

WORK OPPORTUNITY TAX CREDIT Information Sheet

Introduction — The Small Business and Work Opportunity Act of 2007 (P.L. 110-28) extends the Work Opportunity Tax Credit (WOTC) to August 31, 2011. The WOTC has two purposes:

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

The Employment Development Department (EDD) is the Work Opportunity Tax Credit certifying agency for California employers.

Target Groups that Qualify for the WOTC

Individuals hired from the following 11 target groups may qualify an employer for the WOTC:

- Qualified recipients of Temporary Assistance to Needy Families (TANF).
- Qualified veterans receiving Food Stamps or a disabled veteran with a 10 percent or higher rating who:
 - is hired within one year of discharge date, OR
 - has been unemployed six months or more, whether or not consecutive, during the one year period prior to their hire date.
- Ex-felons hired no later than one year after conviction or release from prison.
- Designated Community Resident – ages 18 through 39 who reside in an Empowerment Zone, Renewal Community, or Rural Renewal County.
- Vocational rehabilitation referrals, including Ticket Holders with an individual work plan developed and implemented by an Employment Network.
- Qualified summer youth ages 16 through 17 who reside in an Empowerment Zone, Enterprise Community, or Rural Renewal County.
- Qualified Food Stamp recipients ages 18 through 39 on the hiring date.
- Qualified recipients of Supplemental Security Income (SSI).
- Long-term family assistance recipients.
- Unemployed Veteran who has received a minimum of four weeks of Unemployment Insurance benefits (from any state) in the one year period prior to the hire date AND was discharged from the military during the 5 year period prior to the hire date.
- Disconnected Youth – Age 16 to 24 who, during the six month period prior to the hire date has not been regularly attending school or training, has not been regularly employed, and lacks the basic skills to perform the job.

Tax Credit Amounts

For Target Groups:

- A, B (Food Stamp Veteran only), C, D, E, G, H, J, and K, the maximum tax credit amount is a 40 percent tax credit on qualified first year wages up to \$6000, or \$2,400 for a one year period.

- B – Disabled Veteran - the maximum tax credit amount is a 40 percent tax credit on qualified first year wages up to \$12,000, or \$4,800 for a one year period.
- F – Summer Youth – the maximum tax credit amount is a 40 percent tax credit on qualified first year wages up to \$3,000, or \$1,200 for a one year period.
- I – Long Term Family Assistance Recipient – This is a two year tax credit. The maximum tax credit amount is a 40 percent tax credit on qualified first year wages up to \$10,000, and a 50 percent tax credit on qualified second year wages up to \$10,000 or a total of \$9,000 for the two year period.

Retention

In order to claim the tax credit, the employee must be retained 400 hours or more for a 40 percent tax credit on qualified first year wages. For the employee that is retained at least 120 hours but less than 400 hours, a 25 percent credit is available on qualified first year wages.

How the WOTC Program Works for Employers

Employers may:

- Pre-screen their own applicants to determine if they are members of one of the target groups.
- Place a job listing in EDD's CalJOBSSM system, stating in the job duties section of the listing that WOTC eligible job applicants are highly desired.

To determine if an applicant is a member of one or more of the 11 target groups, the employer and the employee must complete and sign the Pre-Screening Notice and Certification Request for the Work Opportunity Tax Credit, Form IRS 8850. In addition, the Individual Characteristics Form, ETA 9061, must be completed and signed as well. Mail forms to:

WOTC Center, 2901 50th Street, Sacramento, CA 95817

If an employer wishes to authorize an intermediary, such as an accountancy firm or a management consultant, to act on their behalf in the WOTC certification process, they must provide the EDD with a notarized Power of Attorney. The Internal Revenue Service Form 2848 or the EDD Form DE 48 may be used for this purpose.

How the WOTC Program Works for the Job Seeker

A Job seeker may:

- Let prospective employers know he/she is WOTC eligible at the time of the interview.
- Go to the nearest EDD Workforce Service office to enroll for services.

Forms and Information

Visit EDD's Web site at: www.edd.ca.gov/jobs_and_Training/Work_Opportunity_Tax_Credit.htm or contact a local One-Stop Career Center. For more information, contact the California WOTC Center, toll-free at (866) 593-0173.

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids and/or alternate formats need to be made by calling (866) 593-0173 (voice). TTY users, please call the California Relay Service at 711.