

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY
Employment Administration**

Work Opportunity Tax Credit - How to Qualify and Participate

Notice to Employers:

On December 20, 2006, President Bush signed HR 6111, the Tax Relief and Health Care Act of 2006,. This bill extends the Tax Credit Program retroactively from January 1, 2006 to December 31, 2007.

The reauthorization made certain modifications to the WOTC tax credit program for individuals who begin work for employers on or after January 1, 2007:

- Raising the age for the Food Stamp category from 24 to 39
- Eliminating the income for Ex-Felons
- Incorporating WtW into the WOTC credit
- Replaced by Long-Term Family Assistance Category
- 40% of first \$10,000 of wages in year 1
- 50% of first \$10,000 of wages in year 2
- Increases the number of days required to file the Pre-Screening Form 8850 from 21 days to 28 days.

May 2007 Update:

HR2206, P.L. 110-28, The Small Business and Work Opportunity Tax Act of 2007 signed by President Bush on May 25, 2007 includes an extension of the Work Opportunity tax Credit program effective May 26, 2007 through August 31, 2011.

This information applies to individuals who began work **after May 23 2007**.

Qualified Veteran (B) - veteran and a member of a family that received food stamps for at least a 3-month period within the last 15 months period ending on the hiring date.

A new category for Disabled Veterans was created that included Veteran's receiving compensation for a service connected disability that is rated at least 10% or higher and if they were hired within one year of being discharged from active duty or were unemployed for any 6 months of the year prior to being hired. The wage base for this group is set at \$12,000.

Renames the High-Risk Youth Group (D) to Designated Community Resident (DCR). Raised the age from 18-24 to 18-39.

- Employers earn federal tax credits.
- Job seekers from ten targeted groups most in need of employment will be recruited for jobs.

What are the Tax Credits?

The Work Opportunity Tax Credit: Long Term Assistance Recipient:

New hires employed 400 hours or more qualify for 40% (\$2,400); employed at least 120 hours but fewer than 400 hours, 25% (\$1,500) of qualified wages for the first year of employment capped at \$6,000. For summer youth who work at least 400 or more hours is 40% (\$1,200), and employed less than 400 hours - 25% (\$750) of the first \$3,000.

Long-Term Assistance Recipient:

New hires employed 400 hours or more, qualify for 40% of qualified wages for the first year of employment with a cap of \$10,000. If the employee works fewer than 400 hours, the credit is 25% of the qualified first year wages capped at \$6,000. Second-year WOTC is retained at 50% of the qualified second-year wages with the cap of \$10,000 for a maximum two year credit of \$9,000.

Increases the amount of "qualified wages", **for disabled Veterans only** from \$6,000 to \$12, 000.

Applying for WOTC Tax Savings Takes Three Simple Steps

Employers must do the following:

- Have the job seeker complete page one and employer complete page two of the Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit, IRS Form 8850, both sides must be completed on or before the day a job is offered.
- Complete either of the following Department of Labor forms:
 - ETA Form 9061, Individual Characteristic Form, if the new employee has not been conditionally certified; or

- ETA Form 9062, Conditional Certification Form, if provided to the job seeker by a Participating Agency.
- Mail the completed IRS and ETA forms to: E&T Special Programs Office 734T, P O Box 6123, Phoenix, Arizona 85005-6123, within 28 calendar days of the employee's start date.

Job seekers are encouraged to register for work and obtain a conditional certification with the DES Arizona Job Service or at their local community based organization.

Where do you find WOTC Eligible Applicants or Employers?

At your nearest Arizona Job Service Office. Employers can place job orders with the Job Service or in Tucson Order Control (520) 584-8172.

Who Doesn't Qualify?

There are only three limits on an employer's use of the WOTC programs:

- No tax credit can be claimed on wages paid to relatives.
- No tax credit can be claimed for federally subsidized on-the-job-training; however, wages paid after the subsidy expires can qualify for the credits.
- No tax credit can be claimed on rehires.

For More Information:

- For information on the tax-related aspects of the WOTC, call Internal Revenue Service (IRS) at 1-800-829-1040.
- For questions and additional information regarding the target groups definitions and certification process call (602) 542-3957 or visit our website at: <http://www.azdes.gov/esa/wotc.asp>

**FIND OUT IF YOUR EMPLOYEE IS WILLING TO PROVIDE THE REQUIRED INFORMATION
PARTICIPATION IS VOLUNTARY**

THE TARGETED GROUPS ARE AS FOLLOWS:

THE WORK OPPORTUNITY TAX CREDIT

QUALIFIED IV-A RECIPIENT - A member of a family that received assistance from Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), or benefits under a successor program for any 9 months during the 18-month period ending on the hiring date.

QUALIFIED VETERAN - **and** a member of a family that received food stamps for at least a 3-month period within the last 15 months period ending on the hiring date.

Note: A new category for Disabled Veterans was created that included Veteran's receiving compensation for a service connected disability that is rated at least 10% or higher and if they were hired within one year of being discharged from active duty or were unemployed for any 6 months of the year prior to being hired.

QUALIFIED EX-FELON - An individual, who has a hiring date which is not more than one year after the last date he/she was convicted or released from prison.

DESIGNATED COMMUNITY RESIDENT - An individual who is at least age 18 but not yet age 40 on the hiring date and lives in an Empowerment Zone, Renewal Community. **Note:** The Urban Round 1 Enterprise communities in Phoenix and the Rural Round 1 Enterprise communities in The Arizona Border Region have expired as of December 31, 2004.

VOCATIONAL REHABILITATION REFERRAL - An individual receiving or has received (up to two years after receipt of last services) Rehabilitation Services through a State Rehabilitation Services program, an employment network under the Ticket to Work program or the Veterans' Administration.

QUALIFIED SUMMER YOUTH - An individual who performs services for the employer between May 1 and September 15, is age 16 but not 18 on the hiring date and lives in a Renewal Community.

QUALIFIED FOOD STAMP RECIPIENT - An individual who is at least age 18 but not yet 40, and is a member of a family that has received food stamps for the last 6 months or received food stamps for at least 3 of the last 5 months, BUT is no longer eligible to receive them (ending on the hiring date).

QUALIFIED SUPPLEMENTAL SECURITY INCOME (SSI) RECIPIENT - An individual who received SSI benefits for any month ending within the 60-day period (ending on the hiring date).

LONG-TERM FAMILY ASSISTANCE RECIPIENT - An Individual may be certified as a long-term family assistance recipient if he or she is a member of a family that:

- Received AFDC or TANF payments for at least 18 consecutive months before the date of hire, or
- Received AFDC or TANF payments for any 18 months beginning after August 5, 1997, and has a hiring date that is not more than two years after the end of the earliest 18-month period or
- Stopped being eligible for AFDC or TANF payments after August 5, 1997, because Federal or state law for applicants hired within two years after their eligibility expired.