

Employer Hiring Incentives

Work Opportunity Tax Credit

What is WOTC?

WOTC is a Federal tax credit available to employers who hire and retain veterans and individuals from other target groups with significant barriers to employment. Employers claim about \$1 billion in tax credits each year under the WOTC program. There is no limit on the number of individuals an employer can hire to qualify to claim the tax credit, and there are a few simple steps to follow to apply for WOTC.

- ◆ [WOTC Program Brochure](#)
- ◆ [Video: An Introduction to WOTC](#)
- ◆ [WOTC Tutorial: A Step-by-Step Guide for Employers](#)
- ◆ [Employers Guide to the WOTC](#)

How does WOTC Work?

The tax credit employers can claim depends upon the target group of the individual hired, the wages paid to that individual in the first year of employment, and the number of hours that individual worked. There is also a maximum tax credit that can be earned.

For the long-term Temporary Assistance for Needy Families (TANF) target group only, the credit is available to employers who hire members of this group for up to a two-year period.

- ◆ In the first year, the employer may claim a tax credit equal to 40% of the first-year wages, up to the maximum tax credit, if the individual works at least 400 hours.
- ◆ In the second year, the employer may claim a tax credit equal to 50% of the second-year wages, up to the maximum tax credit, if the individual works at least 400 hours.

For all other target groups, the credit is available to employers who hire members of these groups, based on the individual's hours worked and wages earned in the first year.

- ◆ If the individual works at least 120 hours, the employer may claim a tax credit equal to 25% of the individual's first year wages, up to the maximum tax credit.
- ◆ If the individual works at least 400 hours, the employer may claim a tax credit equal to 40% of the individual's first year wages, up to the maximum tax credit.

Who can I Hire?

- ◆ Veterans
- ◆ TANF Recipients
- ◆ SNAP (Food Stamp) Recipients
- ◆ Designated Community Residents (living in Empowerment Zones or Rural Renewal Counties)
- ◆ Vocational Rehabilitation Referral
- ◆ Ex-felons
- ◆ Supplemental Security Income Recipients
- ◆ Summer Youth Employee (living in Empowerment Zones)

Click [here](#) for more information about the WOTC target groups.

How are the Tax Credits Calculated?

Employers generally can earn a tax credit equal to 25% or 40% of a new employee's first-year wages, up to the maximum for the target group to which the employee belongs. Employers will earn 25% if the employee works at least 120 hours and 40% if the employee works at least 400 hours.

Use the [WOTC Calculator](#) to see how much your business can earn in tax credits.

What are the Maximum Tax Credit Amounts?

The maximum tax credit amounts depend on the new employee's target group and the number of hours worked during the first year of employment. Click [here](#) for the maximum tax credits associated with each WOTC target group.

How do I Apply?

- ♦ Complete page 1 of [IRS Form 8850](#) by the day the job offer is made.
- ♦ Complete page 2 of [IRS Form 8850](#) after the individual is hired.
- ♦ Complete [ETA Form 9061](#) or [ETA Form 9062](#) if the employee has been conditionally certified as belonging to a WOTC target group by a state workforce agency, Vocational Rehabilitation agency, or another participating agency.
- ♦ Submit the completed and signed IRS and ETA forms to your [state workforce agency](#). Forms must be submitted within 28 calendar days of the employee's start date.

States may accept applications via mail, fax, or e-mail or may have an automated WOTC process that accepts electronic submissions. If you are not sure how your state accepts applications, contact your state WOTC coordinator, or view our chart on [state submission methods](#).

WOTC Contact and Application Information

- ♦ [ETA National & Regional WOTC Coordinators](#)
- ♦ [State WOTC Coordinators](#)
- ♦ [Application Methods](#)
- ♦ [Tips for Submitting an Application](#)