



Recovering Benefits from Hurricane Tax Credits

April 2008

Situation

In light of Hurricanes Katrina, Wilma, and Rita which swept across the Gulf Coast in 2005, the United States Congress enacted specific tax credits to offset employers' loss of business and workforce. Many taxpayers failed to realize these benefits were and still are available. Legislation is pending to retroactively extend certain portions of these tax credit programs. There are two main types of hurricane credits available to corporate taxpayers: Katrina Victim Credits claimed as part of the Work Opportunity Tax Credit program, and Employee Retention Credits. These credits are available in designated areas in Mississippi, Louisiana, Alabama, Texas, and Florida, areas that fall into the Gulf Opportunity (GO) Zone.

Solution

Work Opportunity Tax Credit for Hurricane Katrina Employers:

An employer can claim a maximum \$2,400 per eligible employee for hiring Hurricane Katrina victims. While this program is currently in legislative hiatus, should Congress renew it, ongoing screening for this credit can significantly reduce future tax liabilities. To claim credits, employers must certify eligibility of each employee through:

- State Employment Security Agency (SESA)
- Signed notice from employee which indicates employee's qualifying group
- Reasonable evidence (such as employee self-attestation)

Employee Retention Credit:

An employer can claim a maximum of \$2,400 per eligible employee for wages paid during periods when business was inoperable due to hurricane damage. No active screening is required to claim credit for these employees. However, an employer must provide confirmation that the facility was closed to receive credits.

Value

By screening for potential WOTC Katrina credits now, provided Congress renews the legislation, employers can significantly reduce their future tax liability. In addition, by reviewing payroll data from hurricane-affected areas, employers can potentially claim credit for wages paid during inoperable periods. There is a one year carry back and 20 year carry forward provision for each of these credits. TALX actively monitors and supports this legislation and will update clients on a regular basis. For more information on how to reduce your company's tax liability, please contact your tax consultant or **Pete Krieshok** at (314)214-7325 or pkrieshok@talx.com.