

Work Opportunity Tax Credit

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 in the past. For the first year of employment, WOTC allows maximum credits of \$4,800 to \$9,600 for disabled veterans, \$4,000 for long-term recipients of Temporary Assistance to Needy Families (TANF), and \$2,400 for all other target groups. There is an additional \$5,000 credit for long-term TANF recipients who are employed for a second year. The maximum credit amounts for tax-exempt organizations can vary from \$1,560 to \$6,240. 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.

The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) extends the Work Opportunity Tax Credit (WOTC) retroactively for hires from December 31, 2014 to December 31, 2019. The PATH Act also modified WOTC to include a new target group, a *Qualified Long-term Unemployment Recipient*, which is defined as any individual who is certified by the designated local agency as being in a period of unemployment which –

- is not less than 27 consecutive weeks, and
- includes a period in which the individual was receiving unemployment compensation under State or Federal law.

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**
- Unemployed veterans**
- 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
- Qualified Long-term unemployment recipient

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

***Requirements**The disabled veteran discharged from service within one year prior to hire date or the unemployed disabled veteran w/aggregate periods of unemployment totaling six months or more in the 12 months prior to hire.*

***The unemployed veterans w/ aggregate periods of at least four weeks but less than six months of unemployment compensation in the 12 months prior to hire or the unemployed veteran with aggregate periods of unemployment compensation totaling six months or more in the 12 months prior to hire.*

Detailed target group information is available on www.michigan.gov/uia.

Not only must the new hire be a member of a WOTC target group, but the employer must also employ the new hire at least 120 hours to qualify for a 25 percent credit and at least 400 hours to qualify for a 40 percent 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 \$24,000 and \$10,000 for the long-term TANF recipient.
- In addition, for hiring a long-term TANF recipient and working that employee into a second year, the employer can take a 50 percent 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 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 28th 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 UIA website at www.michigan.gov/uia 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.

For expedited processing of your WOTC application, reduced paperwork and mailing, submit applications online through the Michigan Web Account Manager (MiWAM) at michigan.gov/uia.

For step by step instructions on how to apply for WOTC using MiWAM, download the MiWAM Toolkit for WOTC at michigan.gov/uia.

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 through visiting the IRS website at www.irs.gov or by calling IRS toll-free at 1-800-829-1040.

NOTE: *Photocopies of forms are acceptable. Fax transmissions of IRS Form 8850 cannot be accepted. Michigan can now accept WOTC applications electronically. Visit the web site indicated below and download the MiWAM Toolkit for WOTC.*

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).