



**ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT**

Work Opportunity Tax Credits

What is the WOTC Program?

The Work Opportunity Tax Credit (**WOTC**) program offers federal tax credits to employers as an incentive to hire people in specific target groups.

Please note application and deadline details:

Who does WOTC Help?

WOTC helps both employers and targeted job seekers. Employers save as tax credits help reduce their federal business taxes. Job seekers qualifying as a member of one of the targeted groups gain an advantage in the job market.

How much is the Tax Credit?

WOTC: WOTC has a two-tiered tax credit based on the first \$6,000 of earnings.*

1. A **25%** credit for workers who worked at least **120** hours but less than 400 hours, and;
2. A **40%** credit for workers who worked at least **400** hours (**\$2,400 maximum credit**).

***Qualified Wages for WOTC** are the first \$6,000 of wages paid within the first year of employment to target group individuals.

Long Term Family Assistance: May be earned for the first two years of employment.*

1. **40%** of qualified first year wages for a maximum **\$4,000** 1st-year credit.
2. **50%** of the qualified second year wages for a maximum **\$5,000** 2nd-year credit.

* **Qualified Wages for Long Term Family Assistance:** include the first \$10,000 of wages paid within each of the first two years of employment to a qualified individual. "Qualified wages" also include amounts paid to employees for accident and health plans, educational assistance programs, and dependent care assistance programs. An employee must work at least **400 hours** or **180 days** before a Long-term family tax credit may be claimed.

Who are the WOTC Target Groups?

- a. **TANF Recipient** - a member of a family that has received Temporary Assistance for Needy Families through a program such as the Alaska Temporary Assistance Program (*ATAP*) for at least *any 9 months within the last 18 months*.
- b. **Veteran** - AND member of a family that received *Food stamps* for at least a 3 month period within the last 15 months. **OR a disabled veteran** entitled to compensation for a service-connected disability—that is hired within one year or is unemployed 6 of the last 12 months.
- c. **Ex-felon** - a person convicted of a felony and within the past year was either convicted or released from prison.
- d. **Designated Community Residents** – ages 18-39; must reside in an empowerment zone (EZ) or renewal community (RC).
- e. **Vocational Rehabilitation Referral** - a disabled person who is receiving rehabilitative services under an "Individualized Plan for Employment" (IPE) or has completed an IPE within the last two years from a rehabilitation agency under a state plan or under a vocational rehabilitation program for veterans.
- f. **Qualified Summer Youth** – age 16, but not yet 18; works between May 1 and Sept 15; must reside in an EZ or RC.
- g. **Food Stamp Recipient** - between the *ages of 18 - 39*, AND, member of a family that has received food stamps for the last 6 months, OR received food stamps for at least 3 of the last 5 months, BUT is no longer eligible to receive them due to work requirements.
- h. **SSI Recipient** - a person who has received Supplemental Security Income (*SSI –under the Social Security Act*) benefits for any month ending within the last 60 days ending on the hiring date.
- i. **Long-term Family Assistance Recipient** - is defined as a member of a family that received TANF/ATAP **(1)** for at least 18 consecutive months ending on date of hire, **or (2)** for any 18 months after August 5, 1997 and the end of the period is within 2 years of date of hire.
- j. ***Unemployed Veteran** - a veteran who has been discharged or released from active duty in the Armed Forces at any time during the 5-year period ending on the hiring date; and has received unemployment compensation under State or Federal law for not less than 4 weeks during the 1-year period ending on the hiring date.
- k. ***Disconnected Youth** - an individual who is age 16 but not yet age 25; not regularly attending any secondary, technical, or post –secondary school; not regularly employed for 6 months; and not readily employable due to lacking basic skills.

*On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act introduced two new target groups: 1) **Unemployed Veterans** and 2) **Disconnected Youth**, who begin work for an employer during 2009 or 2010. The 28-day filing deadline is waived for individuals in these two targeted groups who started work during the period of January 1, 2009 through September 16, 2009. **The Form 8850 must be postmarked no later than October 17, 2009, for the employer's application to be considered timely.**

Employer Instructions to Earn WOTC Tax Credits

Employers must apply and receive certification from the Alaska WOTC Office before claiming credit on their federal income tax return. The new hire must belong to one of the eligible groups for the Work Opportunity Tax Credit. **Original Form 8850 must be postmarked within 28 calendar days of the date the applicant starts work.**

Three Step Application process to qualify new employees:

1. **Complete Form 8850**, "Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credits":
 - a. All applicants must complete and sign page one of the 8850 Form on or before the day a job offer is made.
 - b. To be eligible, the job applicant must have checked appropriate boxes on the front of the form.
 - c. Once hired the Employer completes and signs page two of Form 8850.
2. **Complete one** of the following U.S. Department of Labor forms:
 - a. **Form ETA-9061:** Complete ETA-Form 9061, "Individual Characteristics Form" if the job applicant does not have a completed ETA Form 9062 from a service provider.
 - b. **Form ETA-9062:** Client service providers, such as Public Assistance or Vocational Rehabilitation, will provide job applicants with ETA Form 9062, "Conditional Certification" identifying them as a member of a WOTC target group. Job applicants will give this form to potential employers.
2. **Mail** the completed Form 8850, **and** Form 9061 **or** Form 9062 to:

**Alaska Department of Labor and Workforce Development
Employment Security Division
WOTC Coordinator
PO Box 115509
Juneau AK 99811-5509**

The Form 8850 must be postmarked within 28 calendar days of the date the applicant starts work. We cannot accept fax or e-mailed 8850 Forms.

The WOTC office will send Form ETA-9063, "WOTC Employer Certification", to the employer to verify that the applicant is WOTC eligible and may qualify the employer for the federal tax credit. Retain the form for your IRS records.

IRS Form 5884, "Work Opportunity Credit" is used to file for the WOTC tax credit.

For more information - review our web site at: <http://www.jobs.state.ak.us/wotc.htm>

You may also contact the WOTC Coordinator directly at:
Phone: (907) 465 – 5956 OR Fax: (907) 465 – 8753
TDD (RELAY ALASKA 800-770-8973)

For qualified WOTC workers contact your local Job Center:

<http://www.jobs.state.ak.us/offices/>

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Auxiliary aids & services are available upon request to individuals with disabilities*