

# Work Opportunity Tax Credit (WOTC)

## What is the Work Opportunity Tax Credit?

The Work Opportunity Tax Credit (WOTC) is a Federal tax incentive program that motivates employers to hire and retain employees from specific target groups. For each eligible employee hired, employers can qualify for a tax credit of up to **\$9,600**, within the first year of employment - which can quickly add up to significant savings. Each year, employers claim over \$1 billion in tax credits under the WOTC program.

## Who is eligible?

### Target Groups:

### Potential Credit Per Qualified Hire:

- |                                     |                 |
|-------------------------------------|-----------------|
| ✓ Long-term Unemployment Recipients | ➤ Up to \$2,400 |
| ✓ Veterans                          | ➤ Up to \$9,600 |
| ✓ Ex-Felons                         | ➤ Up to \$2,400 |
| ✓ SNAP (food stamp) Recipients      | ➤ Up to \$2,400 |
| ✓ TANF Recipients                   | ➤ Up to \$9,000 |
| ✓ Designated Community Residents    | ➤ Up to \$2,400 |
| ✓ SSI Recipients                    | ➤ Up to \$2,400 |
| ✓ Summer Youth Employee             | ➤ Up to \$1,200 |

### **\*\*\*\* WOTC Transition & Retroactive Screening Back to January 1, 2015 \*\*\*\***

Although the WOTC program has been around for a long time, it recently received some major changes. In addition to an extended renewal through December 31, 2019, a new qualification criterion was added to include long-term unemployed as a target group, and there is a temporary waiver of a stringent time requirement for the WOTC. Under normal circumstances, employers have only 28 days after hiring an employee to process all necessary paperwork with the local area WOTC office. The IRS Notice issued March 8, 2016 however, temporarily suspends the 28 day deadline for any employees hired on or after January 1, 2015. Furthermore, the 28 day rule will remain on hold until June 29, 2016. This presents a limited window of opportunity to retroactively capture the WOTC for all of 2015, creating an immediate tax savings impact on clients' 2015 and/or 2016 tax returns. Once this window is closed, new hires are subject to the 28 day deadline. Given that each qualified employee can yield up to \$9,600 in tax credits, the impact can be VERY significant for clients.

If you have any questions on the Work Opportunity Tax Credit, please feel free to contact a GALLINA professional to discuss the right steps for you and your company.

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