

Work Opportunity Tax Credit Completion

With the reauthorization of the Work Opportunity Tax Credit Program in 2013, it is necessary to understand the process for completing the Work Opportunity Tax Credit and how IVRS staff can access this credit for the targeted group of “persons with disabilities.”

The WOTC is a Federal tax credit available to employers who hire and retain veterans and individuals from other target groups with significant barriers to employment. IVRS eligible job candidates meet the WOTC eligibility criteria. Employers claim about \$1billion in tax credits each year under the WOTC program so it can be used as an incentive in the hiring process.

The tax credit can allow business customers to reduce their federal income tax liability between \$2,400 and \$9,600 per employee hired, per year. (The higher amount is for veterans with service connected disabilities.) The tax credit employers can claim depends on the target group of the individual hired, the wages paid to that individual in the first year of employment and the number of hours that individual worked. There is also a maximum tax credit that can be earned.

If the individual works at least 120 hours, the employer may claim a tax credit equal to 25% of the individual's first year wages, up to the maximum tax credit.

If the individual works at least 400 hours, the employer may claim a tax credit equal to 40% of the individual's first year wages, up to the maximum tax credit.

IVRS staff do not need to complete any pre-certification documentation. In fact, with the new procedures (effective August, 2014) put into place by the Iowa Workforce Development Center, IVRS staff are not involved in the completion of any paperwork. Our role is to be a resource to the job candidate to assist them in knowing their comfort level and value in self-disclosure. This is important not only for identification of potential eligibility for WOTC, but to receive priority hiring for the 503 contract hiring as applicable to their situation.

All paperwork for documentation on the WOTC is completed by the job candidate and the employer within 28 days of the hire date and mailed to IWD. Many businesses are becoming more familiar with WOTC and are considering that as an incentive when hiring, others are still learning. The only two forms involved in Iowa related to WOTC is FORM 8850 and FORM 9061. Both of these are completed by the job candidate and the employer at the time of hire or within 28 days of the date of hire. The employer also has the option of filing on-line. For job candidates that complete FORM 9061 and identify themselves as eligible for WOTC because they were referred to an employer by a Vocational Rehabilitation Agency, verification/confirmation of those forms will be handled by IWD with cross referencing by IVRS staff in Des Moines. Therefore, field staff do not complete any paperwork related to processing the WOTC. Of course, businesses and job candidates may have questions, so it is our role to be a resource and be able to respond to their question or direct them to the WOTC Coordinator at IWD.

September, 2014



The below information is an e-mail IWD sends out to their business partners. If you want additional information regarding WOTC and the IWD processes for business, please review this e-mail.

For starters Iowa has a new Work Opportunity Tax Credit (WOTC) Online System. As the State WOTC Coordinator for Iowa, I am pleased to have this user-friendly site now available to use to submit the applications for the Work Opportunity Tax Credit in Iowa. I hope that you will take a few moments to check our site and invite your company's employees who work with the tax credit to also get acquainted. Feel free to go the website at <https://wotc.iowa.gov/wotc> and **Request your new Account**. For your convenience, I have attached the Iowa Online Tutorial as a guide to requesting your account and logging in to submit the WOTC applications to Iowa. Each staff person will need to request an account for security and confidentiality reasons. This tutorial should begin to answer many of your questions as you explore our site and this opportunity to submit the Form 8850 and Form 9061 online. Our intent is to process the tax credit applications in a more expedited manner.

If you are not aware, On January 2, 2013, the President signed into law the American Tax Payer Relief Act of 2012, which authorized an extension of the WOTC program through December 31, 2013. As of this date, no legislation has been put into place reauthorizing the WOTC program beyond December 31, 2013. At this time, Iowa is asking employers and consultants to continue to enter their 2014 applications online until states receive further guidance on the program. This will ensure that if there are changes to the status of the program, applications will still adhere to the IRS 28-day timely submittal requirement. Applications entered into our system with a start date of 1/1/2014 or later will go to a "Hold" status rather than "Pending" or auto "Denial". This will allow our state to quickly identify those applications for processing if and when the program is reauthorized. We will post any additional guidance on the status of the Work Opportunity Tax Credit Program (WOTC) on our Online site message board as soon as it is received. Applications submitted by postal mail will be data entered in the order in which they are received once the program is reauthorized.

The Work Opportunity Tax Credit (WOTC) program is a Federal tax credit available to employers who hire individuals from eligible target groups with significant barrier to employment. WOTC reduces and employer's cost of doing business, requires minimal paperwork, and is simple to apply for. This tax credit can reduce your business' federal income tax liability by as much as \$9,600 per employee hired depending on the target group. There is no limit on the number of individuals an employer can hire to qualify for the credit. The target groups include: Veterans, TANF (Welfare) Recipients, SNAP (Food Stamp) Recipients, Designated Rural Renewal Counties, Voc Rehab referrals, Ex-Felons, and SSI Recipients. The tax credits range from \$1,200 - \$9,600 per employee depending on the target group and number of hours worked in the first year. Employees must work at least 120 hours in the first year of employment in order for the business to receive the tax credit.

To help you, the following link is to the DOL/ETA website which should provide you with many pieces of information regarding the Work Opportunity Tax Credit (WOTC) program. Once you click on the link there is a section specifically geared to Employers.
<http://www.doleta.gov/business/incentives/opptax/>

In addition, if the person resides in a Rural Renewal County this is also a targeted group for the tax credit. I am providing a link to information on this group. <http://www.irs.gov/instructions/i8850/ch02.html#d0e417>

The WOTC staff are not abreast on all the IRS tax codes and rules regarding filing of tax returns however the following IRS site should address many questions you may have in their FAQs regarding WOTC and when and how to claim this credit when filing:
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Work-Opportunity-Tax-Credit-Frequently-Asked-Questions-and-Answers>

To help expedite the processing of applications please provide us with the following supporting documents related to the target groups below either with your postal mailed application or via email (wotc.coordinator@iwd.iowa.gov) or fax 515-242-0487 if you are using our Online system:

1. Rural Renewal – proof of age and residence. Items that can be submitted: IA W-4, copy of state issued picture ID/License
2. SSI – will need proof of SSI benefits within 60 days of hire. Item to submit as proof can be a letter from Social Security Admin.
3. Veteran target groups – will need Federal proof of service and disability if applicable. Most common proof is copy of DD214

Our office is able to electronically obtain supporting documentation/verification for target groups related to SNAP, TANF, Felon status, and Voc Rehab referrals. We have some of the above information included in our Message Board on our site and will periodically add reminders and updates as this is one of the features to the site. Once you have an account in our system you will be able to follow the applications submitted through the process and print off the Certificates and/or Notices of Decisions. If there is additional supporting documentation needed to complete the processing you will receive an email stating there is a Needs letter waiting for your review.



I realize this is a lot of information to include in one email, but I thought it would be beneficial to have it all in one location/email vs. multiple. As with any online application, please feel free to get in touch with me if you have questions about the Iowa WOTC Online System or you have questions about the program in general! I will be on the lookout for your request for an account.

As with any new online application, please feel free to get in touch with me if you have questions about the Iowa WOTC Online System! I will be on the lookout for your request for account access.

Heidi Wicks, CPM
Program Manager
Iowa Workforce Development
1000 E. Grand Ave, 3rd Floor East
Des Moines, IA 50319
Office: 515-725-2810
Cell: 515-371-5554
Heidi.Wicks@iwd.iowa.gov
www.iowaworkforce.org

September 2014



Iowa
Vocational
Rehabilitation
Services