Federal Work Opportunity Tax Credit (WOTC)

PROGRAM DESCRIPTION

What is the Work Opportunity Tax Credit? WOTC is a federal tax credit incentive that Congress provides to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment. The main objective of this program is to enable the targeted employees to gradually move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers. Participating employers are compensated by being able to reduce their federal income tax liability.

ELIGIBILITY REQUIREMENTS

The WOTC program is for new hires who meet target group criteria and begin work after December 31, 2020 and before December 31, 2025. In addition to receiving a certification of WOTC eligibility, employers must meet the minimum employment period described below.

To view additional information on target groups, visit:
https://irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit

BENEFITS TO EMPLOYERS

How much can WOTC reduce employers' federal tax liability? The credit offers 25 percent of qualified first-year wages for those employed at least 120 hours but fewer than 400 hours and 40 percent for those employed 400 hours or more. Most target groups' maximum credit is $2,400.

The following groups are eligible to receive higher credits:

• $3,000 for each new summer youth employee (living in Empowerment Zone)
• $4,800 for each new disabled veteran employee hired within one year of leaving service
• $5,600 for each new veteran hire unemployed for at least six months
• $9,000 for each new long-term family assistance recipient employee hired over a two-year period
• $9,600 for each new disabled veteran hire unemployed for six months

NEXT STEPS TO PARTICIPATE

Employers must apply for and receive certification from the Utah Department of Workforce Services WOTC Unit verifying that their new hire is a member of a WOTC target group before they can claim the WOTC on their federal tax return. Utah does not accept ETA Form 9062 Conditional Certification at this time.

To apply for WOTC certification, employers must mail, hand-deliver or electronically submit the required forms and supporting documentation. The forms must be postmarked or transmitted no later than 28 days from the new hire start date.

For more information on the forms, the certification process and the Utah WOTC Unit contact information, visit: