



Federal Tax Credits and Incentives

June 2008

Situation

Tax credits are financial incentives created by the federal, state, and local governments to stimulate economic growth through employers. These incentives encourage:

- ✓ Businesses to hire targeted groups of employees
- ✓ Transition of individuals from public assistance
- ✓ Businesses to retain, locate, and relocate in development areas
- ✓ Revitalization of economically distressed areas and communities
- ✓ Expansion of new or existing businesses through investments in plant, property, and equipment

Solution

The following are common federal tax credit and incentive programs available to employers:

Work Opportunity Tax Credits (WOTC) – This federal tax credit program promotes hiring from certain demographic groups that typically have difficulty gaining employment. This credit could potentially generate tax savings which may range anywhere from \$1,500 to \$9,000 per eligible employee.

Empowerment Zones (EZ) – This credit provides businesses with incentive to employ individuals who both work and live in a designated empowerment zone. The credit is worth up to \$3,000 per year for every employee who lives and works in the same EZ (20% of the first \$15,000 of qualified wages).

Renewal Community (RC) – This credit provides businesses with incentive to employ individuals who both work and live in the same renewal community. The credit is worth up to \$1,500 per year for each employee who lives and works in the same RC (15% of the first \$10,000 of wages for each qualified individual).

Native American Indian Employment Credits (IEC) – This credit encourages employers in certain locations to hire and retain Native Americans and spouses of Native Americans. This credit can be worth up to \$4,000 per eligible employee.

Value

These programs are often overlooked by employers but can significantly reduce tax liability. In some instances, a historical review can generate refunds. In other cases, a proactive approach will yield significant savings. For more information, please contact **Pete Krieshok** at (314)214-7325 or via email at pkrieshok@talx.com.