In order to ensure that your business receives the benefits of the WOTC, 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.

Stay Tuned for Details on Transition Relief

In the past when Congress has passed the WOTC to apply retroactively (as it does for 2015), the IRS has issued guidance on Transition Relief. The Transition Relief provides businesses a way to claim the credit for employees prior to the WOTC's renewal. Although the IRS has not issued any information on Transition Relief for 2015, we fully expect them to do so soon. We recommend that you start completing the application for any Qualified Employees now so that – once the IRS releases information on Transition Relief – you can quickly file and receive your benefit.

Maximize Your Benefits Under the WOTC

To boost your business's profitability by maximizing its benefits under the WOTC, contact Paul Truber (ptruber@uhy-us.com) or Daniel Willingham (dwillingham@uhy-us.com) at UHY LLP.