

## **FS 79 Work Opportunity Tax Credit**

The Work Opportunity Tax Credit is a federal credit available to private-for-profit employers who hire from targeted groups who have consistently faced barriers to employment.

Employers must apply for and receive a certification verifying the new hire is a member of a targeted group before they can claim the tax credit. For taxable employers, WOTC can be claimed as a general business credit against an employer's income taxes. Tax exempt employers can claim the WOTC against their payroll taxes. Employers of all sizes are eligible to claim the WOTC. The amount of the tax credit depends on the number of hours worked in the first year. If an employee works 120-399 hours, the employer qualifies for a 25 percent tax credit of first year wages. The tax credit increases to 40 percent if the employee works 400 hours or more. The tax credit ranges from \$2,400 to \$9,600 per employee for the first year.

Employers can hire eligible employees from the following target groups for WOTC. 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.

### **WOTC TARGET GROUPS**

- Temporary Assistance to Needy Families (TANF) Short-term recipients
- Temporary Assistance to Needy Families (TANF) Long-term recipients
- Veterans Supplemental Nutrition Assistance Program (SNAP) recipient
- Disabled veterans where the disability is service connected\*\*
- Unemployed veterans\*\*
- Supplemental Nutrition Assistance Program (SNAP) recipients, ages 18 to 39
- Supplemental Security Income (SSI recipients)
- Vocational rehabilitation work plan participants or Ticket-to-Work holders
- Person convicted of a felony or released within one year of hire
- Designated Community\* residents, ages 18 to 39
- Summer youth employee, ages 16 to 17
- Qualified Long-term unemployment recipient

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

*\*\*Disabled veteran must be entitled to compensation for a service-connected disability and is hired with within one year of discharge or release from active duty or the unemployed disabled veteran has received unemployment compensation for aggregate periods totaling six months or more in the 12 months prior to hire.*

*\*\* Unemployed veterans must have received unemployment compensation for aggregate periods of at least four weeks but less than six months in the 12 months prior to hire OR periods of unemployment compensation totaling six months or more in the 12 months prior to hire.*

## FACT SHEET #79

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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.

- 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. Visit the UIA website WOTC page for requirements for specific target group documentation or call 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 MiUI.**

**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 [IRS.gov](https://www.irs.gov) or by calling IRS toll-free at 1-800-829-1040.

**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 [Michigan.gov/UIA](https://Michigan.gov/UIA).