

Update: January, 2012

Tax Intelligence – Indian Employment Credit

Situation

In this economically challenging time, companies often look to see if state or federal tax credits can ease their tax burden. One often overlooked federal credit is the Indian Employment Credit, which can provide employers with an income tax credit of up to \$4,000 per year per qualified employee.

The Indian Employment Credit was extended by Congress through December 31, 2011, as part of the Extenders Bill H.R. 4853. The credit is currently expired and in hiatus at this time. The Indian Employment Credit is not a permanent tax credit, so employers rely on Congress to renew it periodically. As of today, President Obama's FY2012 budget calls for extending several temporary business tax incentives (including the Indian Employment Credit) through December 31, 2012. At the present time, the Committee of Ways and Means submitted Bill H.R. 1039, which included making this federal tax credit a permanent tax credit.

Solution

Continued extensions and moves to make the Indian Employment Credit a permanent tax credit suggest that it has merit. In the past, this credit has been renewed without issue and TALX anticipates that it will be renewed again.

This credit was created to provide most businesses with locations on Indian reservations with an incentive to hire Native Americans who are enrolled with one of 565 federally recognized tribes, and who live on or near an Indian reservation. As many reservations (Indian lands) are in rural areas, this credit helps to provide much needed jobs and stimulates economic growth and stability. There are several reasons why this is a very attractive credit:

- Credits can be recovered for hiring in prior years and is not limited to current year hiring
- Encourages employers to hire Native Americans, provides jobs, and stimulates economic growth (an employee's enrolled spouse can also qualify them)
- Credits for employers per qualified employee are up to \$4,000 each year, and up to that amount each year thereafter, provided the employer pays qualified wages
- This credit can be applied 1 year back, and has a 20 year carry-forward

TALX works closely with Native American tribes to obtain proof of enrollment to best maximize this credit to its fullest potential for clients.

Value

While looking for ways to ease your tax burden, it might be beneficial to see if your company would qualify for this valuable credit. TALX has a dedicated team of experts with experience in all areas of federal, state, and local taxation reviewing and monitoring new legislative developments to assist employers in capturing tax credit and incentive opportunities. If your company is interested in receiving more information on this or any other credit, contact Pete Krieshok at (314) 214-7325 or pkrieshok@talx.com, or visit our corporate blog at <http://blog.talx.com>.