

Work opportunity tax credit



(WOTC)

Promote diversity and maximize savings through the Work Opportunity Tax Credit (WOTC).

The WOTC is a federal income tax credit available to employers who hire individuals from eligible target groups facing significant employment barriers. Utilizing WOTC, employers can lower their effective tax rate. The credit also complements opportunities within other workforce programs that incentivize workplace diversity and facilitate access to jobs.

How to qualify

The WOTC offers up to \$9,600 federal income tax credit per employee hired and is based on hours worked and wages paid to certified employees, with no limit on the number of eligible hires across all industries. This program does require a process to screen, track and calculate credits for each eligible employee, and only new hires qualify, not rehires. Certification by a State Workforce Agency (SWA) is required before claiming the credit, which can be carried back one year or forward up to 20.

Steps for claiming WOTC



1. Screen employees

Employers screen prospective employees on or before their hire date



2. Submit application forms

Employers (or authorized representatives) submit application forms to the SWA within 28 calendar days of hiring eligible employees



3. Check certification status

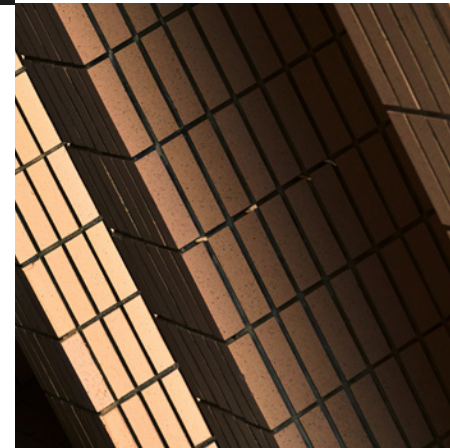
They then follow up with the SWA to check certification status (and provide additional information, obtain WOTC certificate or address application denials)



4. Process application

The SWA processes WOTC applications at its discretion, in issuing certificates

Employees must work a minimum of 120 hours in their first year, with credits starting at 25% of gross wages. At 400 cumulative hours, the credit increases to 40%. WOTC is a two-year credit unless the maximum credit value based on the certified category has been achieved in the first year of employment. Credits claimed on Form 5884 for corporate tax returns correspond to the year of WOTC certificate issuance.



How Sikich can help

We work with your company to:

- Provide a screening solution to identify eligible employees
- Submit applications to state workforce agencies
- Calculate credits based on payroll data
- Proactively adjust workflows based on legislative changes
- Partner with our site selection team to ensure state tax credits are considered in addition to federal credits

All credit calculations include comprehensive documentation for audits. For-profit companies and owners of pass-through entities qualify for the program. Not-for-profit organizations can also participate, reducing social security payroll tax liabilities when employing eligible U.S. veterans.

For more information
about our services, visit
www.sikich.com.