

# Work Opportunity Tax Credit

State of Michigan  
Department of Licensing  
and Regulatory Affairs

## UNEMPLOYMENT INSURANCE AGENCY

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The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the Work Opportunity Tax Credit and the Empowerment Zone tax incentive through December 31, 2011. The American Recovery and Reinvestment Act of 2009 added two temporary target groups to the program; Unemployed Veteran and Disconnected Youth.

The Work Opportunity Tax Credit is a federal credit available to private-for-profit employers who hire from specific targeted groups of people that have in the past experienced difficulty in securing employment. For the first year of employment, WOTC allows maximum credits of \$4,800 for disabled veterans, \$4,000 for long-term recipients of Temporary Assistance to Needy Families (TANF), \$1,200 for summer youth, and \$2,400 for all other target groups. There is an additional \$5,000 credit for long-term TANF recipients employed for a second year. The credit, or any unused portion of the credit, can be carried back one year or forward 20 years from the year in which the employer claims the credit.

Eligible new hires cannot have any prior work history with the employer, cannot be a relative of the employer and must be a U.S. citizen or permanent resident.

### WORK OPPORTUNITY TARGET GROUPS

- Short-term family TANF recipients
- Long-term family TANF recipients
- Veterans receiving Food Stamps
- Disabled veterans where the disability is service connected
- Food Stamp recipients, ages 18 to 39
- Vocational rehabilitation work plan participants or ticket-to-work holders
- SSI recipients (supplemental security income)
- Ex-felons convicted or released within one year of hire
- Designated Community\* residents, ages 18 to 39, and living in an EZ or RRC
- Summer youth, ages 16-17, living in Detroit's EZ who work from May 1 – Sept. 15
- Unemployed veterans\*\* who received at least four weeks of unemployment benefits one-year prior to hire.
- Disconnected youth\*\* ages 16 to 24

\*Michigan's "designated communities" include an Empowerment Zone (EZ) in Detroit and; the Rural Renewal Counties (RRC) of Gogebic, Marquette and Ontonagon.

\*\*The Unemployed Veteran and Disconnected Youth target groups expired on December 31, 2010 however, employers are advised to continue to submit their certification requests for these two target groups in anticipation of a retroactive authorization.

Detailed target group information is available on the Unemployment Insurance Agency's (UIA) website ([www.michigan.gov/uia](http://www.michigan.gov/uia)).

### WORK OPPORTUNITY TAX CREDIT

Not only must the new hire be a member of a WOTC target group, but the employer must also work the new hire at least 120 hours to qualify for a 25% credit and at least 400 hours to qualify for a 40% credit in the first year of employment.

For most target groups, the credit is for the first \$6,000 in gross wages paid to the employee in the first year of employment. However, maximum gross wages paid in the first year of employment for the disabled veteran are \$12,000; for the long-term TANF recipient, \$10,000; and for the summer youth, up to \$3,000. While the summer youth are restricted to working and earning wages from May 1 to Sept 15, if a 17-year-old summer youth becomes 18 within the first year after hire, the employer can request a target group change that allows a credit on gross wages of \$6,000.

In addition, for hiring a long-term TANF recipient and working that employee into a second year, the employer can take a 50% credit on the first \$10,000 in gross wages paid in the second year of employment. This is a potential \$9,000 credit for hiring one long-term TANF recipient.

## APPLICATION PROCEDURE

When applying for the credit, the employer must submit to the UIA two forms for each newly hired employee who may qualify as a target group member. Forms are available on the UIA's website at [www.michigan.gov/uia](http://www.michigan.gov/uia) or by calling the agency's WOTC Unit toll free at **1-800-482-2959**.

1. **IRS Form 8850**, "Pre-Screening Notice and Certification Request for the Work Opportunity Credit." – Employers use this non-discriminatory form at the time of hire to "pre-screen" applicants for potential target group membership.

The **signed original** 8850 must be postmarked by the U.S. Postal Service **no later than 28 days from the employee's start date**.

*If the 28<sup>th</sup> day falls on a Saturday, Sunday or federal holiday, UIA will accept the form on the next business day. Applications not fully completed and/or submitted late will be denied.*

2. **ETA Form 9061**, "Individual Characteristics Form" – The employer completes this form after deciding to hire the job seeker. The form must be fully completed and signed by the person completing the form (see reverse side of form for who may sign).

*There is no time limit for submitting ETA Form 9061. Therefore, it may be mailed or faxed separately from IRS Form 8850. However, applications will be processed faster when both forms are mailed together.*

3. **Obtaining documentation.** Employers may need to submit documentation to prove that the new hire is a target group member. Requirements for specific target group documentation may be obtained through the Internet or by calling the WOTC Unit toll free at 1-800-482-2959.

**SPECIAL NOTE:** Application processing is faster when UIA receives a timely and correctly completed package that includes IRS Form 8850, ETA Form 9061 and documentation supporting the employee's target group membership.

## OTHER MAJOR PROGRAM FACTS

- Always list the employer's name and address on any correspondence.
- Employers using employer representatives to process their tax requests, **may not** have their certifications mailed to the employer representative until either **a notarized original or notarized copy** of the Power-of-Attorney is on file with UIA's WOTC Unit.
- Upon receipt of the certification notice, the employer is responsible for employing the worker the required number of hours as specified for the target group listed on the notice. IRS Form 5884, Work Opportunity Credit, is filed with your federal tax returns. It is available from the IRS website at [www.irs.gov](http://www.irs.gov) or by calling IRS toll-free at 1-800-829-1040.

**NOTE:** *Photocopies of forms are acceptable. However, all signatures must be original. Fax transmissions of IRS Form 8850 cannot be accepted, nor is Michigan able to receive applications electronically, at this time.*

### **Mail forms and documentation to:**

Unemployment Insurance Agency  
WOTC Unit  
P.O. Box 8067  
Royal Oak, MI 48068-8067

### **Questions?**

Call the WOTC Unit toll free at  
(800) 482-2959 or (313) 456-2105  
or visit the UIA website  
([www.michigan.gov/uia](http://www.michigan.gov/uia)).



Michigan Department of  
Licensing and Regulatory Affairs  
Unemployment Insurance Agency  
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