Work Opportunity Tax Credit

Employers planning to hire new workers may have a valuable tax credit available to those who hire long-term unemployment recipients and others certified by their state workforce agency.

The Work Opportunity Tax Credit (WOTC) is a long-standing income tax benefit that encourages employers to hire designated categories of workers who face significant barriers to employment.

The credit is based on wages paid to eligible workers during the first two years of employment.

To qualify for the credit an employer must first request certification by filing IRS Form 8850 with the state workforce agency within 28 days after the eligible worker begins work. Other requirements and further details can be found in the instructions to Form 8850.

There are now 10 categories of WOTC-eligible workers. The newest category, added effective January 1, 2016 is for long-term unemployment recipients who had been unemployed for a period of at least 27 weeks and received state or federal unemployment benefits during part or all of that time. The other categories include certain veterans and recipients of various kinds of public assistance, among others.

The 10 categories are:

- Qualified IV-A Temporary Assistance for Needy Families (TANF) recipients
- Unemployed veterans, including disabled veterans
- Ex-felons (ya, that’s a good idea)
- Designated community residents living in Empowerment Zones or Rural Renewal Counties
- Vocational rehabilitation referrals
- Summer youth employees living in Empowerment Zones
- Food stamp (SNAP) recipients
• Supplemental Security Income (SSI) recipients
• Long-term family assistance recipients
• Qualified long-term unemployment recipients.

Eligible businesses claim the WOTC on their annual income tax return.

Though the credit is not available to tax-exempt organizations for most categories of new hires a special rule allows them to get the WOTC for hiring qualified veterans.

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Should you have questions relating to these matters, tax, financial, or accounting issues, give us a call at

(818) 346-2160.

You can also visit us on the web at

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We here at Muffoletto & Company believe that the more informed you are in regards to the rules and regulations that affect you the more we can be of service.

Should you have questions relating to any tax or financial matters, or if you know of someone that could benefit from our assistance feel free in calling us at

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Providing individuals, small businesses, corporations, partnerships, professionals, and other business entities with the necessary guidance and answers for a complex world.