

## WORK OPPORTUNITY TAX CREDIT (WOTC)

### ABOUT WOTC

The Work Opportunity Tax Credit (“WOTC”) is a Federal income tax credit available to employers who hire and retain certain individuals from targeted groups. There is no limit on the number of individuals an employer can hire to qualify and claim the tax credit. There is however, a maximum tax credit amount that can be claimed as discussed below.

### WHO CAN APPLY

Any private sector business that hires a new employee from an eligible target group may apply for the WOTC. In addition, the tax credit is available to certain tax-exempt organizations that hire new employees from the WOTC veterans target group.

#### Target Groups:

- 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; and
- Summer Youth Employee (living in Empowerment Zones).

#### Some employees do not qualify the employer for the WOTC. They include:

- Relatives and dependents of the employer, including sons, daughters, stepchildren, spouses, fathers, mothers, brothers, sisters, step-brothers or sisters, nephews, nieces, uncles, aunts, cousins, or in-laws;
- Former employees, regardless of how long it has been since he/she last worked for the employer; or
- Majority owners of the business applying for the credit.

### CALCULATING THE TAX CREDIT

The tax credit employers can claim depends on the following:

- The target group of the individual;
- The wages paid to the individual in the first year of employment; and
- The number of hours the individual worked.

Employees must work at least 120 hours in the first year of employment for the employer to qualify to claim the tax credit with the IRS.

- After working at least 120 hours, the employer may claim a tax credit equal to 25% of the new hire’s first year of qualified wages; and
- After working at least 400 hours, the employer may claim a tax credit equal to 40% of the new hire’s first year of wages.

For the Long-term Temporary Assistance for Needy Families (TANF) Recipient target group, the credit is also available to employers in the second year of employment. The employer may claim a tax credit equal to 50% of second year wages, up to the maximum tax credit of \$5,000.

**MAXIMUM TAX CREDIT AMOUNTS**

The maximum tax credit amounts depend on the wages paid to the new hire, the new employee's target group and the number of hours worked during the first year of employment.

<b>VETERAN TARGET GROUP</b>	
<b>Veteran Target Group</b>	<b>Maximum Tax Credit</b>
Receives SNAP (food stamps) benefits	\$2,400
<b>Entitled to compensation for service-connected disability</b>	
Hired one year from leaving service	\$4,800
Unemployed at least 6 months	\$9,600
<b>Unemployed</b>	
At least 4 weeks	\$2,400
At least 6 months	\$5,600

<b>OTHER WOTC TARGET GROUPS</b>	
<b>Target Group</b>	<b>Maximum Tax Credit</b>
Qualified Long-Term Unemployment Recipient	\$2,400
Short-Term TANF Recipient	\$2,400
Long-Term TANF Recipient	\$9,000 (over 2 yrs.)
SNAP (food stamp) Recipient	\$2,400
Designated Community Resident	\$2,400
Vocational Rehabilitation Referral	\$2,400
Ex-Felon	\$2,400
SSI Recipient	\$2,400
Summer Youth	\$1,200

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