

2020

WOTC Tax Credits

Hiring individuals with a barrier

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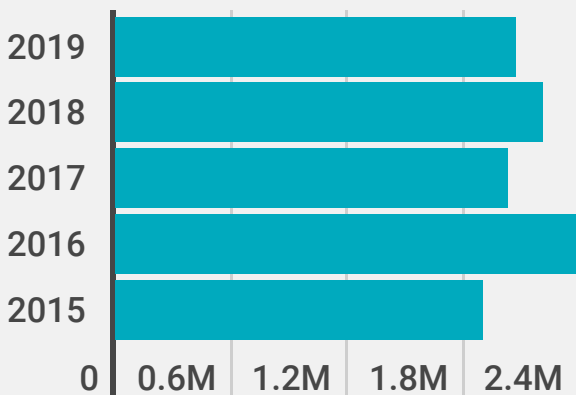
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What is WOTC

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment.

WOTC's mission is to partner with workforce programs in encouraging and incentivizing employers to hire diversity and create environments that promote equal opportunity for all American workers.

The PATH Act of 2015 enables employers to file a tax credit for a target group of hires. These hires may face a challenge that has added a major stressor to their workforce entry or re-entry. These categories can include multiple barriers.



WOTC Certification Credits Awarded		
Fiscal Year	Total Certifications YTD	Annual Report
2019	2,068,417	PDF Format
2018	2,204,142	PDF Format
2017	2,027,012	PDF Format
2016	2,484,149	PDF Format
2015	1,896,528	PDF Format

Who is covered?

Qualifying Target Groups

QUALIFIED IV-A RECIPIENT

An individual who is a member of a family receiving assistance under a state plan approved under part A of title IV of the Social Security Act relating to Temporary Assistance for Needy Families (TANF). Assistance must be received for any 9-month period during the 18-month period Prior to hire date.

EX FELON

A "qualified ex-felon" is a person hired within a year of:

- Being convicted of a felony or
- Being released from prison from the felony

DESIGNATED COMMUNITY RESIDENT

A DCR is an individual who, on the date of hiring is at least 18 years old and under 40.

Resides within AND continues to reside at the locations after employment in one of the following:

- An Empowerment zone
- An Enterprise community
- A Renewal community

[List of zones](#)

SUMMER YOUTH EMPLOYEE

A "qualified summer youth employee" is:

- At least 16 years old, but under 18 on the date of hire or on May 1, whichever is later, AND
- Is only employed between May 1 and September 15 AND
- Resides in an Empowerment Zone (EZ), enterprise community or renewal community.

SNAP RECIPIENT

- At least 18 years old and under 40, AND
- A member of a family that received SNAP benefits for:the previous 6 months OR at least 3 of the previous 5 months.

QUALIFIED LONG TERM UNEMPLOYMENT

A qualified long-term unemployed recipient is one who has been unemployed for not less than 27 consecutive weeks at the time of hiring and received unemployment compensation during some or all of the unemployment period.

QUALIFIED VETERAN

A "qualified veteran" is a veteran who is any of the following:

- A member of a family receiving SNAP assistance (food stamps) for at least 3 months during the first 15 months of employment.
- Unemployed for a period totaling at least 4 weeks (whether or not consecutive) but less than 6 months in the 1-year period ending on the hiring date or least 6 months (whether or not consecutive) in the 1-year period ending on the hiring date.
- A disabled veteran entitled to compensation for a service-connected disability who discharged or was released from active duty in the U.S. Armed Forces with 12 months of hire date or unemployed for a period totaling at least six months (whether or not consecutive) in the one-year period ending on the hiring date.

[See IRS Notice 2012-13 \(PDF\) for more detailed information.](#)

VOCATIONAL REHAB

A person who has a physical or mental disability and has been referred to the employer while receiving rehabilitative services pursuant to:

- A state plan approved under the Rehabilitation Act of 1973 OR An Employment Network Plan under the Ticket to Work program,
- Or a program carried out under the VA

SSI RECIPIENT

- An individual is a "qualified SSI recipient" if a month for which this person received SSI benefits is within 60 days of the date this person is hired.

LONG TERM ASSISTANCE

- Received assistance under an IV-A program for a min of 18 consecutive months; OR received assistance for 18 months beginning after 8/5/1997
- No longer eligible for assistance because they exhausted the maximum payments and within 2 years of cessation.

How to apply

In order to file for this credit, the employer has to have a certification that the hire is a member of one of the targeted groups. An employer must obtain certification that an individual is a member of the targeted groups. The form 8850 or "Prescreening Notice and Certification Request for the Work Opportunity Credit" acts as an employer's certification of eligibility. Form 8850 needs to be submitted to the employer's respective state workforce agency within 28 days after the eligible worker begins work.



Contact your Local State Workforce Center

Employers should contact their individual state workforce agency with any specific processing questions for Forms 8850.

www.careeronestop.org/LocalHelp

FORM 8850

"Prescreening Notice and Certification Request for the Work Opportunity Credit"

The job applicant gives information to the employer on or before the day a job offer is made. This information can be collected through a voluntary survey at the prehire phase. This information is entered on Form 8850. If the employer believes the applicant is a member of a targeted group (See list above), completes the rest of the form no later than the day the job offer is made. Both the job applicant and the employer must sign Form 8850 this should be done on or before the date you submit your form to the State Work Force Agency. Do not submit this form to the IRS, instead, you must submit it to the SWA of the state in which your business is located (where the employee works) no later than 28 days after the date of hire.

[CLICK to View form](#)

Limitations on the Credits

The credit is limited to the amount of the business income tax liability or social security tax owed. A taxable business may apply for the credit against its business income tax liability, and the normal carry-back and carry-forward rules apply. See the instructions for Form 3800, General Business Credit, for more details.

For qualified tax-exempt organizations, the credit is limited to the amount of employer social security tax owed on wages paid to all employees for the period the credit is claimed.

[Click here to view Form 3800 Instructions](#)

Claiming the Credit

Tax-exempt organizations can claim the credit using Form 5884-C the "Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans", as a credit against the employer's share of Social Security tax. The credit will not affect Social Security tax liability reported on the organization's employment tax return.

Employers file Form 5884 to claim the work opportunity credit for qualified first- and/or second-year wages they paid to or incurred for targeted group employees during the tax year.



Helpful Links

[Click Here to View Form 5884-c](#)
[Click Here to View Form 5884](#)
[Instructions to Form 5884](#)
[Form 3800 \(with instructions\)](#)

Taxable Employers

After the certification is secured with state workforce employers can claim the tax credit as a general business credit on Form 3800 against their income tax by filing the following:

- Form 5884 (with instructions)
- Form 3800 (with instructions)
- Your business's related income tax return and instructions (i.e., Forms 1040 or 1040-SR, 1041, 1120, etc.)

Tax-exempt Employers

Tax-exempt organizations described in IRC Section 501(c) may claim the credit for qualified veterans. After certification (Form 8850) is secured with state workforce, tax-exempt employers claim the credit against the employer social security tax by separately filing Form 5884-C. More information can be found at:

<https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>

Empowerment Zones

Empowerment Zones The following paragraphs describe areas that were designated empowerment zones. For the latest information about empowerment zone designations, go to www.irs.gov/form8850. Urban areas. Parts of the following urban areas were designated empowerment zones. You can find out if your business or an employee's residence is located within an urban empowerment zone by using the EZ/RC Address Locator at www.hud.gov/crlocator.

Urban

Baltimore, MD	Detroit, MI	Camden, NJ	Los Angeles, CA
Boston, MA	El Paso, TX	Pulaski County, AR	Miami/Dade County, FL
Chicago, IL	Fresno, CA	San Antonio, TX	Minneapolis, MN
Cincinnati, OH	Gary/Hammond, IN	Santa Ana, CA	New Haven, CT
Cleveland, OH	East Chicago, IN	St. Louis, MO	New York, NY
Columbia, SC	Huntington, WV	East St. Louis, IL	Norfolk, VA
Sumter, SC	Ironton, OH	Syracuse, NY	Portsmouth, VA
Columbus, OH	Jacksonville, FL	Tucson, AZ	Oklahoma City, OK
Cumberland County, NJ	Knoxville, TN	Yonkers, NY	Philadelphia, PA

Rural

Rural areas. Parts of the following rural areas were designated empowerment zones. You can find out if your business or an employee's residence is located within a rural empowerment zone by using the EZ/RC Address Locator at www.hud.gov/crlocator.

Aroostook County, ME

(part of Aroostook County)

Desert Communities, CA

(part of Riverside County)

Griggs-Steele, ND

(part of Griggs County and all of Steele County)

Kentucky Highlands, KY

(part of Wayne County and all of Clinton and Jackson Counties)

Mid-Delta, MS

(parts of Bolivar, Holmes, Humphreys, Leflore, Sunflower, and Washington Counties)

Middle Rio Grande FUTURO Communities, TX

(parts of Dimmit, Maverick, Uvalde, and Zavala Counties)

Oglala Sioux Tribe, SD

(parts of Jackson and Bennett Counties and all of Shannon County)

Rio Grande Valley, TX

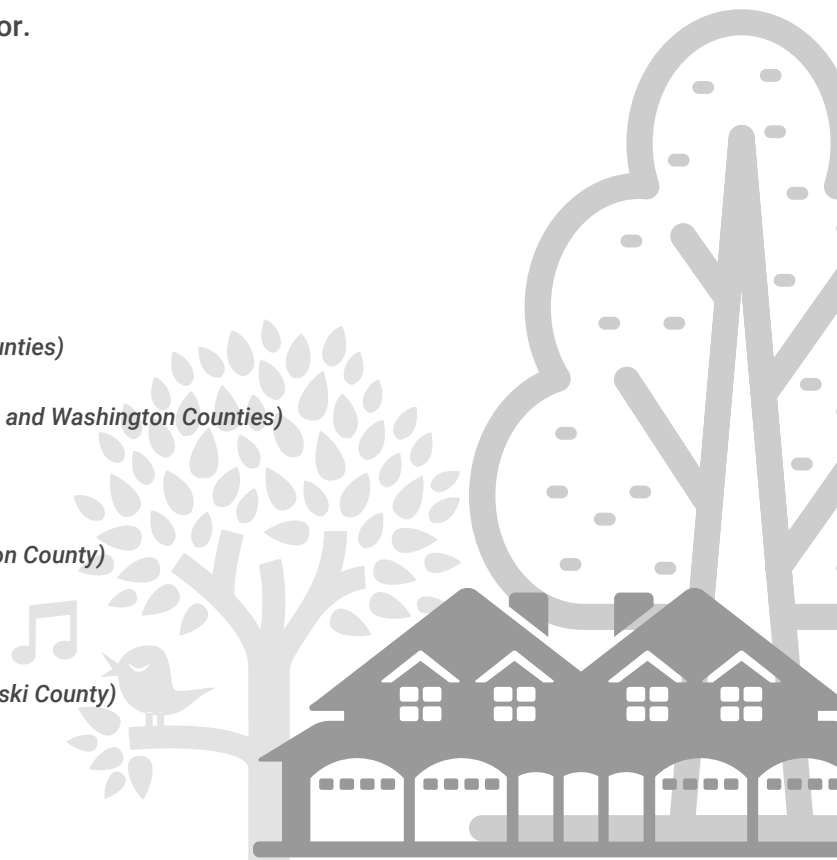
(parts of Cameron, Hidalgo, Starr, and Willacy Counties)

Southernmost Illinois Delta, IL

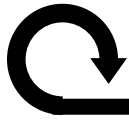
(parts of Alexander and Johnson Counties and all of Pulaski County)

Southwest Georgia United, GA

(part of Crisp County and all of Dooly County)



Empowerment Zones



Rural Renewal Counties

A rural renewal county is a county in a rural area that lost population during the 5-year periods 1990 through 1994 and 1995 through 1999.

Rural renewal counties are listed below.

Alabama

Counties: Butler, Dallas, Macon, Perry, Sumter, and Wilcox.

Alaska

The census areas of Aleutians West, Wrangell-Petersburg, and Yukon-Koyukuk.

Arkansas

The counties of Arkansas, Chicot, Clay, Desha, Jackson, Lafayette, Lee, Little River, Monroe, Nevada, Ouachita, Phillips, Union, and Woodruff.

Colorado

Counties: Cheyenne, Kiowa, and San Juan.

Georgia

The counties of Randolph and Stewart.

Illinois

Counties: Alexander, Edwards, Franklin, Gallatin, Greene, Hancock, Hardin, Jasper, Knox, McDonough, Montgomery, Pulaski, Randolph, Richland, Scott, Warren, Wayne, and White.

Indiana

Perry County.

Iowa

Counties: Adair, Adams, Appanoose, Audubon, Butler, Calhoun, Cass, Cherokee, Clay, Clayton, Emmet, Floyd, Franklin, Fremont, Hancock, Humboldt, Ida, Keokuk, Kossuth, Montgomery, Osceola, Palo Alto, Pocahontas, Poweshiek, Sac, Taylor, Union, Wayne, Winnebago, and Worth.

Kansas

Counties: Atchison, Barber, Barton, Brown, Clay, Cloud, Comanche, Decatur, Edwards, Elk, Ellsworth, Gove, Graham, Greeley, Greenwood, Harper, Hodgeman, Jewell, Kiowa, Labette, Lane, Lincoln, Marshall, Mitchell, Montgomery, Ness, Osborne, Phillips, Rawlins, Republic, Rooks, Rush, Russell, Scott, Sheridan, Sherman, Smith, Stafford, Trego, Wallace, Washington, Wichita, and Woodson

Kentucky

Counties: Bell, Caldwell, Floyd, Harlan, Hickman, Leslie, Letcher, Pike, and Union.

Louisiana

Counties: Bienville, Claiborne, Franklin, Jackson, Morehouse, St. Mary, Tensas, Vernon, and Webster.

Maine

Counties: Aroostook and Piscataquis

Michigan

Counties: Gogebic, Marquette, and Ontonagon.

Minnesota

Counties: Big Stone, Chippewa, Cottonwood, Faribault, Jackson, Kittson, Koochiching, Lac Qui Parle, Lincoln, Marshall, Martin, Murray, Norman, Pipestone, Red Lake, Redwood, Renville, Stevens, Traverse, Wilkin, and Yellow Medicine Phillips, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Valley, and Wibaux.

Nebraska

Counties: Antelope, Banner, Boone, Box Butte, Boyd, Burt, Cedar, Chase, Deuel, Dundy, Fillmore, Franklin, Garden, Garfield, Greeley, Hayes, Hitchcock, Holt, Jefferson, Johnson, Logan, Nance, Nemaha, Nuckolls, Pawnee, Perkins, Red Willow, Richardson, Rock, Sheridan, Sherman, Thayer, Thomas, Valley, Webster, and Wheeler.

Nevada

Counties: Esmeralda, Lander, and Mineral. New Hampshire. Coos County.

New Mexico

Counties: Harding and Quay.

New York

Counties: Clinton and Montgomery.

North Dakota

Counties: Adams, Barnes, Benson, Billings, Bottineau, Burke, Cavalier, Dickey, Divide, Dunn, Eddy, Emmons, Foster, Golden Valley, Grant, Griggs, Hettinger, Kidder, LaMoure, Logan, McHenry, McIntosh, McKenzie, McLean, Mercer, Mountrail, Nelson, Oliver, Pembina, Pierce, Ramsey, Ransom, Renville, Sargent, Sheridan, Slope, Stark, Steele, Stutsman, Towner, Traill, Walsh, Wells, and Williams.

Ohio

Counties: Crawford, Monroe, Paulding, Seneca, and Van Wert. Oklahoma. The counties of Alfalfa, Beaver, Cimarron, Custer, Dewey, Ellis, Grant, Greer, Harmon, Harper, Kiowa, Major, Roger Mills, Seminole, Tillman, and Woodward.

Mississippi

Counties: Adams, Coahoma, Humphreys, Montgomery, Quitman, Sharkey, Tallahatchie, and Washington.

Missouri

Counties: Atchison, Carroll, Chariton, Clark, Holt, Knox, Mississippi, New Madrid, Pemiscot, and Worth.

Montana

Counties of Carter, Daniels, Dawson, Deer Lodge, Fallon, Garfield, Hill, Liberty, McCone, Petroleum,

Pennsylvania

Counties: Venango and Warren.

South Carolina

Counties: Marlboro County.

South Dakota

Counties: Aurora, Campbell, Clark, Day, Deuel, Douglas, Faulk, Grant, Gregory, Haakon, Hand, Harding, Hutchinson, Jones, Kingsbury, Marshall, McPherson, Miner, Perkins, Potter, Sanborn, Spink, Tripp, and Walworth.

Texas

Counties: Andrews, Bailey, Baylor, Borden, Briscoe, Brooks, Castro, Cochran, Coleman, Collingsworth, Cottle, Crane, Culberson, Deaf Smith, Dimmit, Eastland, Fisher, Floyd, Foard, Gray, Hall, Hardeman, Haskell, Hemphill, Hockley, Hutchinson, Kenedy, Kent, Knox, Lamb, Martin, McCulloch, Morris, Nolan, Oldham, Reagan, Reeves, Refugio, Roberts, Scurry, Stonewall, Terrell, Terry, Upton, Ward, Wheeler, Wilbarger, Winkler, Yoakum, and Zavala.

Virginia

Counties: Buchanan, Dickenson, Highland, and Lee, and the independent cities of Clifton Forge, Covington, Norton, and Staunton.

West Virginia

Counties: Calhoun, Gilmer, Logan, McDowell, Mercer, Mingo, Summers, Tucker, Webster, Wetzel, and Wyoming.

Wyoming

Counties: Carbon and Niobrara