

Update: March 2009

Tax Intelligence

Work Opportunity Tax Credit (WOTC) Target Groups

Situation

The WOTC Program was established to offer tax incentives for hiring and retaining employees who qualify as a member of a targeted demographic group. With the recent passage of The American Recovery and Reinvestment Act (ARRA) of 2009, the WOTC program has been expanded, and offers two new categories. The information below provides a summary of *all* employee categories that are potentially eligible for the WOTC program. Through proactive planning and structured oversight, employers have an opportunity to reduce current and future federal income tax liability.

Solution

A properly managed WOTC program can potentially offer a tax savings up to **\$9,000 per eligible new hire**. Employees who are members of the following target groups are eligible for the WOTC program:

- *Target Group A: TANF Recipient* - any applicant that has received TANF (Temporary Assistance for Needy Families replaced the Aid to Families with Dependent Children (AFDC) program) for any nine months within the last 18 months ending on the hire date.
- *Target Group B: Qualified Veteran* - any applicant that has been active in the military for 180 days and has received food stamps for three months within the last fifteen months ending on the hire date. This category was expanded to include *Qualified Disabled Veterans*.
- *Target Group C: Qualified Ex-Felon* - any applicant that has been convicted of a felony, placed on probation or released from prison within the year of the hire date.
- *Target Group D: Designated Community Resident (formerly Empowerment Zone Resident)* - any applicant that is between the ages of 18 and 39 and lives in a federal mandated Empowerment Zone, Enterprise Community, Renewal Community or Rural Renewal Community.
- *Target Group E: Vocational Rehab Referral* - any applicant that is participating in or has completed a vocational rehabilitation program within the last two years from the hire date.
- *Target Group F: Qualified Summer Youth* - any applicant that is between the ages of 16 and 17 years old and is hired between May 1st and September 15th.
- *Target Group G: Qualified Food Stamp Recipient* - any applicant that is between 18 and 39 years old and eligible for food stamp assistance. Benefits must be received within the last six months of the hire date, or three out of the last five months prior to the hire date.
- *Target Group H: SSI Recipient* - any applicant that has received SSI (Supplemental Security Income) within the last 60 days of the hire date.
- *Target Group I: Long Term Family Assistance (formerly Welfare to Work Credit)* - any applicant who has received TANF payments within the past two years.
- *Qualified Katrina Employee (extended October, 2008) Self-Certifying Category (no documentation required from employee)* - Any employee who resided in the Katrina Disaster Area (AL, LA, or MS).
- *Unemployed Veterans (Created by ARRA)* - Veterans who have been unemployed for at least six months.
- *Disconnected Youth (Created by ARRA)* - 16-24 year olds, who are unemployed, not in school and do not have defined skills.

Value

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