

Work Opportunity Tax Credit

WHAT IS THE WORK OPPORTUNITY TAX CREDIT?

The Work Opportunity Tax Credit (WOTC), authorized by the Small Business Job Protection Act of 1996 (P.L. 104-188), is a federal tax credit that encourages employers to hire eight targeted groups of job seekers by reducing employers' federal income tax liability by as much as \$2,100 per qualified new worker, or \$1,050 per qualified summer youth. P.L. 106-170 reauthorized the WOTC retroactively through December 31, 2001, to encourage employers to hire 8 target groups of job seekers with barriers to employment.

The WOTC is one tool in a diverse toolbox of flexible strategies designed to help people move from welfare to work and gain on-the-job experience. It joins other education and job training initiatives and targeted tax credits that help American workers prepare for good jobs; ease the transition from job to job; and create high performance workplaces.

WHAT NEW HIRES CAN QUALIFY EMPLOYERS FOR WOTC?

WOTC applies only to new employees hired after September 30, 1996, and before January 1, 2002

The new employee must belong to one of eight target groups:

A member of a family that is receiving or recently received

Temporary Assistance to Needy Families (TANF) or Aid to Families with Dependent Children (AFDC),

An 18-24 year old member of a family that is receiving or recently received Food Stamps,

An 18-24 year old resident of one of the 145 federally designated Empowerment Zones (EZs) or Enterprise Communities (ECs),

A 16-17 year old EZ or EC resident hired between May 1 and September 15, 1997 as a Summer Youth Employee,

A veteran who is a member of a family that is receiving or recently received Food Stamps,

A disabled person who completed or is completing rehabilitative services from a State or the U.S. Department of Veterans Affairs,

An ex-felon who is a member of a low income family, and/or

A recipient of Supplemental Security Income (SSI) benefit.

The new employee must work a minimum of 120 or 400 hours; summer youth must work a minimum of 20 days, 120 or 400 hours, whichever comes first.