WOTC: How to Apply

Intro

Hi I'm Barbara Stevens, supervisor with the Michigan Unemployment Insurance Agency, and I'm here to talk to you about the Work Opportunity Tax Credit.

What is the Work Opportunity Tax Credit, WOTC? The Work Opportunity Tax Credit, WOTC, is a federal tax credit available to employers who hire individuals from eligible target groups who have significant barriers to employment.

Eligible target groups include:

- Long or short-term Temporary Assistance to Needy Families (TANF) recipients
- Veterans
- Supplemental Nutrition Assistance Program (SNAP) recipients
- Designated Communities: Empowerment Zone (EZ) and Rural Renewal County (RRC) residents
- Michigan Rehabilitation Services (MRS) recipients
- Ex-felons
- Supplemental Security Income (SSI) recipients
- Long-term unemployed
- Summer youth employees

Currently the State of Michigan has more than 218,000 employers, yet only about 2,000 take advantage of the WOTC program and its federal tax reduction benefits. WOTC is a program that not only benefits employers, but its workers. Although the tax credit only applies to employers, the WOTC program assists potential employees by making career opportunities available to those who otherwise might have had a hard time landing a job. In addition, the program helps to promote workplace diversity and facilitates access to good jobs for American workers.

Simply put, Michigan + WOTC = reduced unemployment. Because it encourages employers to hire qualified and much-needed employees, while helping targeted employees to earn a steady income and move from economic dependency to self-sufficiency.

How Does WOTC Work?

Employers can earn a tax credit for each qualifying worker that ranges from $1,200 for qualifying young people hired to work during the summer, to as much as $9,600 for

certain military veteran employees. The exact tax benefit amount that a business can receive depends on several factors including such things as:

- How long the new worker was unemployed
- The employee's salary
- The number of hours worked in the first year.

There is no limit on the number of individuals an employer can hire to qualify to claim the tax credit. Here is a great example of how WOTC can work for a prospective employer:

In 2020, employer A hired 290 unemployed veterans. 288 of the veterans were unemployed four weeks to six months, granting a $2,400 tax credit for each. Two of the veterans were unemployed six months or more granting a $5,600 tax credit for each. Federal IRS potential tax credits received by employer A for hiring veterans in 2020 equals $702,400. This amount does not include individuals in any of the other targeted groups this employer may have hired. This chart shows a breakdown of the possible WOTC tax credits that employers can receive for each target group. Take a moment to review the numbers and see how WOTC can potentially impact your bottom line. (You can view the chart at Michigan.gov/WOTC under the heading, Tax Credit Values)

After receiving a certification determination, employers may file for the tax credit with the IRS by filing form IRS 5884 Work Opportunity Credit.

Who is not eligible for the WOTC program?

Again, employees who are claimed under the WOTC credit must come from the nine target groups we discussed earlier. Let's take a moment to discuss employee groups NOT eligible for the program. They include:

- Relatives and dependents of the employer
- Former employees, regardless of how long it has been since he or she last worked for the employer
- Majority owners of the business

Utilizing the Work Opportunity Tax Credit has proven to be a tremendous asset to many of Michigan's employers. Here are some of the positive feedback we've received from Michigan's employer community.

- "Encouraging employers to hire those who have the most trouble finding work is good policy."

- "Since veterans are trained, disciplined, loyal and highly skilled, they have the potential to positively influence the spirit of your company. All businesses should consider hiring them."

So, what are you waiting for? Apply for the Work Opportunity Tax Credit today! You can apply for WOTC directly through your MiWAM account. If you have any questions regarding the WOTC program and its application process, visit our website at Michigan.gov/WOTC. You can also call 1-800-482-2959, toll free, and speak one of our program representatives.