



Agenda How your business can benefit from federal and state tax credits What federal and state tax credits are available to you The requirements for various credits The process for obtaining credits Extension and status of Work Opportunity Tax Credit (WOTC)

Who benefits from hiring-related tax credits?

- Employees
- Communities
- Employers



Federal Tax Credit Programs

- Congress has authorized billions in incentives to get employees back to work and to improve the economy
- Many of these incentives go unclaimed because businesses don't know about the credits or do not have the tools or time to maximize these benefits
- The American Taxpayer Relief Act of 2012 renewed the WOTC program through 2013 and retroactively through 2012



Work Opportunity Tax Credit (WOTC) Program

- WOTC is a Federal tax credit available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment
- WOTC joins other workforce programs that incentivize workplace diversity and facilitate access to good jobs for American workers

Source: Department of Labor Employment & Training Administration



WOTC Program (cont) *Qualified newly hired individuals from identified target groups *Most target groups are worth up to a \$2,400 federal tax credit *Some qualified employees are worth as much as a \$9,600 credit \$9,000 \$9,600 \$1,200 \$2,400 \$5,600 *Potential Federal Tax Credits

WOTC Target Groups

- Supplemental Nutrition Assistance Program (SNAP) or food stamp recipients
- Disabled or unemployed veterans
- Vocational rehabilitation referrals
- Summer youth employees
- Ex-felons
- Designated community residents
- Recipients of Assistance Under Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF)
- Supplemental Security Income (SSI) recipients
- Short Term Temporary
 Assistance for Needy Families
 Recipients



Questions to consider if your company is a good fit for WOTC

- Is your business currently taking advantage of any tax credit programs?
- Are you placing entry level jobs?
- Does your business currently have a veteranhiring initiative?
- Are you currently using a Professional Employer Organization (PEO)?



Target Industries

- Staffing
- Manufacturing
- Hospitality
- Call centers
- Health care
- Distribution centers
- Restaurants / food chains
- Convenience stores
- Retail





How to Estimate WOTC

Number of employees

Percent of turnover

Example: 500 employees with 100% turnover

 $500 \times 15\% = 75 \times \$1,000 = \$75,000$



How to Calculate WOTC

- Credit is calculated using
 - -0 to 119 hours = 0% of Qualified Wages
 - -120 to 399 hours = 25% of Qualified Wages
 - -400 hours and up = 40% of Qualified Wages



Farget Group	Maximum Qualified Wages	Maximum Credit Amount	
Summer Youth Employee	\$3,000	25% = \$750 40% = \$1200	
Vocational Rehabilitation Referral Recipient of SNAP benefits (Food Stamps) SSI Recipient Qualified IV-A Recipient Qualified Veteran Qualified Ex-Felons Designated Community Resident (DCR)	\$6,000	25% = \$1500 40% = \$2400	
Long-Term Family Assistance Recipient	\$10,000 (1st year) \$10,000 (2nd year)	25% = \$2500 (1st year) 40% = \$4000 (1st year) 50% = \$5000 (2nd year)	
Disabled Veteran	\$12,000	25% = \$3000 40% = \$4800	

WOTC Calculation Breakout VOW to Hire Heroes Act

Target Group	Maximum Qualified Wages	Maximum Credit Amount	
Returning Heroes – unemployed 4 weeks or more	\$6,000	25% = \$1500 40% = \$2400	
Returning Heroes – unemployed 6 months or more	\$14,000	25% = \$3500 40% = \$5600	
Wounded Warrior – disabled veteran	\$12,000	25% = \$3000 40% = \$4800	
Wounded Warrior – disabled veteran unemployed for more than 6 months	\$24,000	25% = \$6000 40% = \$9600	



WOTC Example Calculation \$10/hour

Hours Worked	Wage	Credit Percentage	Credit
100	\$1000	0%	\$0
300	\$3000	25%	\$750
600	\$6000	40%	\$2400



WOTC Tax Benefits

- Credit not a deduction
- Credits can go back 1 year and can be carried forward up to 20 years
- Credits offset Alternative Minimum Tax
- If company is a flow-through entity (S-Corp or LLC) credits are realized on the owner's personal return



WOTC Forms – IRS Form 8850











WOTC Process

- Every new hire completes 2 forms:
 - -8850 Form
 - -Individual Characteristics Form
- Qualified forms are mailed to the appropriate government office to obtain an approved certificate
- All forms must be sent within 28 days of start date
- If working with administrator:
 - All forms are mailed to administrator where they are tracked and reviewed to determine qualified employees
 - Most administrators provide monthly reporting on form data



WOTC Process (cont)

- Certificate comes back to business or administrator with confirmation of approval or denial of eligibility
- Credits can then be calculated based on certified employee's hours and wages
- If working with administrator:
 - Wages and hours reported a request for wages and hours for each employee who qualifies will be sent out at the end of each month/quarter depending on administrator agreement
 - Credits summary sent to client detailing the credits for each employee and original certificates returned
 - Administrator invoices for credits generated



ter flanc	Year To Date	Report		9)	_ 5884	Work Opper	tenty Credit	10
Sert No.	OCCUPANT CONTRACT CON			-	No. of Concession, Name of Street, or other party of the Concession, Name of Street, or other pa	4,004.0)	er teceso	The state of
or Crucial	NOTOWY					THE RELATED THE PARTY OF	second and a second second	
	EH			-	Acres de las constitues de la constitue de la		by several of projection rate and	
	Fector Entire (1010)				a bushe to use loans of	attentions with booker for in		
•	COLUMN TO SERVICE TO MAKE	To the second	2,100	and because the	E SANCTON OR SON			
	\$70000 Sunta Sul 1	E-10		110	of bear fill four	-	1 / 10/0 8	
197	421(910)0000000000000000000000000000000000	(NOTE W.N.) 14	2776 81	0.00	# Date and the same	of the same of the same	//	
81	\$5000 Salar Salar \$15000 Salar Salar	SECTION 10 APR 74	379 E		E and the contract of	COUNTY OF THE PARTY OF		
173		BOSTES	376 63	4.00		and a second		
13	VAN RELIEF EXT		44 11				Section school of the life	
DE .	100000000000000000000000000000000000000	15,5% HI	275 50	175	Ald Tray and 3. Parks 0.500 p.m.line i	7	and the about in blooking to 100	
	200010 02450 0225	2020 10 10 201 12	75% 17		to many factor	acception manual	de interesse . A.	
117	410010 51211 5121	S05510 SF 55	791		* supplemental	/		
101	5505 til harte Dict		475 TO	100	Samongham	naite III il turn a promise to	tricina indicatoral	
E7	\$50000 Save Date		109 312		8 Interplantation	and arts used that organic	in a far yet that began after \$150.	
75	\$150910 Suate For S	90307F 90307F	100			of the Nation Party Charles		
41	Attract tilburse bed t	1011010 SE14	(77%) 57			and and provide an		-
(4)	\$550 V 550 V 551 V	100 m	194		Mil. Add that Emough 6 Treats the amount or Turn Selb or	retus septor dictions in to the	The Paris II Marries ages III	
er:	8750010 Sustan Fox 1	NAME OF TAXABLE PARTY.	100 E	136		o of the societative of being	Name of the agent of that the	
(1)	B1900 Kill State Set 1	11 11 11 11 11 11 11 11 11 11 11 11 11	10°C 13	-	MANUFACE			_
	Total Yax Creda	5015	-		M toyouthin ships and (MI) he file		na to trace that around its form	
200000	MAY ST	TIME /			General Instructions		No. of the Assessment of the Party of the Assessment of the Assess	right plus March 10 of transport is fine
P500313	1659/19	M. 377 M				and the same	Particular of Farm	
1910113	DAME III	N/A/A	_/		What's New 1 To regard progen by tacketing	arranger seasons are		on and to quite
			/		I The temporal progen for technique described on the temporal to make star \$1.0.	minches number	his or most year regge can patrice a process of the control of the	Contract Board and
VIII.	10303 10303	E/80			in The belighted group for Floridate II assisted the englighte stood when to		tonerante, or both leason roughly to do	MILTO THE PACE
250(011)	1100				If Southed pages as not however to recurre by a double-completed y	Committee of Automotive Committee	principal and the fact	militar of source education
	MACOUNT HA	BI 311 00			To Secret Spinish At Rev.		14 h 10 ft	To Mercus
	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	-			THE PERSON NAMED IN COLUMN		14.61.00	racestro.

What's New in WOTC

- Currently 20 states plus Washington, D.C., accept electronic submission of WOTC Forms:
 - Alabama
- lowa Kansas Kentucky
- Arkansas Colorado
- Florida
- Idaho
- Illinois Indiana

- Michigan Minnesota Nebraska Ohio
- Pennsylvania South Carolina
- Texas
- Utah
- Washington
- West Virginia
- Each state develops its own system for accepting electronic submission pending federal approval



What's New in WOTC (cont)

- All but 10 states have committed to implementing electronic filing in the next year
- Electronic filing significantly speeds up the certification process
- Reducing mail expenses, while maintaining your ability to claim these **lucrative** credits
- Authenticated electronic signatures are now valid on WOTC forms
- President Obama recently supported a permanent extension of the WOTC program in his recent budget proposal



Benefits of an Administrator

- A partner to stay on top of the constantly changing legislation
- You're kept aware of updates in forms or special provisions
 - Using outdated forms can sacrifice thousands in tax credit savings
 - In early 2013 a one-time exception was given to consider 2012 forms
- WOTC paperwork is reviewed by experienced partners
 - In some cases, employees unknowingly qualify for the WOTC program based on their address and their age
- Internal administrators often see many forms "fall through the cracks" due to demanding day-to-day operations
 - Sent in past the 28 day window
 - No supporting documentation submitted



Benefits of an Administrator (cont)

- Prevents inaccurate credits being taken and IRS risk
 - In some cases, WOTC can be used in conjunction with other tax credit programs, further enhancing your profitability
- E-filing states may require unique file upload and programming
- Leading administrators are developing online form systems so that employees can submit forms online - a significant benefit
 - Through e-signature, the process can be paperless, saving paper and postage expenses
 - For States offering e-filing, the process is all done electronically from start to finish
- Most administrators feature performance-based invoicing



Empowerment Zone Credits

- Empowerment Zone Tax Credit is worth up to \$3,000 per employee per year
- To qualify, a business and employee need to be located within a designated federal zone
- The eligible employee must perform "substantially all" of work within the zone
- Full time and part time employees are eligible after 90 days
- Existing, new employees, and re-hires are eligible for program
- Can be used in conjunction with the WOTC program
 - Cannot use the same hours and wages for credit purposes



Urban Empowerment Zones

- Pulaski County, AR
- Tucson, AZ
- Fresno, CA
- Los Angeles, CA
- Santa Ana, CA New Haven, CT
- Jacksonville, FL
- Miami/Dade County, FL
- Chicago, IL
- Gary/Hammond/E Chicago, IN
- Boston, MA Baltimore, MD
- Detroit, MI
- Minneapolis, MN
- St. Louis, MO/ East St. Louis, IL

- Cumberland County, NJ
- New York, NY
- Syracuse, NY
- Yonkers, NY
- Cincinnati, OH
- Cleveland, OH
- Columbus, OH
- Oklahoma City, OK Philadelphia, PA/Camden, NJ
- Columbia/Sumter, SC
- Knoxville, TN
- El Paso, TX
- San Antonio, TX
- Norfolk/Portsmouth, VA Huntington, WV/Ironton, OH

Rural Empowerment Zones

- CA Desert Communities (East of LA)
- GA Southwest Georgia United (SW GA)
- IL Southernmost Illinois Delta (Southern IL)
- KY Kentucky Highlands (Central & South Central KY)
- ME Aroostook County (NE Maine)
- MS Mid-Delta EZ Alliance (West Central MS)
- ND Griggs-Steele (Eastern ND)
- SD Oglala Sioux Tribe (SWSD)
- TX FUTURO (Southern TX)
- TX Rio Grande Valley (Southern TX)

State Tax Credits

- Many states have lucrative tax credits- some that even parallel the Federal Work Opportunity Tax Credit
- Currently, ten states have credits for hiring veterans:
- Alabama
 - Illinois
 - New Mexico

West Virginia

Wisconsin

- AlaskaConnecticut
- New York
- Delaware
 Vermont
- Frequently, state credits are based on starting a business, relocating or expanding within a specific designated zone
 - To qualify for these credits, most often a business would need to apply for these programs in advance of creating a new business, relocating or expanding

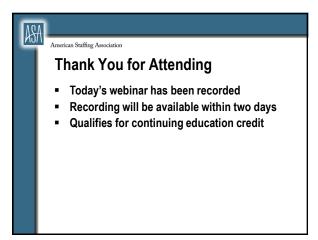
Review

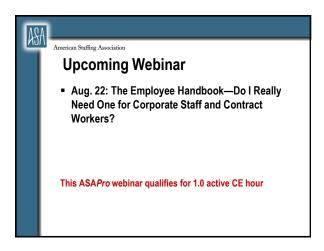
- WOTC program is a lucrative program that can add substantial savings to your company and easily can be added to your day-to-day operations when working with a quality administrator
- Keep in mind only new hires qualify 28 days from start date
- If you are considering expanding, renovating, or adding jobs, consult your tax credit expert beforehand to discuss tax credits
- Take advantage of lucrative tax credits to improve your profitability!





Mike Nethery Tax Credit Consultant HKP 888-556-0123 mnethery@honkamp.com





ASA	American Staffing Association
	Registration is now open for the premier staffing event of the year—the ASA annual convention & Expo The Can't-Miss Event for Staffing very active superince, and to register at the lowest rate available!