



Notes from the Navigator....



A Monthly Newsletter about Serving Customers with Disabilities in the One-Stop System

Tax Incentives for Employers

WHAT IS THE WORK OPPORTUNITY TAX CREDIT?

The Work Opportunity Tax Credit (WOTC), authorized by the Small Business Job Protection Act of 1996, is a federal tax credit that encourages employers to hire eight targeted groups of job seekers by reducing employers' federal income tax liability by as much as \$2,400 per qualified new worker; \$750, if working 120 hours or \$1,200, if working 400 hours or more, per qualified summer youth.

The WOTC is designed to help move people from welfare to work and gain on-the-job experience. It joins other education and job training initiatives and targeted tax credits that help American workers prepare for good jobs; ease the transition from job to job; and create high performance workplaces.

WHAT NEW HIRES CAN QUALIFY EMPLOYERS FOR WOTC?

WOTC applies only to new employees hired on or after December 31, 2003, and before January 1, 2006. The new employee must belong to one of eight target groups:

- A member of a family that is receiving or recently received Temporary Assistance to Needy Families (TANF) or Aid to Families with Dependent Children (AFDC),
- An 18-24 year old member of a family that is receiving or recently received Food Stamps,
- An 18-24 year old resident of one of the Federally designated Empowerment Zones, Enterprise Communities, or Renewal Communities,
- A 16-17 year old EZ/EC or RC resident hired between May 1 and September 15 as a Summer Youth Employee,
- A veteran who is a member of a family that is receiving or recently received Food Stamps,

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- A disabled person who completed or is completing rehabilitative services from a State or the U.S. Department of Veterans Affairs,
- An ex-felon who is a member of a low income family,
- A recipient of Supplemental Security Income (SSI) benefits

All new adult employees must work a minimum of 120 or 400 hours; Summer Youth must work at least 90 days, between May 1 and September 15 before the employer is eligible to claim the tax credit.

HOW CAN EMPLOYERS PARTICIPATE IN THE WOTC?

To qualify for the credit, the employer must:

- § Complete the one page IRS Form 8850 prior to or on the day the job offer is made.
- § Complete either the one page ETA Form 9061 or Form 9062
- § If the new employee has not been conditionally certified, the employer and/or the new employee must fill out and complete, sign and date ETA Form 9061
- § If the new employee has already been conditionally certified as belonging to a WOTC target group, complete the bottom part of ETA Form 9062 (and sign and date it).
- § Mail the signed IRS and ETA forms to the employer's State Workforce Agency. The IRS form must be mailed within 21 days of the employee's employment-start date.

To obtain IRS Form 8850, the Work Opportunity and Welfare-to-Work Tax Credits Pre-Screening Notice and Certification Request, and instructions, download from <http://www.irs.ustreas.gov/> or call 1-800-829-1040.

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