

**Kansas Department of Commerce  
Workforce Services  
Policy and Procedures Manual**

**Policy Number:** 5-18-00 (Replaces #2-08-01)

**Originating Office:** Workforce Services

**Subject:** Work Opportunity Tax Credit Program

**Issued:** July 20, 2016

**Revised:** July 12, 2016

**Programs:** Federal Income Tax Credit

**Purpose:** To transmit guidelines and procedures for the implementation and operation of the Work Opportunity Tax Credit Program (WOTC).

**Reference:** ETA Handbook #408, Third Edition 2002 and Addendum dated August 2009. There has been no updated ETA Handbook that I know of.

**Background:** On May 25, 2007, President Bush signed in law the Small Business and Work Opportunity Tax Act of 2007 (P.L. 110-28), extending the consolidated WOTC program of 2006 for a 44-month period through August 31, 2011. The provisions amended Section 51 of the Internal Revenue Code (IRC) and apply to individuals who begin work for an employer after May 25, 2007, and before September 1, 2011. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). Section 1221 of the Recovery Act (P.L. 111-5) amended Section 51 of the Internal Revenue Code (IRC) to add two new target groups for the WOTC Program: Unemployed Veteran and Disconnected Youth who begin work for the employer during 2009 and 2010. On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 that extends the Work Opportunity Tax Credit (WOTC) program until December 31, 2019. The 5 year reauthorization includes retroactively reauthorizing the WOTC program with all its current target groups without changes or new provisions, for a 5-year period, after December 31, 2014 to December 31, 2019.

**Action:** Distribute to all interested parties.

**Contact:** Questions should be directed to Work Opportunity Tax Credit Program Manager, (785) 296-0607, TTY: 711, e-mail [workforcesvcs@kansasworks.com](mailto:workforcesvcs@kansasworks.com) ~~workforcesvcs@ks.gov~~

**Attachment:** None.

# Work Opportunity Tax Credit Program

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# **Work Opportunity Tax Credit Program**

## **Background**

On May 25, 2007, President Bush signed in law the Small Business and Work Opportunity Tax Act of 2007 (P.L. 110-28), extending the consolidated WOTC program of 2006 for a 44-month period through August 31, 2011. The provisions amended Section 51 of the Internal Revenue Code (IRC) and apply to individuals who begin work for an employer after May 25, 2007, and before September 1, 2011. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). Section 1221 of the Internal Revenue Code (IRC) to add two new targeted groups for the purposes of the WOTC: Unemployed Veteran and Disconnected Youth who begin work for the employer during 2009 and 2010. On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 that extends the Work Opportunity Tax Credit (WOTC) program until December 31, 2019. The 5 year reauthorization includes retroactively reauthorizing the WOTC program with all its current target groups without changes or new provisions, for a 5-year period, after December 31, 2014 to December 31, 2019.

## **Program Purpose**

The purpose of the Work Opportunity Tax Credit (WOTC) program is to offer employers an incentive, by way of a tax credit, to hire individuals who are members of targeted groups that traditionally face significant barriers to employment.

## **Program Benefits**

The Work Opportunity Tax Credit (WOTC) provides tax relief to employers who hire full-time, part-time or temporary employees from specifically targeted groups that have employment barriers. An employer that hires someone from one of the following groups after May 25, 2007, and before ~~September 1, 2011~~, December 31, 2019 can claim the WOTC Tax Credit.

The following list of targeted groups can save employers up to \$2,400 when they hire someone who is a member of one of 11 targeted groups that traditionally face significant barriers to employment:

1. A member of a family who has received TANF for at least nine of the last 18 months;
2. A veteran who has participated in the Supplemental Nutrition Assistance Program (SNAP) for at least three consecutive months in the 15 months prior to the date of hire;
3. An ex-felon who has been convicted of a felony or released from prison within one year of the date of hire (including those participating in a Work Release program);
4. A person 18-39 years of age who is a resident of a Rural Renewal County (RRC);
5. A disabled person who has been referred to an employer by the ~~Kansas Department of Social and Rehabilitation Services (SRS)~~ Kansas Department of Children and Families (DCF) Division of Vocational Rehabilitation or the Veteran's Administration, and has completed or is completing rehabilitative services pursuant to an individual written

Employment Plan (IPE), or, an eligible “ticket holder” under the Ticket-to-Work program;

6. A person 18-39 years of age who has participated in SNAP for at least six consecutive months prior to the date of hire or for at least three of the last five months and their SNAP eligibility has expired if they are an able-bodied adult without dependents;
7. A person receiving Supplemental Security Income (SSI) who has received benefits for any month in the 60-day period prior to the date of hire.
8. A veteran who has been discharged or released from active duty during the five year period ending on the hiring date and for at least four weeks during the one year period ending on the hiring date, received unemployment compensation. (Applicable to individuals who begin work in 2009 through December 31, 2010.)
- ~~9. A person 16 – 24 years of age, and not regularly attending any secondary, technical, or post secondary school during the six month period preceding the hiring date; and not regularly employed during such six month period; and not readily employable by reason of lacking basic skills. (Applicable to individuals who begin work in 2009 through December 31, 2010.)~~ A person with a period of unemployment that is at least 27 consecutive weeks and for all or part of that period you received unemployment compensation.
10. The disabled veteran target group is a one-year tax credit that provides businesses with tax savings up to \$4,800 per hire. To be eligible to be certified, the individual must be a disabled veteran with a service-connected disability and
  - has a hiring date not more than one year after discharge/release from active duty in the U.S. Armed Forces; or
  - has aggregate periods of unemployment equal to or greater than six months within the one year period prior to the hire date.
11. The unemployed disabled veteran target group is a one-year tax credit that provides businesses with tax savings up to \$9,600 per hire. To be eligible to be certified, the individual must
  - Veteran having been discharged or released from active duty for a service-connected disability **AND**
  - Not having any day during the 60-day period prior to the hiring date which was a day of extended active duty in the Armed Forces of the USA **AND**
  - Entitled to compensation for a service-connected disability **AND**
  - Having aggregate periods of unemployment of six months or more during the year prior to hire date.

12. The long term cash assistance recipient target group is a two-year tax credit that provides businesses with tax savings up to \$9,000 over the two-year period. To be eligible to be certified, a recipient must be a member of a family that:

- has received TANF (cash assistance) 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 that is not more than two years after the end of the earliest 18 month period; or
- whose TANF eligibility expired under a federal or state law after August 5, 1997, and has a hiring date within two years after their TANF eligibility expired.

## **Tax Credit Schedules**

### ***General Schedule (applies to target groups 1-9)***

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 new hire. Qualified wages are capped at \$6,000 for the above listed target groups except Summer Youth, whose wages are capped at \$3,000.

<b>Hours Employed</b>	<b>Amount of Credit</b>
1-119 hours	No Credit
120-399 hours 25 percent of first \$6,000 in qualified wages	\$1,500
400+ hours 40 percent of first \$6,000 in qualified wages	\$2,400

### ***Disabled Veteran Schedule (applies to target group 10-11)***

Employers can claim up to 40 percent of the first \$12,000 in wages for employees that work at least 400 hours for a maximum credit of \$4,800. If the employee separates before working 400 hours, but has worked at least 120 hours, the credit is 25 percent for a maximum credit of \$3,000.

<b>Hours Employed</b>	<b>Amount of Credit</b>
1-119 hours	No Credit
120-399 hours 25 percent of first \$12,000 in qualified wages	\$3,000
400+ hours 40 percent of first \$12,000 in qualified wages	\$4,800

### ***Long Term Cash Assistance Schedule (applies to target group 12)***

Employers can claim 40 percent of the qualified wages for the first year of employment, if employed at least 400 hours and 50 percent for the second year. Qualified wages are capped at \$10,000 per year with the maximum first year credit of \$4,000 and \$5,000 for the second year - a maximum total tax credit of \$9,000 per new hire.

<b>Hours Employed</b>	<b>Amount of Credit</b>
1-119 hours	No Credit
First year: 120-399 hours 25 percent of first \$10,000 in qualified wages	\$2,500
First year: 400+ hours 40 percent of first \$10,000 in qualified wages	\$4,000
Second year: 50 percent of first \$10,000 in qualified wages	\$5,000

## **Employer Qualifications**

Participation in the program is voluntary. Employees are not required to provide this kind of information as to program eligibility 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 the following steps to qualify:

- Complete IRS form 8850 before making the job offer;
- Complete either a Conditional Certification Form (ETA Form 9062) provided by the employee OR an Individual Characteristics Form (ETA Form 9061); and
- Mail all forms to:

Kansas Department of Commerce  
Workforce Services  
WOTC Certification Unit  
1000 S.W. Jackson Street, Suite 100  
Topeka, Kansas 66612-1354

## **Timely Filing Requirements**

Forms IRS 8850 and ETA 9061 or ETA 9062 must be completed with all information requested and have original signatures (certifications will not be issued without original signatures) and must be submitted no later than 28 calendar days from when the applicant starts work. All untimely applications will be denied.

## **Tax Credit Limitations**

Tax credit is not allowable in the following situations:

- Wages are paid to a rehired employee. Exceptions may apply. Contact WOTC Program Manager for details.
- Wages are paid to an on-the-job training (OJT) participant for any employment for which the employer receives federal payments for the OJT;
- Wages are paid to a person who replaces a striking or locked-out worker;
- Wages are paid to a person who is related to the employer or is a dependent living in the employer's household;
- Wages are paid if the employer failed to submit a timely request for certification; or
- Wages are paid to non-resident aliens and H-2A workers.

## **Role of the WOTC Administrative Unit**

WOTC Administrative Unit responsibilities include, but are not limited to, the following:

- Receive and process forms (IRS 8850, ETA-9061, ETA-9062), and employer requests for tax credit information;
- Verify the eligibility of individuals as members of targeted groups;
- Issue employer certifications and denials;
- Maintain complete WOTC records as required by federal regulations;
- Conduct quarterly reviews, through random sample, of the eligibility of individuals certified;
- Inform employers and other interested organizations about the tax credit programs;
- Provide training and technical assistance; and
- Prepare and submit quarterly reports to U.S. Department of Labor (USDOL).

## **Conditional Certifications**

Local agencies serving targeted group populations as part of their regular functions may participate in the eligibility pre-determination (issuing Conditional Certifications form ETA 9062), referral and/or publicity related functions of the WOTC program. Formal agreements are required in order to issue conditional certifications. Participating agencies/organizations may include, but are not limited to:

- TANF Agency
- One-Stop Career Centers
- Parole and Probation
- Veteran Organizations
- SNAP Agency
- Vocational Rehabilitation (including agencies for the blind)
- ETA Grantees (e.g. Native American and Farm Workers' Groups)

## **Links to Forms**

- Pre-Screening Notice and Certification Request Form, IRS 8850, is available at the U.S. Government Forms Website (locate by form number) at <http://www.irs.gov/formspubs/index.html?portlet=3> or through the Department of Commerce website at [www.kansascommerce.com](http://www.kansascommerce.com).
- Instructions for the IRS 8850 are available at the IRS website [www.irs.gov](http://www.irs.gov) or <http://www.irs.gov/pub/irs-pdf/i8850.pdf> .
- Individual Characteristics Form, ETA 9061, is available through the Department of Commerce website at [www.kansascommerce.com](http://www.kansascommerce.com) or at the U.S. Department of Labor website at [www.doleta.gov/business/incentives/opptax](http://www.doleta.gov/business/incentives/opptax).