

Work Opportunity Tax Credit (WOTC): Basic Facts

The Small Business and Work Opportunity Act of 2007 (WOTC) has two purposes:

- To promote the hiring of individuals who qualify as a member of a target group, and
- To provide a federal tax credit to employers who hire these individuals.

An employer may qualify for a tax credit of up to \$2,400 annually (for up to two years – total \$4,800) if the employee is a member of a designated target group and meets that group's specific requirements. **(Note: Employers must file for this tax credit within 28 days of the employee's hire date)**

Target Groups that Qualify for the WOTC — Individuals hired from the following nine target groups may qualify an employer for the WOTC:

Qualified recipients of Temporary Assistance to Needy Families (TANF).

- A. Qualified veterans receiving Food Stamps or qualified veterans with a service connected disability who:
 - Have a hiring date which is not more than one year after having been discharged or released from active duty, OR
 - Have aggregate periods of unemployment during the one year period ending on the hiring date that equal or exceed six months.
- B. Ex-felons hired no later than one year after conviction or release from prison.*
- C. Designated Community Resident – an individual who has attained ages 18 but not 40 on the hiring date who reside in an Empowerment Zone, Renewal Community, or Rural Renewal County.
- D. Vocational rehabilitation referrals, including Ticket Holders with an individual work plan developed and implemented by an Employment Network.
- E. Qualified summer youth ages 16 through 17 who reside in an Empowerment Zone, Enterprise Community, or Renewal Community.
- F. Qualified Food Stamp recipients ages 18 but not 40 on the hiring date.
- G. Qualified recipients of Supplemental Security Income (SSI).
- H. Long-term family assistance recipients.

* This reauthorization of WOTC has removed the requirement that an ex-felon must be a “member of a low income family” (the “earnings test” for eligibility has been eliminated).