

Illinois Department of Employment Security



Agenda

Presenter: Fernando Chavarria



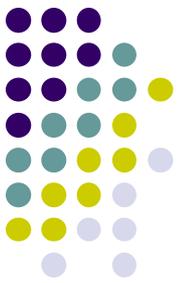
- Overview of WOTC
 - What Is It?
 - Targeted Groups
- Process for Submitting Tax Credit Request and Necessary Forms
 - IRS Form 8850
 - ETA 9061
 - ETA 9062
- WOTC Results
 - Certification
 - Denial
 - Pending Letter (Return Memorandum)



What is WOTC?

Work Oppportunity Tax Credit

- Federal tax credit given to employers who hire people that fall into specific socio-economic groups
- Tax credit for only new hires; rehires do not qualify
- Amount of the tax credit varies based on how many hours the new employee works



Brief History of Tax Credit

- Target Jobs Tax Credit(TJTC) was the first employer tax credit program; this program was phased out in 1994
- 1996—Small Business Job Protection Act created The Work Opportunity Tax Credit (WOTC) Program
- 1997—The Taxpayer Relief Act created The Welfare-to-Work Tax Credit (WTWTC)



Brief History (cont)

- 2005- Hurricane Katrina was authorized as the ninth target group under the WOTC program
- 2006- WOTC and WTWTC merged as a result of (P.L.109-432) which repealed Sec. 51A of the IRC making WTWTC a long term indicator under WOTC
- 2007- WTWTC became the tenth target group under the WOTC Program. The program was also extended through August 31, 2011 (P.L. 110-28)



What's New?

- 2009- The American Recovery and Reinvestment Act of 2009 introduced two new target groups, making a total of twelve categories under the WOTC program.
- These two groups are only valid for new hires between 1/1/2009-12/31/2010

Work Opportunity Tax Credit Equals



Work Opportunity Tax Credit

12 Targeted Groups



- A—Qualified Temporary Assistance for Needy Families (TANF)
- B—Qualified Veteran (VET)
- C—Qualified Ex-Felon
- D—Qualified Designated Community Resident (DCR)
- E—Qualified Vocational Rehabilitation Referral (VR)
- F—Qualified Summer Youth (SY)
- G—Qualified Supplemental Nutrition Assistance Program (SNAP)
- H—Qualified Supplemental Security Income (SSI)
- I— Qualified Long Term Family Assistance Recipient (LTFAR)
- J—Qualified Unemployed Veteran* (UV)
- K—Qualified Disconnected Youth* (DY)
- Gulf Opportunity (GO) Zone (Core Disaster Area) - No certification needed

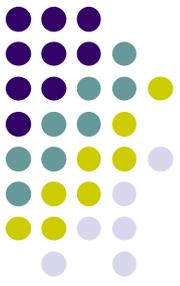
****Authorized by the American Recovery and Reinvestment Act of 2009***

What Are the Tax Credits Worth?



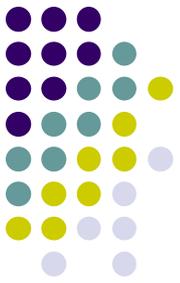
- With three exceptions, each category is worth potentially \$2400.
- Exceptions are:
 - Category B (Disabled Vet)—potentially \$4800
 - Category F (Summer Youth)—potentially \$1200
 - Category I (Long-Term TANF)—potentially \$9000 over two years
- Above are the maximum amounts if the new employee works at least 400 hours
- New employees must work at least 120 hours to qualify an employer for any WOTC credit amount
- It is based on *qualified wages* paid to the new employee for the *first-year of employment*. Generally, qualified wages are capped at \$6000 except *Disable Veteran* \$12,000, *Long Term TANF* \$10,000 (for a combine two-year period) and *Summer Youth* \$3,000.

Category A— Qualified Temporary Assistance for Needy Families (TANF) Recipient



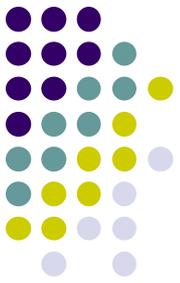
- No age limit
- Must be a member of a family that has received or receiving benefits Temporary Assistance for Needy Families(TANF) for any 9 months of the last 18 months ending on the start date

Category B—Qualified Veteran



- No age limit
 - Has served on activity duty for a period of 180 or more days
 - A member of a family that has received Supplemental Nutrition Assistance Program (SNAP) benefits for any 3 months of the last 15 months ending on the start date
- OR**
- Disabled Veteran
 - Who are entitled to compensation for a service-connected disability **AND**
 - Unemployed for at least 6 months in the past year ending on the start date; **OR**
 - Released from Active Duty within one year of start date

Definition of Veteran under WOTC



Sec.51 of the IR Code defines a Veteran as an individual who:

- Served on active duty for a period of 180 days or more, or
- Was discharged or released from active duty for a service-connected disability
- **Can be Dishonorably Discharged and be considered a Veteran under WOTC**

Category C—Qualified Ex-felon



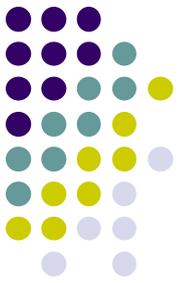
- No age limit
- Individual convicted of a felony and released from prison within one year from start date
- Must be felony conviction, not misdemeanor
- Proof will be requested if unable to locate on Illinois Department of Corrections (IDOC) or Federal Bureau of Prisons (FBOP) website

Category D- Qualified Designated Community Resident EZ, RC or RRC Zones



- Must be at least 18 and not yet 40 on start date, **and**
- His/her principal place of adobe is within an EZ, RC or RRC

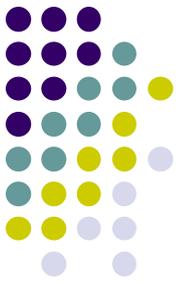
- Empowerment Zone (EZ)
- Renewal Community (RC)
- Rural Renewal Counties (RRC)



Illinois RRC Counties

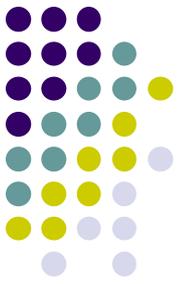
- Alexander
- Edwards
- Franklin
- Gallatin
- Greene
- Hancock
- Hardin
- Jasper
- Knox
- McDonough
- Montgomery
- Pulaski
- Randolph
- Richland
- Scott
- Warren
- Wayne
- White

Category E— Qualified Vocational Rehabilitation Referral



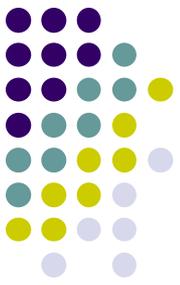
- No age limit
- A person who has a physical or mental disability which constitutes or results in a substantial handicap to employment; and
- Was referred to the employer upon, completion of or while receiving rehabilitative services pursuant to an individualized written plan of employment (IWPE) or
- Is a client of vocational rehabilitation program for veterans; or
- The Ticket to Work Program, was created by the Social Security Protection Act of 2004(P.L. 108-203).These are “ticket holder’, who receive assistance in developing an IWPE plan from a private Employment Networks (EN)

Category F—Qualified Summer Youth



- Must be at least 16 years of age but not yet 18 on start date
- Must perform service for an employer between May 1 and Sept 15; **and**
- Has his/her principal place of adobe is within a Renewal Community (RC) ,Empowerment Zone (EZ) or Rural Renewal Counties (RRC)

Category G—Qualified Supplemental Nutrition Assistance Program (SNAP) (i.e. food stamp)



- Must be 18 years of age and not yet 40, on the start date; **and**
 - a member of a family receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) for a 6-month period ending on the start date

Category H—Qualified Supplemental Security Income (SSI) Recipient



- No age limit
- must be recipient of Supplemental Security Income (SSI) for any month ending within the 60-day period ending on the start date
- not household member

Category I—Qualified Long-Term Family Assistance Recipient (formerly WTWTC)



- No age limit
- A member of a family that received or receiving Temporary Assistance for Needy Families benefits for at least 18 **consecutive** months ending on the start date,

Category J— Qualified Unemployed Veteran



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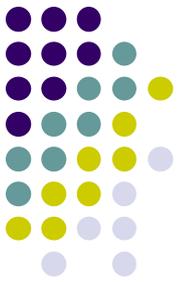
- No age limit
- Must be released from Active Duty no more than 5 years prior to start date **AND**
- Received at least 4 weeks of Unemployment Insurance benefits within one year of start date
- *If did not receive Unemployment Insurance Benefits not qualified under this category*

Category K— Qualified Disconnected Youth



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- At least 16 years old but not yet 25; **AND**
- Has not been regularly attending a secondary, technical, or post secondary school for more than an average of 10 hours per week, in the past 6 months ending on the start date, not counting periods during which the school was closed due to scheduled vacation; **AND**
- Has not been regularly employed in the past 6 months ending on start date; **AND**
- Does not have a High School Diploma or GED **OR**
- has a certificate of graduation from a secondary school or a GED certificate awarded no less than 6 months preceding the hiring date for this job, and has not held a job (other than occasionally) or been admitted to a technical, or post-secondary school since receiving such certificate
- Valid Youth Self Attestation Form is required



Application and Mailing Process of WOTC Forms

8850, 9061, 9062

The Bottom Line



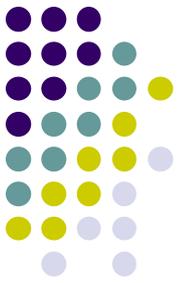
- ✓ Employers make the hiring decision
- ✓ There is no limit to the number of new hires who can qualify the employer for the tax savings
- ✓ There is minimal paperwork needed to claim the Work Opportunity Tax Credit



How Do Employers Apply?

- There are two forms employers must complete for each new hire:
 - IRS Form 8850: “*Pre-Screening Notice and Certification Request*”—***Must be submitted with ORIGINAL signatures and dates (no exceptions)***
- AND**
- ETA Form 9061 – “*Individual Characteristics Form*”
- OR**
- ETA Form 9062 – “*Conditional Certification*”

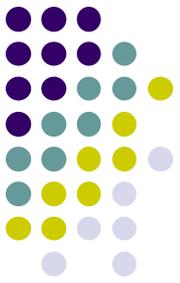
IRS Form 8850 Pre-Screening Notice



- Must be completed and submitted on every new hire
- New employee fills out page 1
- Employer fills out page 2

ETA-9061

Individual Characteristics Form



- Can be filled out by either the employer or the new employee
- Does not have to be submitted at the same time that the 8850 is sent in but no certification will be issued without it
- Best practice is to mail both the 8850 and the 9061 together



ETA-9062

Conditional Certification



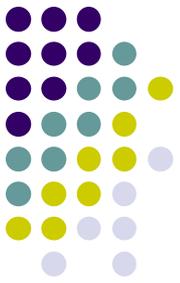
- Indicates job seeker has been pre-screened for WOTC by IDES staff and potentially meets qualifications for certification
- Form must have a “*expiration date*”, job seeker and IDES staff *signature*'s on the form to be valid
- New employee may bring in on interview or first day of work



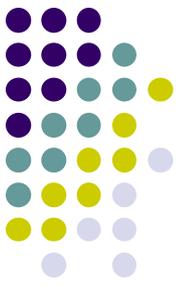
Microsoft Word
Document

If, hired employer will complete and submit along with 8850 in lieu of ETA-9061

Timely Filing

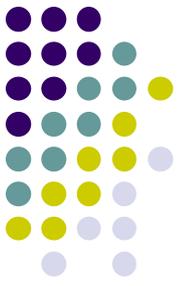


- IRS Form 8850 along with the ETA 9061 or ETA 9062 must be submitted to the employer's State Workforce Agency (IDES) no later than the 28th calendar day following the new employee's start date.
- When the last day of the 28th calendar day period ends on a Saturday, Sunday or federal holiday, the next succeeding business day will be treated as the last day of the period (the 28th day).
 - Example, if Day 28 is Labor Day, the day after will be counted as Day 28
- Must be postmarked by 28th day, not received



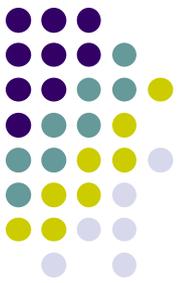
Certification (ETA 9063)

- New hire qualified under the WOTC program and the employer has been approved to receive a tax credit
- Employer must track hours worked to determine how much of the credit can be taken
- Employer must submit the tax credit reported using IRS Form 5884 (Work Opportunity Tax Credit)



Denial

- New hire did not meet the criteria under any category for the employer to receive a tax credit
- Denial letter with reason for denial will be mailed
- Employer may request reconsideration of this decision up to one year from the date on the letter with proof.



Needs Letter (Pending)

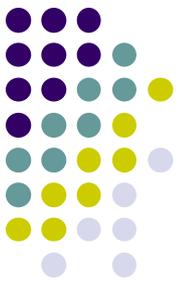
- Indicates missing or incomplete information on the tax credit request
- Additional information needed will be indicated on this form
- Return letter with the additional information so determination can be made
- Failure to respond within a full quarter (90 days) will result in the request being denied

Questions?

Contact Information



- IDES.state.il.us
- Denise Coleman
- 33 South State Street
Chicago, IL 60603 8th Floor
- 312-793-6825
- Denise.Coleman@illinois.gov



Resources

- Work Opportunity Tax Credit (WOTC) Handbook (prepared by IDES, rev. 12/15/09)
- ETA Handbook No. 408, 3rd Edition, Nov 2002, for the Work Opportunity Tax Credit Program & the Welfare-to-Work Tax Credit
- August 2009 Addendum to ETA Handbook No. 408 (3rd Edition, Nov 2002) for the Consolidated Work Opportunity Tax Credit Program