

Update: January 2009

Tax Intelligence

Proposed Amendments Federal Work Opportunity Tax Credit

Situation

Recent information provided by the Bureau of Labor Statistics indicates that nonfarm employment fell 524,000 in December, and the national unemployment rate rose from 6.8% to 7.2%. In response to the current economic conditions, Congress will be considering the *American Recovery and Reinvestment Act of 2009 (H.R. 598)*. This package is the first step in a concentrated effort to create and save millions of jobs and jumpstart the economy.

As of January 22, 2009 the following enhancements to the Federal Work Opportunity Tax Credit are being considered as part of the economic stimulus package being debated in Congress.

Solution

The current proposal includes two **new target groups** which would be added to the current categories of employees eligible for the credit. These categories represent an increase in eligibility for the program and could result in a substantial benefit for your organization. The proposed categories are outlined below.

- **Unemployed Veterans** - This target group is defined as an individual certified by the designated local agency as someone who (1) has served on active duty other than for training in the Armed Forces for more than 180 days or who has been discharged or released from active duty in the Armed Forces for a service-connected disability; (2) has been discharged or released from active duty in the Armed Forces during 2008, 2009 or 2010; and (3) has received unemployment compensation under State or Federal law for not less than four weeks during the one-year period ending on the hire date.
- **Disconnected youth** – This group is defined as an individual certified by the designated local agency who is (1) at least 16 years of age but not yet 25 as of the hire date; (2) not regularly attending any secondary, technical, or post-secondary school during the six-month period preceding the hire date; (3) not regularly employed during the six-month period preceding the hire date; and (4) not readily employable by reason of lacking a sufficient number of skills.

Value

For both of these proposed new target groups, the Federal Work Opportunity Tax Credit provisions would be applicable for persons who begin work for the employer in 2009 or 2010. The changes would ultimately impact federal tax credits and potentially increase tax credit opportunities.

For more information on the potential impact, please contact **Pete Krieshok** at (314)214-7325 or via email at pkrieshok@talx.com.